Pınar Süt
Annual Report 2009

for a better life

contents

Becoming a regional force

Founded in İzmir in 1975 as the most advanced dairy processing complex in Europe and the Middle East, Pınar Süt was the first brand to introduce and entrench the concept of wellness, standardized milk and dairy products in Turkey.

Pınar Süt is moving rapidly towards becoming a regional force in its hinterland by exporting milk and dairy products to other countries.

Pınar Süt in Brief

The pioneer of many firsts in its sector since the day it was founded, Pınar Süt makes use of the most modern technology available to produce and supply consumers with the milk and dairy products that are essential to good nutrition.

The first to introduce the concept of healthy milk and dairy products in Turkey
When it was originally founded in İzmir in 1975, Pınar Süt was the most advanced dairy processing complex in Europe and the Middle East. Pınar Süt was the first brand to introduce and entrench the concept of wellness, standardized milk and dairy products in Turkey.

The Pınar brand, earning a deserved reputation as "Source of Dynamism, Health, Pleasure and Life", became the preferred choice of Turkish consumers while also making huge contributions both to the growth and development of the Turkish Animal husbandry stock raising and food industries and also to the well-being of new generations of children.

Pınar Süt's principal business activity is the production and sale of dairy products (milk, yoghurt, yoghurt drink, traditional and modern cheeses, butter, cream) as well as of fruit juices, mayonnaise, ketchups, puddings, honey, sauces, jams and jellies, desserts, and powdered products.

A leading role in increased dairy production in Turkey
Pınar Süt introduced the first "long-life" UHT milk packaged in aseptic containers in Turkey in 1975. Operating from plants located in İzmir and Eskişehir, the company has remained the leading brand in Turkey's dairy products industry ever since. Making use of the most modern technology available, Pınar Süt produces and supplies consumers with the milk and dairy products while also playing a leading role in increased dairy production through its year-round support for more than 35,000 suppliers of raw milk.

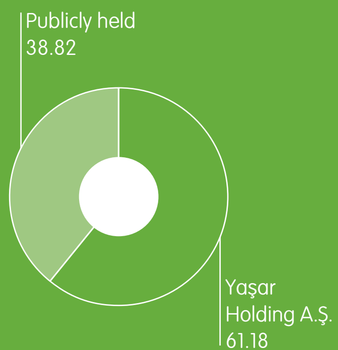
Pınar Süt procures its superior-quality raw milk under agreements with more than 200 of Turkey's biggest dairy farms, which are contractually obligated to produce to EU norms. By serving as these farms' biggest customer, Pınar Süt fosters its own "total quality" concepts among them as well. From the moment that it is harvested, raw milk is registered by means of a computerized system that keeps regular track of herd and animal health data throughout all production stages.

To ensure its freshness and quality, Pınar Süt picks up its suppliers' raw milk twice a day (morning and evening) from more than 300 milk collection and chilling centers and it takes it immediately to its processing plant. Individual dairy producers are subject to strict monitoring and controls by local laboratories while all milk must be controlled by the advanced technology equipped laboratories at the company's İzmir and Eskişehir plants before being accepted.

A regional force
Pınar Süt is moving rapidly towards becoming a regional force in its hinterland by exporting milk and dairy products to many countries around the world. Pınar Süt's raw milk collection and chilling centers are inspected every year for the conformity with the EU standards by an EU commission. The company provides its suppliers with continuous support on the matter of developing and maintaining farms that are free of all diseases, which is a prime requisite for exporting milk and dairy products to EU countries. Through projects conducted jointly with government agricultural agencies in Turkey, an ongoing effort is made to ensure that raw milk production satisfies EU norms.

According to the third-quarter 2009 sectoral results of the Turkish Customer Satisfaction Index survey, Pınar Süt ranked first in its sector with the highest (82%) level of customer satisfaction in the milk and dairy products category. This survey, which is conducted regularly by KalDer (Turkish Quality Association) and which also analyzes competition in Turkey, is the second most comprehensive poll of its kind after those conducted in the United States.

Pınar Süt Shareholder Structure (%)



Issued Capital: TL 44.951.051,25
Registered Capital: TL 80.000.000

Shareholder	Share (%)	Amount (TL)
Yaşar Holding A.Ş.	61.18	27,503,257.79
Publicly held	38.82	17,447,793.46
Total	**100**	**44,951,051.25**

Pınar Süt shares are listed on the Istanbul Stock Exchange with the ticker symbol PNSUT.IS.

Highlights from Pınar Süt's History and its "Firsts"

1975 Pınar Süt is established in İzmir as the Middle East's biggest dairy processing complex and Turkey's **first UHT (ultra-high temperature processed) milk and packaged dairy products manufacturing plant**.

1976 The company begins producing Turkey's **first processed cheese and chocolate milk**.

1978 Pınar sliced kashkaval cheese and Pınar spreadable cheese are introduced to consumers.

1980 A Kraft-Pınar joint venture is launched. Pınar Süt introduces its Deram, Raglet, Maribo, and Cheddar cheese varieties.

1982 The company begins exporting milk, cheese, butter, yoghurt, and strawberry milk to Central Europe, Cyprus, and the Middle East.

1983 Pınar Yem is set up to provide high quality feeds to the Pınar Süt's raw milk suppliers.

Pınar Mayonnaise, Turkey's **first domestically-manufactured mayonnaise** goes on sale.

Pınar Beyaz, Turkey's **first spreadable cheese, and Pınar Whipped Topping**, a powdered whipped topping both go into production.

1984 Pınar Süt begins exporting its labaneh, milk, yoghurt drink, butter, yoghurt, cheese, whipped topping, and mayonnaise products to Kuwait, Cyprus, and Germany.

1985 Labaneh is launched in the Turkish market under the name "Pınar Labaneh".

1992 Pınar Süt is awarded the Turkish Standards Institute's (TSE) "Golden Packaging" award for the introduction of the **first foil-sealed yoghurt container**.

Form Milk, Turkey's **first low-fat milk, and Çikolasüt, chocolate milk made with real, natural chocolate**, go on sale.

1993 Pınar Süt becomes the **first company in its sector to be awarded TS ISO 9002 Quality Management System certification**.

1994 Pınar Süt receives another TSE "Golden Packaging" award for its 10-liter bag-in-box pack design.

Having successfully demonstrated its compliance with European standards in terms of production, sales, and after-sales services, Pınar Süt becomes the **first dairy products company to receive TS ISO 9001 Quality Management System certification**.

1995 Pınar "long-life" fruit yoghurts and prepared desserts go into production.

Turkish consumers are introduced to Pınar light (low-fat) and extra light yoghurts and to low-fat, triangular cheese.

1997 Pınar Süt opens its Eskişehir plant.

1999 Pınar Süt introduces its "Denge" line of lactose-free, high-calcium, and vitamin-enhanced milks.

2000 As a result of investments at the Eskişehir plant, Pınar Süt launches **the world's first continuous-process production of cream-top yoghurt**.

2001 UHT milk supplied in plastic bottles goes into production.

2003 Under an agreement with Sodima, Pınar Süt launches production of fruit yoghurts in Turkey.

2004 Pınar introduces its Kafela, Karamela, and Çikolasüt line of products in packaging specially designed to appeal to young people.

www.pinarmutfagi.com goes online.

Pınar Süt is awarded TS 13001 HACCP Food Safety System certification.

2005 Turkey's **first organic milk and first prebiotic and probiotic dairy products** are introduced to the market.

2007 Pınar's YOPİ line of calcium-, protein-, and vitamin-enhanced dairy products for children goes into production.

2008 Pınar Süt becomes the **first company in Turkey's dairy industry to undertake a Lean 6 Sigma operational excellence and productivity project**.

Pınar Milk for Kids, a milk specially designed for child nutrition, is introduced to the market.

2009 Pınar lemonade and tropical fruit drink are introduced to the market.

Pınar Süt's Competitive Advantages

The best name in milk and dairy products in Turkey

Strong financial performance
- Experienced but youthful workforce
- Continuous cost-base improvement
- Innovative culture
- Extensive distribution network
- Group-wise synergies

The most advanced technology
- Investments in new and better technology
- Highest production quality and compliance with hygienic and EU standards
- Productive supplier processes
- 100% traceable production processes
- Systematic supplier performance evaluation

Strong brand
- Ranked first in the Turkish Customer Satisfaction Index survey in the milk and dairy products category
- Ranked first among brands that first come to mind in the dairy products category
- Close communication with suppliers and consumers
- One of the first members of the Turquality project to support Turkish-made products internationally

Pınar Süt by Numbers

• Pınar Süt is the leader of the dairy products sector in Turkey with turnover-based market shares of 26.2% in long-life milk, 39% in children's milk, 59% in light milk, and 40% in spreadable cheese.

• In 2009 Pınar Süt exported 9,791 tons of goods worth a total of USD 29.7 million.

• In 2009 Pınar Süt booked a net profit of TL 57.8 million, corresponding to a year-on-year rise of 69%.

Production Facilities - İzmir	
Covered area	40,854 m²
Open area	89,264 m²
Total area	**130,118 m²**

Production Facilities - Eskişehir	
Covered area	16,650 m²
Open area	133,326 m²
Total area	**149,976 m²**

Pınar Süt by Numbers

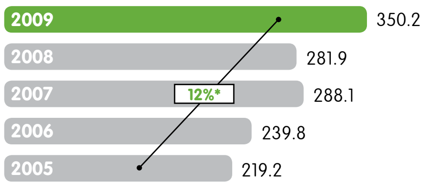
Financial Highlights

(TL million)	2009	2008	% change
Total assets	479.2	424.3	12.9
Shareholders' equity	350.2	281.9	24.2
Financial liabilities	20.0	29.5	-32.2
Sales revenues	481.0	482.8	-0.4
Profit before taxation on income	71.2	40.8	74.5
Net period profit	57.8	34.2	69.0
Earnings per share (TL)	1.2863	0.7605	69.1

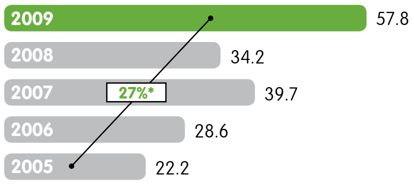
Financial Ratios

	2008	2009
Total liabilities/Total assets (%)	33.55	26.92
Total liabilities/Shareholders' equity (%)	50.49	36.84
Return on sales (%)	7.08	12.02
Current assets/Current liabilities	1.45	2.15
Equity turnover ratio	1.71	1.37
Net financing costs/Net sales (%)	4.02	0.97
Net financing costs/Shareholders' equity (%)	6.89	1.34

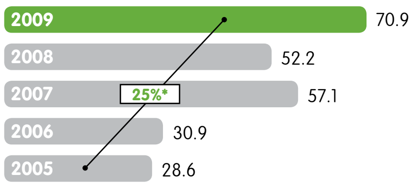
Shareholders' Equity (TL million)



Net Period Profit (TL million)



EBITDA (TL million)



* Compound Annual Growth Rate (CAGR).

Market Shares

Long-life milk

26%

1st in sector

Light milk

59%

1st in sector

Children's milk

39%

1st in sector

Spreadable cheese

40%

1st in sector

Source: Nielsen

Production (tons)

Products	2009	2008	% change
Milks & fruit juices, cream, puddings	173,155	184,227	(6)
Butters, sauces, honey, jams & jellies	12,836	12,146	(6)
Yoghurts & cheeses	44,292	47,975	(8)
Powdered products	440	920	(52)
Total	**230,723**	**245,268**	**(6)**

Sales (TL)

Products	2009	2008	% change
Milks & fruit juices, cream, puddings	305,529,739	312,609,178	(2.26)
Butters, sauces, honey, jams & jellies	75,306,672	67,582,982	11.43
Yoghurts & cheeses	224,329,490	221,994,453	1.05
Powdered products	3,705,463	6,025,493	(38.50)
Other	18,488,405	25,912,978	(28.65)
Total	**627,359,769**	**634,125,084**	**(1.07)**

Chairperson's Message

A source of health, pleasure, and dynamism

Pınar Süt has been the author of numerous firsts in the Turkish food industry as well as a source of health, pleasure and dynamism for its consumers.

For three and a half decades, our company has been drawing on the strengths of its values, corporate culture, and experience in its ongoing efforts to create that which is better and to deliver it to its consumers. In the years ahead we shall be no less dynamic and resolute in our determination to undertake many new investments and to lead the way with innovative practices in our sector.

As Yaşar Holding we take justifiable pride in having carried out the most important venture aimed at healthy nutrition in our country by providing our children and our consumers with Turkey's first, long-life, hygienically packaged milk through Pınar Süt in 1975. Since the day it was founded, Pınar Süt has always abided by its principle of contributing towards the physical and mental development of its consumers and towards the nourishment of healthy new generations by means of the products that it makes and the services that it provides. In the fulfillment of its mission of delivering wholesome nourishment, Pınar Süt has been the author of numerous firsts in the Turkish food industry as well as a source of health, pleasure and dynamism for its consumers.

While pursuing its corporate objectives in 2009, our company continued to remain strongly positioned in terms of financial performance and market share.
Taking all of the foreseeable factors into account given the economic conditions of 2009, we successfully applied our strategies and maintained our consistent performance. Our company achieved successful results in its budget targets thanks to the effective management, production, marketing, and sales activities that it carried out. The financial and operational results that we registered enabled us to make it through the economic crisis and ensuing economic recession without serious problems.

Our financial performance in 2009 enabled us to achieve our budgeted results. As of year-end we showed a turnover worth TL 627 million. Last year Pınar Süt booked net sales amounting to TL 481 million. Pınar Süt's EBITDA amounted to TL 71 million while the company also generated a profit-per-share figure of TL 1.2863.

Our company's vision is to make change both permanent and manageable.
Although consumers' attitudes towards food products are subject to tremendous variability based on changes in their habits, one of their most fundamental concerns is the quality and wholesomeness of the food that they eat. At the same time, there has also been a significant increase in the demand for foods which contain ancillary health benefits that go beyond their purely nourishment value.

So-called "open milk" (milk peddled by unregistered/unlicensed vendors) has fallen into increasing disfavor in the Turkish market in recent years while packaged milk is entering more and more households. Moreover it is to be observed that most of this growth stems from the move towards UHT processed milk.

With its corporate vision of seeking to make change both permanent and manageable, Pınar Süt takes a proactive approach to spotting and internalizing market trends and to making changes in its product lineup as necessary. The new products that we brought to the market in 2009 are the best possible evidence of our commitment to this approach.

We believe that the demand for packaged dairy products will continue in 2010 while the trend towards health-beneficial products observed in 2009 will grow even stronger. In line with this belief, our aim will be to continue making innovations in the product groups in which we are active available to consumers in the years ahead as well.

The focal point of our R&D work is to better understand the needs of our consumers and to develop products that meet their changing requirements.
A fundamental principle adhered to by Pınar Süt is to produce goods that best suit the customer's demands and needs. Because of this, our company keeps a close watch on consumer preferences as they change and develop.

In line with this, Pınar Süt enters into discussions and collaborates with academic and professional organizations whenever necessary. In addition to developing new products, our R&D department also takes part in agriculture ministry projects whose aims are to revise existing or to formulate new laws and regulations that will be in the best interests of consumers as well as of those of the dairy industry as a whole.

Pınar Süt believes that sustainable development can only be achieved to the degree that environmental, economic, and social sustainability are also achieved.

Our long-term relationships based on many years of working together with dairy farmers and suppliers give us strength.
As a result of our sense of responsibility towards our farmers in the Aegean region and elsewhere in Turkey and of our own understanding of what business partnership means, we continue to provide both veterinary and artificial insemination services. We believe that our biggest contribution to Turkey's dairy industry has been the way in which we have fostered the well-being of our country's dairy farmers by tapping the full potential of their raw milk production.

The raw milk that Pınar Süt uses to produce the milk and dairy products that entered 44% of our country's households in 2009 was procured from more than 200 dairy farms. To ensure its freshness and quality, Pınar Süt picks up its suppliers' raw milk twice a day (morning and evening) from more than 300 milk collection and chilling centers and it takes it immediately to the processing plants. Pınar Süt was the first–and is still the only–producer of certified organic milk in Turkey.

The most important prerequisite for high-quality milk and dairy products naturally is to use only high-quality raw milk.

Pınar Süt only uses raw milk which is obtained from disease-free animals, whose microbiological quality is superior, which contains absolutely no additives or impurities, and whose fat, protein, and fat-free dry matter values are all high. In this way the company ensures that the final product is absolutely wholesome, pure, and standardized and that it will suffer virtually no physical or other impairment even during its long shelf life. Pınar Süt successfully eliminates every factor which might arise from its raw materials and which might pose a risk for human health.

All the high-quality raw materials that we use in our production are processed into the final product in full compliance with the requirements of laws and regulations, standards, hygiene and health conditions, and food safety rules at every stage. Only products that pass strict physical, chemical, organoleptic, and microbiological analysis are sent out, under cold chain conditions wherever necessary, to be sold to consumers.

We give priority to making efficient use of natural resources in all our production processes from raw material procurements onwards and to developing products that contribute towards energy conservation.

Sustainable development is the only method whereby the efforts to achieve economic growth and to improve affluence may be realized while also protecting the environment and safeguarding the quality of life of everyone on the planet.

Pınar Süt believes that sustainable development can only be achieved to the degree that environmental, economic, and social sustainability are also achieved.

Taking this belief as our point of departure, we give priority to energy conservation and to the use of productive renewable energy resources rather than non-renewable ones in our production processes. In order to support energy conservation and efforts to reduce pollution, we closely monitor and give attention to energy consumption and process effluent values when reconsidering and revising our production activities.

At the same time, our nature-friendly environment mission provides the key to the realization of the sustainable development philosophy that shapes all of our activities. When undertaking investments to ensure our continued success, we take pains to protect the environment: reducing any adverse impact, whether it stems from our production facilities or from our products, is always one of our priority objectives.

Pınar Süt's activities are conducted subject to ISO 14001 Environmental Management System certification with the aims of increasing the effectiveness and of minimizing the environmental risks of its İzmir and Eskişehir plants.

Because we know the importance of living in a cleaner world and because we want to live in such a world ourselves, reducing both the natural resources that we consume and the waste that we generate are matters of great importance for us.

We give as much preference as possible to the use of recyclable materials in our packaging. The outcome of this attitude is that no less than 98% of the materials that go into our product packaging are recyclable.

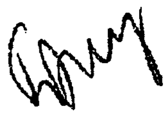
Pınar Süt's mission is to be source of health, pleasure, and dynamism for consumers of every age group.

As Pınar Süt we engage in an ongoing effort to identify our customers' wishes precisely. The results of our findings are used as feedback in fine-tuning all our processes so as to achieve customer satisfaction. Our Communication Center conducts market research and surveys and uses the customer feedback obtained in this way to change and improve processes as need be.

As a consumer-focused brand that is adept at quickly coming up with solutions to address consumers' wishes and needs, we will continue to generate value for all of society as much through the direct and indirect employment that we create, the investments that we undertake, and the taxes that we pay as through the products that we make and deliver.

For three and a half decades, our company has been drawing on the strengths of its values, corporate culture, and experience in its ongoing efforts to create that which is better and to deliver it to its consumers. In the years ahead we shall be no less dynamic and resolute in our determination to undertake many new investments and to lead the way with innovative practices in our sector.

In closing, I extend my sincerest thanks to our valued suppliers and farmers, our customers, our shareholders, and our employees for their great contributions towards our company's past and future success.



İdil Yiğitbaşı
Chairperson of the Board of Directors

Board of Directors

İdil Yiğitbaşı
Chairperson

Yılmaz Gökoğlu
Deputy Chairperson

Mehmet Aktaş
Director

Hakkı Hikmet Altan
Director

Hasan Girenes
Director

Ali Sözen
Director

Zeki Ilgaz
Director

Senior Management and Board of Auditors

Senior Management

Ergun Akyol
General Manager

Mustafa Şahin Dal
Financial Affairs and Budget Control Director

Muzaffer Bekar
Finance Director

Erhan Savcıgil
İzmir Plant Director

Gürkan Hekimoğlu
Eskişehir Plant Director

Board of Auditors

Kamil Deveci
Member

Onur Öztürk
Member

Terms of Office of the Company's Directors and Statutory Auditors

Board of Directors

Name	Title
İdil Yiğitbaşı	Chairperson
Yılmaz Gökoğlu	Deputy Chairperson
Mehmet Aktaş	Director
Hakkı Hikmet Altan	Director
Hasan Girenes	Director
Zeki Ilgaz	Director
Ali Sözen	Director

• At the annual general meeting held on 13 May 2009, the following elections to seats on the Board of Directors were approved: Hakkı Hikmet Altan, who replaced Taşkın Tuğlular; Hasan Girenes, who replaced Ata Murat Kudat; Zeki Ilgaz, who replaced B. Safa Ocak.

• At a meeting of the Board of Directors held on 18 June 2009, İdil Yiğitbaşı was elected chairperson of the Board of Directors and Yılmaz Gökoğlu was elected deputy chairperson of the Board of Directors.

• On 24 September 2009, Ali Sözen was elected to a seat on the Board of Directors to replace Emine Feyhan Yaşar, who resigned as of 14 August 2009.

Limits of Authority:
The chairperson and members of the Board of Directors possess all of the authorities provided for under the Turkish Commercial Code and under articles 11 and 12 of the company's articles of incorporation.

Board of Auditors

Name	Appointed on	Term of office
Kamil Deveci	13.05.2009	1 Year
Onur Öztürk	13.05.2009	1 Year

Limits of Authority:
Under article 15 of the company's articles of incorporation, the duties, authorities, and responsibilities of the statutory auditors are governed by the principles set forth in the relevant articles of the Turkish Commercial Code.

Macroeconomic and Sectoral Overview

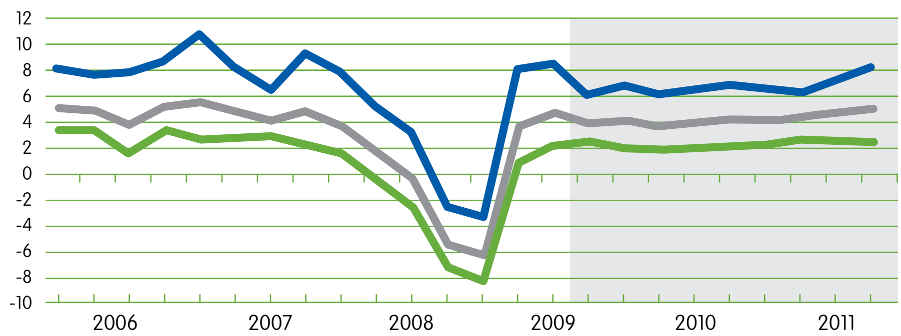
the global economy signs of improvement

The contraction in total demand triggered by the global economic crisis affected the Turkish economy as well.

Global raw milk production amounts to about 670 million tons, to which Turkey contributes about 11-12 million tons, a performance that ranks it in 15th place in the world.

A gradual transition
Even though the recovery has begun what is most certain is that the timing of the crisis-exit process is going to be tricky and that a gradual transition is going to be required.

Real GDP (Annual change %)



Source: IMF

The World Economy

Responding to the packages of fiscal and monetary measures put into effect by the governments of the world's developed and developing countries to deal with the global crisis, a process of economic recovery got under way in the third quarter of 2009.

However despite factors that support a positive outlook such as strong domestic demand and rising consumption outlays in the USA and other leading economies, a return by manufacturers to building up stocks, and normalization of the terms of global trade, there have been only dilatory improvements in the global economy's leading indicators so far. Factors such as high unemployment rates, persistently tight credit, and severe impairments in budget balances in particular suggest that any recovery in the global economy will be slow and is going to take time.

According to its most recent (January 2010) revision, the International Monetary Fund (IMF) posits a 0.8% contraction in the global economy during 2009 while also projecting growth rates of 3.9% in 2010 and 4.3% in 2011.

As a result of weak demand brought on by the global credit crunch, inflation remained in decline throughout the downturn. This in turn made it possible for the monetary authorities of both the developed and the developing countries to relax monetary policies to a significant degree in the effort to limit the effects of the cutback in economic activity. Responding to such expansionist monetary policies, interest rates fell to historically low levels.

Suggestions that economies have bottomed out and that recovery has begun provoke debates over when expansionist fiscal and monetary policies should be ended and when monetary authorities should begin raising interest rates again. At this juncture what is most certain is that the timing of the crisis-exit process is going to be tricky and that a gradual transition is going to be required.

According to end-2009 figures, the twelve-month rises in CPI and PPI were 6.53% and 5.93% respectively.

The Turkish Economy

The contractionary pressures that the global crisis exerted on total demand made themselves felt in the real sector of the Turkish economy as well and they caused both production and employment figures to fall.

Having become quite evident in the last quarter of 2008, the contraction in the Turkish economy increased its impact in the first quarter of 2009, during which there was a quarter-to-quarter GDP decline on the order of 14.7% compared with 2008. Beginning with the second quarter of the year however, the contraction began to slow down with the result that the overall decline in the first 9 months was 8.4%.

By contrast, economic growth is now thought to have resumed in the last quarter of the year. This outcome is attributed largely to four developments:

- The Central Bank's cuts in its short-term interest rates finally kicked in and began to take effect, albeit after some delay.
- Banks in general supported consumption by lowering their credit interest rates.
- As developed countries' economies began showing signs of recovery, Turkish-made goods discovered new market opportunities and this spurred the growth of the country's exports.
- Poor economic performance in the first three quarters created a low so-called "base effect" that seemed to amplify the results in the last quarter.

In light of these developments the Turkish economy shrank 4.7% overall in 2009.

The official unemployment rate, widely regarded everywhere as the most important structural indicator of economic activity, reached a record-breaking 16% in Turkey before receding to the 13% or so level in the last quarter.

Paralleling declines in domestic and foreign demand, Turkey experienced significant contractions in both its imports and its exports throughout 2009. Indeed imports shrank faster than exports with the result that there was a significant reduction in the country's foreign trade deficit. CIF imports were down 30.3% year-on-year to USD 140.8 billion while FOB exports shrank 22.6% to USD 102.2 billion. Even Turkey's "suitcase trade" suffered, dropping 22.9% to USD 4.8 billion last year.

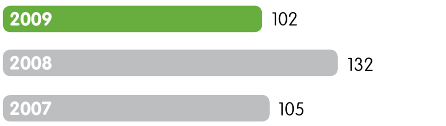
The current account deficit, which hitherto had been moving along a precarious course, continued to decline all year long, dropping 67% in the twelve months to end-2009 from USD 41.9 billion to USD 13.8 billion. Nevertheless rises in energy prices and renewed demand for imports are likely to resume widening the deficit once again, however slowly.

Despite some improvements in the month of December, the central government budget deficit stood at TL 52.6 billion as of end-2009, three times what it had been the year before. The factors contributing to this result are said to be rapid growth in

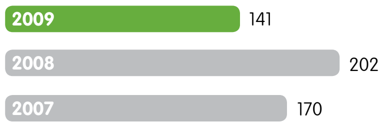
Foreign trade down
The effects of the global economic crisis made themselves felt in Turkey's foreign trade, which was down 2.72% by total volume.

Slow down in contraction
Beginning with the second quarter of the year, the contraction began to slow down with the result that the Turkish economy shrank 4.7% overall in 2009.

Total Exports (USD billion)



Total Imports (USD billion)



GDP Growth Rate (%)

current account transfers (nourished especially by local elections in the first quarter of the year) on the expenditures side and, on the revenues side, tax and non-tax receipts that were lower than what they had been in 2008 as a result of depressed economic activity in 2009. During the same period the non-interest surplus also shrank from TL 33.2 billion to TL 571 million.

The government has announced its medium-term program covering the years 2010-2012, according to which it is said that importance will be given to policies aimed at permanently increasing production, investment, and exportation in the national economy. Foremost among the measures that are to be taken is the introduction of the so-called "golden rule" of fiscal policy whose aim is to ensure that the ratio of public sector debt to national income remains sustainable over the medium and long terms.

When the marked contraction in the propensity to consume and in total demand combined with sharp declines in commodity prices, the result was a rapid drop in inflation rates everywhere in the world, including Turkey. According to end-2009 figures, the twelve-month rises in CPI and PPI were 6.53% and 5.93% respectively.

Anticipating that there would be a rapid decline in inflation beginning with the last quarter of 2008, the Central Bank focused its attentions on containing the damage that this might potentially cause to economic activity. While rapidly reducing its short-term interest rates in this process, the bank adhered to a liquidity policy that sought to maintain a balance and to loosen up credit markets. As a result of the interest rate cuts that the Central Bank began making in October 2008, short-term interest rates dropped to the 6.50% level as of November 2010.

In 2009, the packaged milk market in Turkey increased by 9% on a turnover basis.

The dairy industry

According to United Nations Food and Agriculture Organization (FAO) figures, on a global basis the dairy industry ranks among the world's fastest growing sectors, having increased in value by an average of 9% a year over the most recent decade. Although the global dairy market increased by only a third of that (3%) in 2009, its still was worth on the order of USD 260 billion. The Turkish market by contrast amounted to TL 2.5 billion (about USD 1.7 billion) in value.

Global raw milk production amounts to about 670 million tons, to which Turkey contributes about 11-12 million tons, a performance that ranks it in 15th place in the world.

Of the raw milk produced in Turkey:

- 27% is processed in large-scale dairy plants
- 33% is processed in small-scale dairy and farm operations.
- 20% is consumed by its producers.
- 20% is sold unbottled by informal street peddlers.

Demand for branded dairy products is growing steadily for such reasons as improved consumer buying power, a greater preference for individual choices, heightened concerns about health and food safety issues, and consumer awareness of innovations resulting from global communication. The trend towards branding in the market also gains increasing strength and importance from the fact that milk in particular is consumed mainly by children. Paralleling all such developments, the packaged milk market in Turkey increased by 9% on a turnover basis last year. Looking at the situation in world markets, packaged milk accounted for a 56.1% share of total turnover in 2008 and an almost identical 56.3% share in 2009.

When consumers' habits change, so too do their expectations about their food. One of their most fundamental concerns is the quality and healthiness of the food that they eat. At the same time, there has also been a significant increase in the demand for foods which have health benefits that go beyond their nourishment value. New consumer preferences are seen to be steering food markets in new ways.

Among the leading trends that gained momentum in 2009 was a preference for foods containing fruits, foods that are naturally healthy, organic foods, foods that help control weight, foods that promote cerebral development, healthy snacks, foods that are conducive to child development, and foods containing antioxidants.

According to market survey reports published by Nielsen, the Turkish market for ordinary milk increased by a barely perceptible 0.3% to 441 million liters in 2009 whereas the tonnage-based rise in light milk was 8% and the market for milk specifically targeted for children grew 36%.

Per capita cheese consumption in the United States amounts to 15 kgs a year while among EU countries the average is approximately 17 kgs. (Source: OECD 2009.) In Turkey by contrast it is a mere 6 kgs or so. (Source: HTP.)

The cheese market in Turkey grew by 7% year-to-year in 2009 with a total production reaching 418,000 tons. As has been the case for several years, the demand for prepackaged products continued to grow: packaged cheeses grew much more rapidly at 17% and accounted for a 24% share of the overall cheese market. The biggest rise in the packaged cheese category took place in Turkish white cheese, which was up by 23%. (Source: HTP.)

In the case of spreadable cheese, the year-on growth was 6% and its overall share in the packaged cheese market was accounted as 11%. Along with that growth, the household penetration rate of spreadable cheese reached 52% last year.

Assessment of 2009 Activities

Leading products that consumers identify with

Pınar brand; identified as "Source of Dynamism, Health, Pleasure and Life", has integrated with Turkish consumers in a short period and made great contributions both to the growth and development of the Turkish animal breeding, food industry and for the healthy growth of the new generations.

24% of Turkey's milk and dairy product exports
Pınar Süt by itself accounted for 24% of Turkey's milk and dairy product exports last year.

Turkey's first and only organic milk
Pınar Süt is the first–and still the only–producer of certified organic milk in Turkey. Organically-produced milk processed at the company's Eskişehir plant is tracked at every stage of production until final delivery to the consumer.

Sustainable leadership
According to the third-quarter 2009 sectoral results of the Turkish Customer Satisfaction Index survey, Pınar Süt ranked first in its sector with the highest (82%) level of customer satisfaction in the milk and dairy products category. Pınar Süt also ranked first (with a rating of 30.5%) in the "Milk" category of the ""Most Recognizable Brand" survey conducted every year by the independent research firm of Nielsen.

In 2009 Pınar Süt produced a total of 230,723 tons of milk and dairy products, a performance that translates into an average capacity utilization rate on the order of 69.8%.

Pınar Süt remained the leader, controlling a 26.2% share of the market turnover in long-life (UHT) plain milk and a 59% share in the case of light milk. Last year Pınar Süt also became the leading supplier of specially designated children's milk by taking a 39% share of that segment as well. Pınar Süt's leadership in the spreadable cheese market was also reaffirmed with a 40% share of that segment's turnover. In the fresh cheese category, Pınar's Beyaz, Cream Cheese, and Labaneh labels remained the segment's leader with market shares of 81%, 16% and 54% respectively.

Turkey's leading exporter of milk and dairy products
Continuing to grow in international markets without any loss of momentum, Pınar Süt by itself accounted for 24% of Turkey's milk and dairy product exports last year. (Source: Aegean Exporters' Association reports.)

Pınar Süt's exports were worth USD 29.7 million in 2009. This is nearly three times their 2002 value of USD 11.3 million.

In 2009 Pınar Süt exported goods to 25 countries. The company's leading export markets last year were Saudi Arabia, Kuwait, United Arab Emirates, Turkish Republic of Northern Cyprus, Azerbaijan, and Bahrain. Last year Pınar Süt began moving into the Syrian and Iranian markets with a broad selection of its milk and dairy products. "Pınar Labaneh" in particular commands a leading 45% market share for labaneh in Gulf countries, to which the company also exports UHT milk, Turkish white cheese, cream cheese, cream, fruit juices, yoghurt, and yoghurt drink. In addition to these countries, Pınar Süt also exports goods regularly to USA, Jordan, Kazakhstan, Uzbekistan, Kyrgyzstan, Turkmenistan, Yemen, Kosovo, Iraq, and Libya.

Marketing activities that are based on customer satisfaction
Pınar Süt's production and sales cycles are based on the principle of supplying the highest-quality goods to customers at the right price. In addition to this rule, great importance is also given to logistical considerations and to timing, all with the aim of carefully responding in the best way possible to customers' needs at all times in a completely integrated manner. Each one of these elements is a separate heading to which Pınar Süt gives the utmost attention.

In order to respond to customers' wishes in the fastest and most complete way possible, Pınar Süt adheres to the following criteria in the formulation and implementation of its marketing and sales policies:

- Plan production effectively
- Develop new products
- Keep sufficient stocks of goods on hand
- Determine equilibrium price levels
- Identify the most appropriate payment terms.

An extensive product portfolio

Pınar Süt is a company which is dedicated to the principle of making products that best suit customers' demands and needs and which keeps a close watch on consumer preferences as they change and develop.

Functional Products

- Toddler & Follow-On Milk (plain/banana)
- "Denge" product line
  - Omega 3 Milk
  - Calcium + Vitamin A, D & E Milk
  - Lactose-free Milk
- "Light" product line
  - 50% Light Milk
  - Light Milk
  - Pınar Light Beyaz
  - Pınar Light Labaneh
  - Pınar Light Yoghurt
  - Pınar Light Mayonnaise
- Pınar Kids Follow-On Milk

Milk

- Boxed milk
  - Long-Life Milk
  - Organic Milk
- Pasteurized Day-Fresh Milk
- Pınar Kido Milk (Strawberry, Banana, Chocolate)
- Pınar Flavored Milk (Chocolate, Coffee)
- Bottled Milk
- 50% Light Milk
- Light Milk

Yoghurt

- Pınar Natural Yoghurt
- Pınar Natural Yoghurt Semi-Fat
- Pınar Natural Yoghurt Full-Fat
- Pınar Natural Yoghurt Light
- Light Yoghurt

Yoghurt Drink

- Pınar Yoghurt Drink (Ayran) bottled
- Pınar Yoghurt Drink (Ayran) in plastic cup

Cheeses & Butters

- Spreadable cheeses
  - Pınar Beyaz
  - Cream Cheese
  - Pınar Beyaz Light
  - Pınar Labaneh
  - Pınar Labaneh Light
- Convenience cheeses
  - Pınar Kido Triangular Cheese
  - Pınar Sliced Burger Cheese
  - Light Triangular Cheese
  - Pınar Sliced Toast Cheese
- Traditional cheeses
  - Fresh Kashkaval Cheese
  - Full-Fat White Cheese
  - Light White Cheese
- Butters
  - Butter in cup
  - Traditional Butter
  - Roll Butter
  - Block Butter
  - Portioned Butter
- Special Cheeses
  - String Cheese
  - Cheddar Cheese
  - Mozzarella Cheese

Standardized product quality

Pınar Süt only uses raw milk which is obtained from disease-free animals, whose microbiological quality is superior, which contains absolutely no additives or impurities, and whose fat, protein, and fat-free dry matter values are all high. In this way the company ensures that the final product is absolutely healthy, pure, and standardized.

Fruit Juices

- Fruit Nectars
  - Sour Cherry Nectar
  - Peach Nectar
  - Mixed Mediterranean Fruit Nectar
  - Apricot Nectar
  - Orange Nectar
- 100% Pure Fruit Juices
  - Pınar 100% Pure Orange Juice
  - Pınar 100% Pure Apple Juice
- Fruit Drinks
  - Pınar Lemonade
  - Pınar Tropical

Condiments

- Sweet Sauces
  - Pınar Chocolate Sauce
- Ketchup (regular / hot)
- Mayonnaises
  - Jar Mayonnaise
  - Squeeze-Bottle Mayonnaise
  - Light Mayonnaise
- Pınar Mustard
- Pınar Whole Cream

Desserts & Sweets

- Convenience Desserts
  - Kido Puddings (chocolate, banana)
  - Puddings (chocolate, banana, vanilla)
  - Whipped Topping Cream
  - Pastry Cream
  - Powdered Desserts

Bulk-Packed Products for the Food Trade

- Milk
  - Food Trade Milk (1 lt full-fat & semi-skimmed)
  - Pınar Bag-In-Box Milk (10 kg full-fat & semi-skimmed)
- Cheeses
  - Labaneh (750 gr)
  - Pınar Beyaz
  - Pizzarella
  - Sliced Toast Cheese (1.6 kg)
- Butters
  - PVC-cup portions (10-15 gr). Foil-wrapped (15 gr, 500 gr, 1 kg, 5 kg, 25 kg)
  - Roll Butter (500 gr)
- Yoghurt
  - Pınar Natural Yoghurt (9 kg buckets)
- Yoghurt Drink
- Milk Powder
  - Skim Milk Powder
  - Full-fat milk Powder
  - Whey powder
- Sauces
  - Pınar Service Mayonnaise
  - Pınar Service Ketchup
  - Pınar Bucket Mayonnaise
  - Pınar Bucket Ketchup

In line with this, Pınar Süt R&D once again closely monitored international trends and developments and engaged in intensive laboratory work during 2009.

R&D and new products
In keeping with its principle of taking a customer-focused approach in the making of products that satisfy customers' demands and needs, Pınar Süt gives great importance and priority to research and development activities in order to keep a close watch both on consumer preferences as they change and develop and on technological advances in its sector and around the world. In line with this, Pınar Süt R&D once again closely monitored international trends and developments and engaged in intensive laboratory work during 2009.

Pınar Süt R&D carried out research and development work at its İzmir and Eskişehir plants in the following areas:
• Developing new products
• Identifying input and supplier alternatives
• Improving products and costs

In order to keep better track of worldwide developments and innovations, Pınar Süt R&D took part in national and international fairs, symposiums, congresses, seminars, supplier meetings, and training programs dealing with such issues as new products, new packaging, raw materials, and additives. During 2009 Pınar Süt introduced two new consumer products: Pınar Süt Lemonade (in 1,000-ml and 200-ml packaging) and Pınar Mixed Tropical Fruit Drink (1,000-ml packaging).

Also during 2009, innovative new packaging for eighteen products was designed to provide consumers with greater convenience and economy and was put on the market in Turkey and abroad.

Strategic investment plan
During 2009 Pınar Süt once again continued its ongoing efforts to carry out projects in line with its strategic investment plan and with the aim of increasing total output and quality in all matters pertaining to production, environmental protection, and people. In 2009 Pınar Süt spent a total of TL 5.6 million on all of its investments, which are broken down as follows:
• Land & buildings TL 127 thousand
• Machinery & equipment TL 4.4 million
• Fixtures TL 1 million
• Intangible fixed assets TL 70 thousand

Human resources: The strength that underlies all corporate success
Conducting its activities in line with its mission of delivering health, pleasure, and dynamism while never sacrificing quality, Pınar Süt knows that the essential strength underlying its success lies in people.

The foundations of Pınar Süt's success are rooted in the company's awareness that people are the true source of its strength. The fundamental mission of Pınar Süt Human Resources is to ensure that the company has all of the productive, motivated, and high-performing human resources that it needs. Believing that improving its employees' performance improves its own corporate performance as well, Pınar Süt successfully achieved its targets in 2009 with 725 people on its payroll.

Pınar Süt gives great importance to its employees' career progression. In 2009 the company provided a total of 10,304 hours of training time for its personnel. Last year Pınar Süt provided traineeship positions for 170 high school and university students while also taking part in university campus career days and providing students with information about itself and its sector.

Pınar Süt's "People First" approach and objectives

- Pınar Süt engages in competency-based selection and placement practices in line with its twin principles of "Put the right person in the right job" and "Give priority to in-house promotion".
- Pınar Süt ensures that company and individual objectives coincide and are achieved with the aid of a performance evaluation system. It monitors all of its employees' personal development, career planning, compensation, and merit award processes based on the results of such evaluations.
- Through programs such as its Productivity Competition and its Operational Cost Improvement System, Pınar Süt encourages employees to better themselves while also coming forth with criticisms and suggestions that are aimed at improving existing processes.
- Pınar Süt solicits its employees' views and opinions through regularly conducted employee opinion polls and enhances employee satisfaction through action plans that are devised in line with the results.
- Pınar Süt makes employees feel that they are the valued and important members of one big family through participatory and supportive human resources approaches.

All activities that are carried out in line with these objectives help the company first to identify both its strengths and the areas in which it needs to make improvements and second to develop and implement action plans that are aimed at achieving quality objectives.

Food & Beverage Group subsidiaries

Çamlı Yem Besicilik
Çamlı is active in the areas of feed production (fish feed, dairy and meat cattle feed, poultry feed, and pet foods), cattle and turkey ranching, fish farming, and plant fertilizers. One of the top ten producers of animal feed in Turkey, Çamlı is the pioneering author of many firsts in its sector in the country while also widely recognized for products that are synonymous with quality and confidence.

- In 2009 Çamlı booked feed sales amounting to 120,000 tons. The company markets its animal feeds under three names: "Biofeed", "Active", and "İzyem". Çamlı also has a market presence in fish feed (under the "Bioaqua" name) and in pet foods (under the "Cooldog" name).
- In 2009 Çamlı sold 124 tons of beef carcasses and 1,200 tons of powdered milk. It booked turkey sales amounting to 6,500 tons. In the poultry meat and beef products categories, the company supplies "mini-turkey", "holiday-turkey", and "angus beef" products under the "Çamlı Çiftliği" name.
- In fresh fish products, Çamlı has a market presence under the "Pınar Balık" name. In 2009 the company booked sales amounting to more than 4,000 tons of fresh fish and more than 5,000,000 fry.
- In 2009 Çamlı booked sales amounting to more than 8,000 tons of organically grown produce under the "Biofarm" name.

Yaşar Birleşik Pazarlama
Yaşar Birleşik Pazarlama is a logistics and distribution company that operates as a member of the Yaşar Group Food & Beverages Division. Yaşar Birleşik Pazarlama ensures that all the Pınar-labeled goods which are produced by the group's food & beverage manufacturers and which consist of more than 650 different kinds in 16 different product categories reach consumers by being successfully sold and distributed through a national network of dealerships, regional offices, and more than 155,000 sales outlets.

With its customer-focused sales specialists and experienced dealers numbering more than a hundred, the company continues to build on its productivity-based mass distribution strategy day by day. In addition to its own (Pınar) brand products, since 2004 YBP has also been successfully selling and distributing Nutella, Kinder, and Bueno-brand goods made by Ferrero, the giant Italian manufacturer of chocolate and other confectionery products.

Yaşar Birleşik Pazarlama owns and operates the biggest and most extensive frozen and cold chain sales and distribution network in Turkey.

Pınar Foods GmbH
Based in Germany, Pınar Foods is responsible for the production and sale of Pınar-brand dairy products and water and of Şölen-brand meat products in the European market. The Yaşar Group Food & Beverage Division products marketed in Europe include Pınar Madran bottled water; Pınar-brand full-fat and semi-fat white cheeses, kashkaval cheese, goat-milk and sheep-milk cheeses, cream cheese, homogenized yoghurt, condensed yoghurt, yoghurt drink, and fruit juices; and Şölen-brand grilling soudjouks, beef salami, and beef sausages.

All of the meat and dairy products that the company sells and distributes are produced in partnership with European countries' most distinguished producers. This approach is what makes it possible for Pınar-branded products to occupy the shelves of many of Germany's leading supermarkets. Having achieved all of its 2009 targets, Pınar Foods will be seeking to increase its market shares particularly in the white cheese, kashkaval cheese, and soudjuk segments in 2010. With a 30% market share, Pınar Foods is already the leading exporter of seafood products to Germany from Turkey.

Pınar Anadolu Gıda
Pınar Anadolu Gıda has been a successful and active member of the Yaşar Group since 2000, when it acquired a disused integrated meat and dairy complex in Yozgat in central Turkey and reactivated it for the benefit both of the group and of the national economy. Pınar Anadolu Gıda has built up a portfolio of economy-priced products that are compatible with market developments while positioning itself differently from Pınar-branded goods with its "Yörük" label in meat and its "Truva" label in dairy.

Environment & Sustainability

A special effort is made to employ environment-friendly materials and technologies in newly designed products and to make use of recyclable packaging.

In the conduct of its production activities, Pınar Süt gives the utmost attention to protecting the environment, to making effective use of natural resources, to preventing pollution, to reducing waste, to minimizing water and energy use, to making continuous improvements and enhancements, and to complying with all environment-related laws and regulations.

Pınar Süt employs a TS EN ISO 14001 Environmental Management System in its plants with the aims of protecting the environment and of minimizing any harm that may be caused to it. Accordingly Pınar Süt has identified its environmental performance criteria and has formulated plans and set targets form making improvements. As a requirement of environment management system certification, environmental impact inventories have been drawn up in all units and environmental impact files have been developed in which the seriousness of environmental impact results are compared against these inventories. In addition, supplier assessment systems have been set up under which suppliers' own environment management systems and their operation are evaluated.

Under the annual environment management plan and programs whose performance is monitored all year long, the company seeks to achieve improvements in its efforts to reduce resource consumption.

In Pınar Süt, 98% of packaging products used in production consists of recyclable materials.

Pınar Süt's products also reflect the company's sense of environmental responsibility. When designing new products, care is given to making use of environment-friendly materials and technologies while preference is given to packaging which is recyclable.

In Pınar Süt, 98% of packaging products used in production consists of recyclable materials.

In order to support energy conservation and pollution reduction, Pınar Süt gives priority to an examination of existing energy consumption and effluent figures when considering revisions in its production activities.

Water that is used in recyclable waste materials and production is reused after undergoing laboratory analysis. Waste water is one of the most important production process effluents in terms of environmental impact. The projects that the company has carried out in this area have resulted in a 15.75% decrease in the amount of waste water that is generated.

ÇEVKO collaboration

Pınar Süt conducts its activities under a contractual agreement with the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO), which has been designated an "authorized agency" by the Ministry of Environment and Forestry pursuant to the Packaging Waste Control Regulations.

ÇEVKO collaborates with local governments and licensed firms to collect the packaging waste resulting from Pınar Süt-brand products that have been sold to consumers. As a result of these efforts, the company has achieved a recovery rate of 36% of the packaging on the products that are sold to market.

Pınar Süt's quality philosophy

Pınar Süt's quality policy is rooted in the principles of fully meeting consumers' requirements for high-quality and safe food and of giving consumers a sense of well-being.

Pınar Süt is not content just to provide consumers with high-quality, safe products however. At the same time, the company also seeks to ensure that its products conform to their lifestyles and satisfy their health needs at the different stages of their lives. In keeping with this approach, Pınar Süt supplies consumers with goods in more than 200 different types of packaging and sizes.

To ensure that the company provides its consumers with safe food, Pınar Süt has been complying with Hazard Analysis and Critical Control Point (HACCP) practices since 1998. Since 2007, those practices have been integrated into the company's ISO 22000 Food Safety Management System.

As part of its ongoing quality activities, Pınar Süt initiated process management procedures after changing over to the ISO 9001:2008 Quality Management System.

To ensure food safety, Pınar Süt makes use of such modern techniques as Good Manufacturing Practices (GMP) and Good Laboratory Practices (GLP).

Pınar Süt gives priority to providing both the personnel and the resources needed to ensure its safe food production in line with Food Safety System plans. Food Safety training is regularly conducted for the personnel who serve on Food Safety main and support teams and for all personnel who subsequently come into direct contact with food during production.

Lean 6 Sigma projects

A series of Lean 6 Sigma projects were launched at Pınar Süt in 2007. Building on the successes of the Improvement Team Meetings begun in 1987 and of the Operational Cost Improvement System introduced in 1999, these projects have resulted in significant cost benefits.

Pınar Communication Center

The Pınar Communication Center receives, records, and initiates action on complaints, suggestions, proffered information, expressions of thanks, and other feedback that it receives from consumers by telephone, email, fax, letter, etc.

The Pınar Communication Center was reorganized in late 2009 in order to reach consumers faster, address their problems more efficiently, and enhance their satisfaction.

As a result of this reorganization, consumers' calls are now being responded to 24 hours a day 7 days a week. Thanks to its new system, the Pınar Communication Center is accessible on 444 7627 via fixed and mobile lines from anywhere in Turkey without the need for dialing an area code.

Pınar is planning to conduct a customer satisfaction survey in 2010 with the aim of improving its service quality. Work has begun on a project to assess the customer feedback that is received by the Pınar Communication Center in this survey and to ensure that the results are used effectively in improving and streamlining the company's business processes.

Since the day it was founded, Pınar Süt has sought to contribute towards the physical, mental, and cultural development of its consumers and to ensure the wellbeing of future generations.



Social responsibility

Since the day it was founded, Pınar Süt has sought to contribute towards the physical, mental, and cultural development of its consumers and to ensure the wellbeing of future generations through the products that it makes and through the services that it provides.

In line with this goal, Pınar Süt contributes towards numerous projects in the areas of education, sport, culture, and art and it continued to do so in 2009 as well.

Pınar Kido Children's Theater

Since 1987, the Pınar Kido Children's Theater has been employing a professional team of performers, directors, designers, and backstage crews that visits schools in İstanbul, İzmir, Bursa, and Eskişehir throughout each year's theater season and mounts dozens of programs that are specially designed to appeal to children.

During the summer months, the Pınar Kido Children's Theater goes on tour and captures the hearts of thousands of children in other parts of the country. The theater has also been instrumental in launching the careers of many of today's well-known performers such as Bülent İnal, Vahide Gördüm, and Özgür Ozan.

Pınar Kido Art Competition

The Pınar Kido Art Competition has been held for 28 years with the aims of increasing primary school children's interest in art and of contributing towards the development of the artists of the future.

Children from all over Turkey take part in the Pınar Kido Art Competition, which has been focusing on a different theme each year since it was inaugurated in 1981. A record-breaking number of youngsters took part in the competition held in 2009.

From among 799,182 entries submitted from every part of Turkey, the works of twenty-two children were selected by a jury of educators and professional artists and the winners were rewarded with a chance to take part in a one-week art camp in İstanbul under the direction of the well-known artist Hüsamettin Koçan. The talented young artists taking part in the 29th Pınar Kido Art Competition held last year received netbooks and certificates at an award ceremony that was held at the conclusion of the camp.

In 2009 Pınar Süt also organized an in-house art competition for the children of its own employees. The young artists whose works placed in the top three positions received netbook computers as prizes.

Pınar KSK

Pınar has been an advertising sponsor of Pınar Karşıyaka, a basketball team that has been contending in the Turkish Premier Basketball League since 1998. Pınar also finances the Çiğli Selçuk Yaşar sports facilities, which are used by close to a thousand children every year.

"Listen to Me" project

Pınar is the prime sponsor for the "Listen to Me" project conducted by the İzmir branch of the State Theater, Opera and Ballet Employees Foundation (TOBAV) in which training is to be provided to seventy musically talented children and youths.

Under this project, seventy students will be given musical training in line with their individual abilities and skills while also preparing them for the admission examinations in order to attend fine arts high schools, state conservatories, university music departments, and other music schools and to take the first steps towards a career in music.

Publications

Yaşam Pınarım

First appearing in 2004, Yaşam Pınarım is a magazine published by Pınar that seeks to establish and maintain bonds between the company and its consumers and business partners and with academic and governmental circles. Employing an engaging style and delivering unique content, Yaşam Pınarım is published every month in 10,000 copies that are distributed free of charge.

Pınar

Pınar is a quarterly newsletter published in 20,000 copies. Intended mainly for the company's producers, Pınar is an important source of information for meat and dairy farmers.

Fairs, congresses, and sponsorships

- Pınar Süt exhibited its goods at the Yaşar Group Food & Beverages Division's stand at the 78th İzmir International Fair in 2009. Pınar also acted as a sponsor for the "In Search Of Perfection" symposium conducted by the İzmir Quality Association.
- Pınar was a prime sponsor of the Forum İstanbul 2009 conference when it was held in İstanbul in May. The theme of this year's conference was Turkey's emergence from the current global financial and economic crisis and where Turkey was likely to be going between now and 2023.
- Pınar provides sponsorship support for the congresses, seminars, and exploratory conferences organized by the Federation of Food and Drink Industry Associations of Turkey.
- Pınar Süt was on hand as a prime sponsor for the 2nd International Golden Cap Chefs Competition organized by the Turkish Federation of Cooks and by the Antalya Chefs Association when it took place at the Antalya Expo Fair and Congress Center. Nearly 2,500 cooks from everywhere in Turkey took part in the competition.
- Pınar was a prime sponsor of the United Nations World Food Day Congress organized in İstanbul by the Turkish Food Industry Employers' Association (TÜGİS).
- Pınar Süt supported the Ege University "50th Year Pediatrics Day" conference held in İzmir in April.

Awards and recognitions

The leading name in Turkey's milk and dairy products industry since the day it was founded, Pınar Süt was again the recipient of numerous awards from respected organizations in recognition both of the company's high production standards and advanced technology and of its innovative and principled business approaches.

Pınar Süt is a consumer-focused brandname that is adept at quickly coming up with solutions to address consumers' wishes and needs. According to the third-quarter 2009 sectoral results of the Turkish Customer Satisfaction Index survey conducted by KalDer, Pınar Süt ranked first in its sector with the highest (82%) level of customer satisfaction in the milk and dairy products category.

In the biennial "Effie" Turkish Advertising Activities Competition organized jointly by the Advertisers Association and the Association of Advertising Fans, Pınar Süt received the 2009 Silver Effie award among seven candidates in the "Basic Foods" category for its "Pınar Beyaz" advertising campaign.

According to the "Brands" survey conducted every year by the independent research firm of Nielsen, Pınar ranked fifth among all the brands (both national and international) in all sectors in Turkey that consumers felt the closest to in 2009. In the dairy products category, Pınar received a 30.5% score as the brand that first comes to people's minds.

Pınar Süt was awarded a gold medal by the İzmir Chamber of Commerce in recognition of its successful performance as a responsible taxpayer. The chamber also cited the company for its superior exports efforts and performance.

In a ceremony held by the Aegean Chamber of Industry, Pınar Süt ranked first in the "Most Investment" and second in the "Most Taxes Paid", "Most Exports", and "Most Employment" categories. The company was also cited for its success in the "Highest and Most Consistent Export Performance In The Last Ten Years", "Cultural Contributions", "Highest Production", "Successful Brand", and "Successful R&D" categories.

The Turkish Patents Institute's Information and Documentation Unit of Ege University cited Pınar Süt as the firm making the third highest number of patent applications in İzmir province between 1995 and 2008. On these grounds, Pınar Süt was granted an award in recognition of the importance that it gives to the protection of industrial property rights and of the contributions that it has made to Turkey's technological and industrial progress.

Corporate Governance Practices and Financial Information

Pınar Süt Mamülleri Sanayii A.Ş.

Agenda of the Annual General Assembly Meeting on 14 May 2010

1. Electing the Presiding Committee.
2. Authorizing the Presiding Committee to sign the minutes of the meeting.
3. Reading and deliberating the Board of Directors' annual report, the statutory auditors' report, and the independent auditor's report.
4. Approving the balance sheet and profit & loss statement for 2009 that was sent to the Capital Markets Board and to the İstanbul Stock Exchange; acquitting the company's directors and statutory auditors of their fiduciary responsibilities.
5. Approving the independent auditors chosen by the Board of Directors and their term of duty.
6. Approving the directors chosen to fill vacancies on the Board of Directors and determining their terms of office.
7. Deliberating and voting on the salaries to be paid to members of the Board of Directors.
8. Determining the number of statutory auditors pursuant to article 14 of the company's articles of incorporation; electing statutory auditors to replace those whose terms of office have expired and determining their terms of office.
9. Deliberating and voting on the salaries to be paid to the statutory auditors.
10. Deliberating and voting on amending article 3 ("Object and scope"), article 6 ("Registered capital"), and "Provisional article" of the company's articles of incorporation.
11. Informing shareholders about charitable donations made during the year.
12. Deliberating and voting on matters pertaining to the year's profits.
13. Informing shareholders, pursuant to Capital Markets Board ruling 28/780 dated 9 September 2009, about guarantees, pledges, or mortgages that have been granted by the company in favor of outside parties as well as about any income and benefits that may have been acquired on account of such guarantees, pledges, or mortgages.
14. Deliberating and voting on authorizing the Board of Directors, within the framework of Capital Markets Law article 15 and CMB Communique IV:27 article 9, on the matter of paying shareholders advances on dividends which are to be set off against their 2010 dividends with the proviso that, pursuant to the same article of law, should there not be sufficient profit or should there be a loss during the fiscal year concerned, the advances so paid shall be set off against any extraordinary reserves shown in the previous year's balance sheet and, if the amounts of such extraordinary reserves are insufficient to cover losses, bonds received as cover for dividend advances shall, pursuant to article 10 of the same communique, shall be encashed and booked as income from which offsets will be made.
15. Authorizing the Board of Directors pursuant to articles 334 and 335 of the Turkish Commercial Code.
16. Wishes.

Pınar Süt Mamülleri Sanayii A.Ş.

Corporate Governance Principles Compliance Report

1. Statement of compliance with corporate governance principles

During the reporting period ending 31 December 2009, Pınar Süt Mamülleri Sanayii A.Ş. ("the company") complied with and implemented the corporate governance principles published by the by Capital Markets Board ("CMB") except for the matters indicated immediately below:

a) Cumulative voting method
b) Independent directors
c) Representation of minority shareholding interests on the Board of Directors

The details of and justifications for such partial or total non-compliance are indicated in the appropriate sections of this report.

Assessments and studies are being conducted as necessary in areas in which the company is not in full compliance with CMB corporate governance principles. As matters currently stand, the company is of the opinion that such non-compliance does not lead to any material conflicts of interest.

Part I: Shareholders

2. Investor Relations Department

An Investor Relations Department has been set up. Senem Demirkan has been appointed as the head of this unit.

Contact information

Telephone: (232) 482 22 00
Fax: (232) 489 15 62
Email: yatirimci@pinarsut.com.tr

The duties of the Investor Relations Department are listed below.

a) Ensure that records pertaining to shareholders are maintained in a reliable, secure, and up-to-date manner.
b) Respond to shareholders' written requests for all information about the company except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret.
c) Ensure that General Assembly meetings are conducted in accordance with the requirements of current laws and regulations and of the company's articles of incorporation and other bylaws.
d) Ensure that documents which shareholders may find useful at General Assembly meetings are prepared.
e) Ensure that records are kept of the results of voting at General Assembly meetings.
f) Supervise all issues related to public disclosures as required by law and the company's public disclosure policy.
g) Ensure that investor relations activities are properly conducted.

Having obtained the views of other units when necessary and in coordination with such units, the Investor Relations Department is responsible for providing shareholders and potential investors with information about the company's activities, financial standing, and strategies, with the stipulations that it may not divulge any information which is confidential and/or in the nature of a trade secret and that it must not do so in any way that might lead to information asymmetry and for managing communication moving on both directions between shareholders and company managers.

During 2009 and the first quarter of 2010 the unit took part in one conference abroad, engaged in one-on-one meetings with fourteen investors, and responded to more than 400 questions by telephone or email. The company's website and investor presentations were regularly updated to keep investors informed about current developments. Maximum attention was given to complying with the requirements of laws and regulations in the fulfillment of investors' requests.

Pınar Süt Mamülleri Sanayii A.Ş.

Corporate Governance Principles Compliance Report

3. Shareholders' exercise of their right to obtain information

The fundamental principle in shareholders exercising their right to obtain information is that there should be no discrimination among shareholders. All information and documents that shareholders may need to exercise their shareholders' rights in a sound manner are made equally available to all shareholders on the company's corporate website. During 2009 every possible effort was made, under the supervision of the Investor Relations Department, to respond to requests for information received from shareholders within the framework of the requirements of capital market laws and regulations and without delay.

Such requests for information were generally about such issues as General Assembly meeting dates, capital increases, bonus shares, and dividend payments. All requests for information, except in the case of information that was in the nature of a trade secret and information that it was deemed to be in the company's interest to keep confidential, were responded to without making any distinctions among shareholders and in line with any statements that may previously have been made within the framework of capital market laws and regulations. Developments that might affect the exercise of shareholder rights dictated by the Turkish Commercial Code and by CMB regulations were publicly disclosed through material disclosures, newspaper advertisements, and mailings. A request to have a special auditor appointed is not an individual right provided for under the company's articles of incorporation. No request for the appointment of a special auditor was received during 2009.

4. Information about General Assembly meetings

The 2008 annual General Assembly meeting took place during 2009 on 13 May 2009. Pursuant to article 19 ("Meeting quora") of the company's articles of incorporation, the quorum requirements at ordinary and extraordinary General Assembly meetings are subject to the provisions of the Turkish Commercial Code. At the 2008 annual General Assembly meeting, 63.31% of the company's capital was represented and voted. During these meetings, no attending shareholders or their proxies advanced any motions and all questions that were raised were responded to by the Presiding Committee during the meeting.

Announcements pertaining to company General Assembly meeting invitations were published at least twenty-one days (not including the announcement and meeting dates) in advance in Türkiye Ticaret Sicili Gazetesi in accordance with article 22 ("Announcements") of the articles of incorporation and within the framework of the provisions of article 368 of the Turkish Commercial Code. The announcements were also published on the corporate website and in local newspapers. Shareholders whose addresses were on record with the company were sent letters in which they were informed about the meeting date, location, and agenda. No specific period of time is required during which the holders of registered shares must have their shares duly registered in order to take part in a General Assembly meeting. Profit distribution proposals that the Board of Directors intends to submit to General Assembly meetings as well as the identity of independent auditors selected by the Board of Directors are publicly disclosed in material disclosures.

The company's annual report is made available to shareholders at the company's headquarters and on its corporate website as of fifteen days before a meeting date. During General Assembly meetings, issues on the agenda are explained impartially and in detail so as to be clear and intelligible. Shareholders are given equal opportunities to express their thoughts and to ask questions and a healthy climate of debate is created.

The company's articles of incorporation contain no provisions requiring that decisions concerning such matters as demergers or acquiring, selling, or leasing significant assets be taken at a General Assembly meeting. Such decisions are made by the Board of Directors in the board's ordinary conduct of the company's business and taking into account CMB regulations and the requirements of commercial and tax law. Such decisions are publicly disclosed as material disclosures.

General Assembly meeting minutes are always kept available for shareholders' inspection at the company's headquarters. In addition, the minutes of General Assembly meetings held during the most recent four years are accessible from the "Investor Relations" section of the company's corporate website located at www.pinar.com.tr.

Pınar Süt Mamülleri Sanayii A.Ş.

Corporate Governance Principles Compliance Report

5. Voting rights and minority rights

The company's articles of incorporation provide the privilege to nominate candidates to the Board of Directors to shareholders of preferred stock:

"The business and management of the company are carried out by the board of directors, which is constituted of 5-9 members being selected among shareholders or non-shareholders by the general assembly under the provisions of Turkish Commercial Code. Should the board of directors be constituted of five members, three of them shall be elected from among the nominees indicated by the Group A shareholders, one member shall be elected from among the nominees indicated by Group B shareholders, and one member shall be elected from among the nominees indicated by Group C shareholders. In case the board consists of seven members, four of them shall be elected from among the nominees indicated by Group A shareholders, two members shall be elected from among the nominees indicated by Group B shareholders, one member shall be elected from among the nominees indicated by Group C shareholders. In case the board consists of nine members, five of them shall be elected from among the nominees indicated by Group A shareholders, three members shall be elected from among the nominees indicated by Group B shareholders, one member shall be elected from among the nominees indicated by Group C shareholders. The board of directors upon its sole discretion may assign managing director. However, the chairperson of the board and the managing director shall be elected from among the members representing Group A."

There are no other special voting rights.

With respect to the exercise of voting rights, the company's articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. Article 23 of the company's articles of incorporation, which governs the exercise of voting rights, reads as follows:

"Voting is conducted through open ballot and by raising hands during the General Assembly meeting. However upon the demand of those possessing at least one-tenth of the capital which shareholders present at a meeting represent, recourse must be had to secret ballot. CMB rules pertaining to proxy voting are reserved."

There are no other companies in which the company has a cross-ownership. There are no independent directors. (Refer to article 18 concerning board of directors membership.)

Minority rights are not represented on the Board of Directors. Minority rights and their exercise within the company are subject to the governance of article 11 of the Capital Markets Law, as is the case with all publicly-held companies.

The company's articles of incorporation currently contain no provisions allowing the use of the cumulative voting method.

6. Dividend payment policy and timing

Shareholders of preferred stock do not have any privileges applicable to dividends. The company's general policy with respect to dividends is to distribute its net profit having taken into account the company's financial position, investments that are to be made and other funding requirements, the sector's current circumstances, the economic environment, and the requirements of capital market and tax laws and regulations. However the actual amounts of profit to be distributed are determined every year taking all of the issues cited above into consideration. The company has formulated a Dividend Policy in line with the CMB's resolution of 27 January 2006 and it has publicly disclosed this policy by announcing it at a General Assembly meeting. Our dividend payment policy is also publicly disclosed via our corporate website.

According to the company's articles of incorporation, advances on dividends may be paid provided that they are authorized by the Board of Directors and a general assembly of shareholders and on condition that they comply with article 15 of the Capital Markets Law and pertinent CMB regulations.

Pınar Süt Mamülleri Sanayii A.Ş.

Corporate Governance Principles Compliance Report

The authority to pay advances on dividends is exercised by the Board of Directors in light of current laws and regulations and of economic circumstances. The methods and processes whereby profits are distributed are governed by Capital Markets Board regulations and by the relevant provisions of the company's articles of incorporation. In line with the dividend policy determined for each business year, a Board of Directors resolution is passed and then publicly disclosed by means of a material disclosure.

Decisions that the Board of Directors makes concerning profit distributions are presented to the general assembly of shareholders for approval. The amounts of dividends so approved are paid out to shareholders within the period of time determined at the General Assembly meeting subject to the provisions of CMB communique IV:27. Distribution of the company's 2008 profits began on 25 May 2009 and was completed within the legally prescribed period of time.

7. Transfer of shares

Transfers of shares are subject to the provisions of article 415 and article 16 of the Turkish Commercial Code.

Section II: Public disclosures and transparency

8. Company disclosure policy

In all matters pertaining to its public disclosures the company complies with the requirements of the Capital Markets Law and of İstanbul Stock Exchange regulations.

The "Disclosure Policy" prepared for the purpose of keeping the public informed and approved by the Board of Directors is publicly disclosed on the company's corporate website located at www.pinar.com.tr. The Board of Directors has both the authority and the responsibility for formulating, supervising, reviewing, and developing the company's disclosure policy. The Corporate Governance Committee and the Investor Relations Department provide information and make recommendations to the Board of Directors concerning the company's disclosure policy.

The chairperson of the Board of Directors and the general manager as well as other officers whom the board or the general manager deem to be appropriate may make public statements to the written and visual media and to data distributors. Questions which those involved in capital markets ask the company are responded to in writing or verbally by the Investor Relations Department.

Principles governing the disclosure of forward looking information are defined in the company's disclosure policy.

9. Material disclosures

Fourteen material disclosures were made during 2009. No requests for additional material disclosures were received either from CMB or from ISE concerning these material disclosures. The company was not involved in any violations of public disclosure requirements. The company's material disclosures are prepared by the Investor Relations Department and are publicly disclosed after having been signed by those who are authorized to do so in the company's disclosure policy. The company's shares are not listed on any foreign exchange and for that reason the company is not encumbered by any other additional public disclosure obligations.

10. The company's corporate website and its content

The company's corporate website is located at the address of www.pinar.com.tr. It is structured in the format and content as required in the section titled "Principles and Means of Public Disclosure" article 1.11.5 of the Corporate Governance Principles. The company's website is available in both Turkish and English and it is actively used. The company continuously improves and upgrades the services provided by its website.

Pınar Süt Mamülleri Sanayii A.Ş.

Corporate Governance Principles Compliance Report

11. Disclosure of ultimate controlling shareholder(s)

Shareholder	Value	% 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 may be seen from the above, Yaşar Holding A.Ş. controls a 61.18% stake in the company's capital. Yaşar Holding A.Ş. is directly or indirectly owned by the members of the Yaşar family.

12. People in Access to Insider Information

The individuals who were in a position to have access to insider information as of the date of this report are indicated below. Such individuals are publicly disclosed in every annual report and on the company's corporate website.

- All company board members and statutory auditors
- Ergun Akyol (General Manager)
- Mustafa Şahin Dal (Director of Financial Affairs and Budget Control)
- Muzaffer Bekar (Finance Director)
- Adnan Akan (Chief Independent Auditor (Responsible Partner))
- Independent auditing firm personnel

* On 5 January 2010, Kazım Coşkun Keskiner resigned his position as Director of Financial Affairs and he was replaced by Mustafa Şahin Dal as Director of Financial Affairs and Budget Control.

Section III: Stakeholders

13. Disclosure to Stakeholders

Stakeholders are kept informed about all matters concerning the company other than those which are in the nature of a trade secret through material disclosures within the framework of CMB regulations, commercial law, competition law, tax law, and contract law.

14. Stakeholder participation in management

Employees' participation in management is achieved by means of regular meetings and idea systems which are based on the company's process-focused management System and total quality philosophy, which seek to make improvements and to enhance productivity, and through which employees' wishes and opinions are solicited. Customers' participation in management is achieved through dealer meetings and by means of the company's customer satisfaction system and suggestion system.

Within the framework of our collaboration with our suppliers and in line with our growing business volumes, suppliers' own business volumes are also growing and their involvement in the quality management that the food industry needs and in the joint development of new inputs compatible with food safety is secured through regularly conducted inspections, which also gives birth to opportunities for suppliers to enter new lines of business.

15. Human resources policy

The fundamental mission of the company's human resources policy is to ensure the management of human resources who are innovative, who are committed to the principle of total quality, and who contribute towards the company's competitive advantage by easily adapting to change and development.

Pınar Süt Mamülleri Sanayii A.Ş.

Corporate Governance Principles Compliance Report

The company's basic human resources policies are set forth clearly in the company's Personnel Regulations, which are issued to all non-contract employees against their individual signature. In addition to basic policies, these regulations also contain information about working hours, hiring principles and processes, termination, and discipline. Human resources policies and practices pertaining to employees who are covered by collective bargaining agreements are spelled out in such agreements.

Basic human resources policies

a) Staffing at the company is determined according to the criteria of business economics. All employees agree that honorable employment is only possible through productive work.
b) The company conducts intramural and extramural training programs within the framework of plans that are devised for each level in order to ensure the progression of its employees.
c) The company is mindful of equality of opportunity in all promotions and appointments throughout its organization. As a matter of principle, appointments are made from among the company's own personnel.
d) By means of a career planning system in which progression plans are implemented, employees who have potential are provided with the broadest possible opportunities for advancement.
e) Employees' performance is evaluated on the basis of their fulfillment of targets and their competencies.
f) Job descriptions and performance standards are documented for positions at every level from the highest to the lowest and these serve as the basis for employee evaluations.
g) Employee opinion surveys are conducted regularly every year, at which time employees are asked for their views about such issues as working conditions, management, social activities, compensation, training, performance evaluation, career planning, participatory management, and company satisfaction. Improvements are made in line with the feedback that is received in this way.
h) A safe workplace and safe working conditions are a matter to which the company gives great importance. Under the company's occupational health and safety regulations, all legally mandated measures are taken to prevent occupational risks, ensure health and safety, and eliminate risk and accident factors. An ongoing effort to make improvements is carried out through regularly conducted safety meetings.
i) Our style of management is "to maintain our existence as a company which behaves in compliance with laws and with the rules of ethics and which adheres to a total quality philosophy and to a participatory form of management."
j) An essential principle at the company is that all employees will be treated equally and without making any distinctions among them with respect to language, race, color, sex, political beliefs, philosophy, religion, sect, or similar reasons. Due measures have been taken to protect these basic employee rights.

There are three workplace representatives at Pınar Süt (two in the Pınarbaşı plant and one in the Eskişehir plant). The duties of these representatives are to:

a) Hear workers' wishes and resolve their complaints exclusively with respect to matters at the workplace;
b) Ensure continued labor peace through worker-employer cooperation and labor fairness;
c) Be mindful of workers' rights and interests; assist in the implementation of the working conditions which are provided for in labor laws and in collective bargaining agreements.

All employees are kept informed about company procedures, organizational changes, changes in rights and benefits, and other practices and decisions that may affect them means of regulations and announcements prepared within the framework of the company's prescribed announcement regulations as well as via the company intranet and bulletin boards.

Neither the company's management nor its human resources department has ever received any complaint from employees about discrimination.

Pınar Süt Mamülleri Sanayii A.Ş.

Corporate Governance Principles Compliance Report

16. Information about relations with customers and suppliers

In keeping with its mission of supplying consumers with products that are sources of health, pleasure, and dynamism, Pınar provides its customers with complete information about all its products through its www.pinar.com.tr website.

Customers may submit requests and complaints via our Communication Center on 444 76 27 from anywhere in Turkey. All incoming requests are responded to and complaints are dealt with.

A variety of surveys and polls aimed at achieving customer satisfaction are regularly conducted by our own company and by independent concerns. On ongoing effort is made to improve product and service quality based on research findings and customer wishes.

Having been in business for 35 years makes it possible for our company to establish good relations with suppliers and thus to ensure that the materials that we need reach us with the quality they should have, on time, in the right quantities, and under option business conditions. The degree to which these objectives are achieved is measured by means of supplier evaluation methods. The results of such evaluations are shared with suppliers in order to contribute towards their edification and development. A continuous flow of information is maintained with suppliers whereby they are kept informed about news and possible developments in the sector. Cooperation is achieved by organizing quality and innovation circles. Priority is given to making use of new ideas that are advanced.

17. Social responsibility

In order to fulfill its responsibilities towards public health and the natural environment, it is the company's avowed principle to continuously monitor and improve its environmental performance by acting in concert with its producers, suppliers, and employees in the conduct of its production activities. The company has issued an Environmental Impact Assessment Report and it holds ISO 14001 Environmental Management System certification. The company seeks to make contributions that are beneficial to employees and to the community in the areas of culture, art, sport, and education through the Pınar Kido art competitions, the Pınar Kido children's theater, its sponsorship of Pınar Karşıyaka basketball team, farmer training programs, its newspaper Pınar, and its magazine Yaşam Pınarım. The company supports education by collaborating with organizations such as Yaşar University and Yaşar Education Foundation.

The company was not the respondent to any suits on account of any harm caused to the environment during the reporting period.

Part IV: Board of Directors

18. Structure and formation of the Board of Directors; independent directors

Within the framework of the requirements of laws and regulations and of the company's own articles of incorporation, internal regulations, and policies, the Board of Directors represents the company and exercises such authorities and fulfills such responsibilities as have been given to it by shareholders assembled in a General Assembly meeting.

The members of the company's board of directors are identified below:

The Board of Directors:

İdil Yiğitbaşı	Chairperson
Yılmaz Gökoğlu	Deputy Chairperson
Mehmet Aktaş	Director
Hakkı Hikmet Altan	Director
Hasan Girenes	Director
Zeki Ilgaz	Director
Ali Sözen	Director

Pınar Süt Mamülleri Sanayii A.Ş.

Corporate Governance Principles Compliance Report

• The company's general manager is Ergun Akyol.
• There are no independent members of the Board of Directors.
• The ability of company directors to engage in the activities set forth in articles 334 and 335 of the Turkish Commercial Code are subject to the approval of the general assembly of shareholders. With the exception of those activities, there are no other limitations imposed on what board members may do.

19. Qualifications of company directors

In the selection of company directors, attention is given to structuring the board in such a way as to maximize its influence and effectiveness. In principle attention is given to electing directors who satisfy the criteria spelled out in articles 3.1.1, 3.1.2, and 3.1.3 in section IV of Corporate Governance Principles published by the Capital Markets Board. A Corporate Governance Committee that was formed at a meeting of the company's board held on 13 March 2006 is responsible for providing board members with guidance and compliance review in line with changes and developments that take place.

20. Mission, vision, and strategic goals of the company

The company's mission is "to provide its consumers with products that are the source of health, pleasure, and dynamism." The company has defined its primary goals as "growing along with its producers and suppliers, being a global brand with which its customers identify, and increasing profitability and productivity in collaboration with its employees." The strategic objectives necessary to achieve this are regularly monitored and reviewed by the Board of Directors.

21. Risk management and internal control mechanisms

The Board of Directors essentially supervises activities related to risk management through the committee that is responsible for audit. In its fulfillment of these functions, this committee makes use of the findings of the audit unit under the department of financial affairs and of the organizations that are responsible for independent auditing and for certified accountancy.

22. Authorities and responsibilities of company directors and executives

The company's directors and executives perform their duties in a manner that is equitable, transparent, accountable, and responsible. The principles governing the authorities and responsibilities of the Board of Directors that are adhered to in order to achieve this are spelled out as follows in article 12 of the company's articles of incorporation, subject always to the imperatives of the Turkish Commercial Code:

"Article 12: The Board of Directors is responsible to represent the company before all official agencies, courts, and third parties; to perform, on the company's behalf, any and all manner of business and legal transactions falling within the company's object and scope; to buy and sell real estate properties consistent with the company's object and to establish and relinquish mortgages and other real rights pertinent thereto; to conciliate and appoint arbitrators; prepare annual reports and annual accounts to be presented to the general assembly of shareholders and to propose to the general assembly the amounts of dividends to be distributed; and to execute any duty specified in law and these articles of incorporation."

23. Operating principles of the Board of Directors

The operating principles of the Board of Directors are spelled out as follows in article 10 of the company's articles of incorporation:

"The Board of Directors shall convene as the company's business and transactions may necessitate. However it must meet at least once a month."

Details about the Board of Directors' operating principles and its activities during the 2009 reporting period are given below.

Board of Directors meeting agendas are determined by the chairperson after having discussed the matter with other board members and with the general manager.

Pınar Süt Mamülleri Sanayii A.Ş.

Corporate Governance Principles Compliance Report

During the reporting period, the Board of Directors convened forty-one times. The board may be called to meeting by its chairperson or by any of its members in writing. Meeting agendas must be sent out to members by registered mail at least two weeks before the meeting date. All members are usually present at meetings. There were no unresolved disputes over issues during the 2009 reporting period. Board members were actually present at board meetings during which matters governed by the rules of Corporate Governance Principles section IV.2.17.4 were discussed. Questions raised during meetings are not entered into the record. No board members have preferential voting or veto rights.

24. Prohibition on doing business or competing with the company
At the company's annual General Assembly meeting for 2008 held during 2009, members of the Board of Directors were granted authority with respect to the issues governed by articles 334 and 335 of the Turkish Commercial Code; however during the reporting period, none of the executive board members were involved in any business transaction falling within the company's object and scope either directly or indirectly on his own behalf or on behalf of someone else.

25. Rules of ethics
The company conducts its activities within the framework of values which are adhered to by Yaşar Group companies and whose approach to the production of goods and services involves compliance with laws and the rules of ethics, concerns itself with national problems without becoming involved in politics, and values the environment and nature. These values are known to all company employees. In addition, work is also being carried out to formulate the company's own rules of ethics within the framework of its corporate governance approach.

26. Number, structure, and independence of committees established by the Board of Directors
Two committees, consisting of a committee responsible for audit and a committee responsible for corporate governance, have been formed within the company. The Audit Committee convened four times during 2009 in meetings at which it was informed by company managers about the company's activities and internal control systems and also about the findings of the independent auditors during the most recent quarter. The Audit Committee is responsible for the company's bookkeeping system, for the public disclosure of financial information, and for supervising the operation and effectiveness of independent auditing and of the internal control system; for selecting the independent auditors, initiating the independent auditing process, and supervising the independent auditors' activities; for reporting to the Board of Directors about the authenticity and veracity of publicly disclosed yearly and intermediary financial statements. The members of the Audit Committee are Yılmaz Gökoğlu and Hakkı Hikmet Altan. As there are no independent directors on the company's board, the Audit Committee comprises of non-executive directors. No company director is a member of more than one committee.

The company's Corporate Governance Committee was created under a Board of Directors resolution dated 13 March 2006. The Corporate Governance Committee is headed by Hasan Girenes and its other member is Mehmet Aktaş.

The Corporate Governance Committee is responsible for identifying whether or not corporate governance principles are being complied with at the company as well as for identifying any problems arising from less than full compliance with those principles; for making recommendations to the Board of Directors on taking measures to achieve improvements; for coordinating activities pertaining to relations with shareholders; for undertaking activities related to creating a transparent system to deal with the matters of identifying, evaluating, training, and rewarding candidates suitable for board membership and to identifying policies and strategies applicable to that system; for developing recommendations concerning the number of company directors and executives.

27. Financial benefits provided to the Board of Directors
As is stipulated in article 13 of the company's articles of incorporation, members of the company's board receive remuneration whose amount is determined by a general assembly of shareholders. The remuneration so determined for 2009 was TL 1,000 a month. The rights that are provided to members of the Board of Directors are determined at General Assembly meetings of the company and they are publicly disclosed through the minutes of such meetings. The company has no separate performance-based remuneration policy for its directors. The company does not make lendings or extend credit to any of its directors or executives.

Pınar Süt Mamülleri Sanayii A.Ş.

Statutory Auditors' Report

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

Company name	: Pınar Süt Mamülleri Sanayii A.Ş.
Head office	: Şehit Fethi Bey Caddesi No: 120 İZMİR
Capital	: TL 44,951,051.25
Field of activity	: Production of milk and dairy products
Statutory auditors' names, surnames, terms of office and whether they have a shareholding interest in the company	: Kamil Deveci (13.05.2009 - one year) not a shareholder Onur Öztürk (13.05.2009 - one year) not a shareholder
Number of Board of Directors meetings participated in and of Board of Auditors meetings held	: Board of Directors meetings 41 Board of Auditors meetings 12
Scope, dates and conclusions of the examination made on the accounts, books and documents of the company counted,	: At the end of each month, cash, cheques, bonds and receipts were and the records and documents were screened on the basis of sampling method and no irregularities were found.
Number and results of the cash counts performed in the company's cashier's office pursuant to Article 353, paragraph 1, subparagraph 3 of the Turkish Commercial Code	: The cashier's office of the company was checked and counted 12 times and no irregularities were found.
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 charges of fraud of which the company was advised and actions taken against them	: None

We have examined the accounts and transactions of Pınar Süt Mamülleri Sanayii Anonim Şirketi for the period 01 January 2009 - 31 December 2009 with respect to their compliance with the Turkish Commercial Code, the company's articles of incorporation, and other applicable legislation, as well as generally accepted accounting principles and standards.

In our opinion, the attached balance sheet prepared on 31 December 2009, 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 2009 - 31 December 2009 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.

Kamil Deveci

Statutory Auditor
Kamil Deveci

Statutory Auditor
Onur Öztürk

Pınar Süt Mamülleri Sanayii A.Ş.

Independent Auditor's Report

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 2009 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows 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 accepted 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 give a true and fair view of, the financial position of Pınar Süt Mamülleri Sanayii A.Ş. as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted 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., 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
İstanbul, 8 April 2010

Pınar Süt Mamülleri Sanayii A.Ş.

Financial Statements at 31 December 2009 and 2008

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Pınar Süt Mamülleri Sanayii A.Ş.

Balance Sheets at 31 December 2009 and 2008

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

	Notes	31 December 2009	31 December 2008
ASSETS			
Current Assets		**179,948,485**	**128,876,602**
Cash and Cash Equivalents	6	3,317,054	5,268,350
Trade Receivables		70,237,691	56,414,853
- Due from Related Parties	37	55,535,417	45,751,295
- Other Trade Receivables	10	14,702,274	10,663,558
Other Receivables		66,167,470	24,342,301
- Due from Related Parties	37	63,775,698	24,085,986
- Other Receivables	11	2,391,772	256,315
Inventories	13	36,973,177	40,000,804
Other Current Assets	26	3,253,093	2,850,294
Non-Current Assets		**299,271,945**	**295,375,659**
Other Receivables		11,694,751	12,054,673
- Due from Related Parties	37	11,694,000	12,053,000
- Other Receivables	11	751	1,673
Financial Assets	7	39,009,860	21,605,429
Investments in Associates Accounted for Using Equity Method	16	35,773,087	31,012,356
Investment Property	17	-	960,026
Property, Plant and Equipment	18	212,343,001	228,203,231
Intangible Assets	19	337,196	1,244,391
Other Non-current Assets	26	114,050	295,553
TOTAL ASSETS		**479,220,430**	**424,252,261**

The financial statements at 31 December 2009 and for the year then ended have been approved for issue by the Board of Directors on 8 April 2010.

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

Pınar Süt Mamülleri Sanayii A.Ş.

Balance Sheets at 31 December 2009 and 2008

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

	Notes	31 December 2009	31 December 2008
LIABILITIES			
Current Liabilities		**83,707,429**	**89,022,104**
Financial Liabilities		5,293,256	14,966,657
- Current Leasing Obligations	8	502	169,750
- Financial Liabilities	8	5,292,754	14,796,907
Other Financial Liabilities	9	258,763	459,765
Trade Payables		72,351,048	64,651,603
- Due to Related Parties	37	13,025,461	18,109,892
- Other Trade Payables	10	59,325,587	46,541,711
Other Payables		199,574	884,099
- Due to Related Parties	37	199,574	884,099
Current Income Tax Liabilities	35	2,377,206	1,894,067
Provisions	22	1,580,244	1,810,331
Other Current Liabilities	26	1,647,338	4,355,582
Non-Current Liabilities		**45,311,482**	**53,321,495**
Financial Liabilities	8	14,754,180	14,507,089
Trade Payables	10	5,602,039	14,622,499
Other Payables		50,029	408,923
- Due to Related Parties	37	-	359,000
- Other Payables	11	50,029	49,923
Provisions	22	183,185	145,300
Provision for Employment Termination Benefits	24	4,318,025	3,799,007
Deferred Income Tax Liabilities	35	20,404,024	19,838,677
TOTAL LIABILITIES		**129,018,911**	**142,343,599**
EQUITY		**350,201,519**	**281,908,662**
Share Capital	27	44,951,051	44,951,051
Adjustment to Share Capital	27	16,513,550	16,513,550
Reserves		97,240,789	84,748,067
- Revaluation Reserves	18	81,339,774	85,883,408
- Revaluation Reserves of Investments-in-Associates	16	185,355	440,962
- Fair Value Reserves of Available-for-sale Investments	7	13,772,027	(2,733,911)
- Fair Value Reserves of Investments-in-Associates	2.3	1,943,633	1,157,608
Currency Translation Reserve	2.3	(67,213)	40,783
Restricted Reserves	27	17,020,753	13,981,411
Distribution to Shareholders	3	(5,537,877)	(5,537,877)
Retained Earnings	27	122,258,847	93,026,259
Profit for the Year		57,821,619	34,185,418
TOTAL LIABILITIES AND EQUITY		**479,220,430**	**424,252,261**

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

Pınar Süt Mamülleri Sanayii A.Ş.

Statements of Income
for the Years Ended at 31 December 2009 and 2008

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

	Notes	1 January - 31 December 2009	1 January - 31 December 2008
Revenue	28	480,952,097	482,793,645
Cost of Sales	28	(374,268,811)	(393,246,746)
GROSS PROFIT	**28**	**106,683,286**	**89,546,899**
Research and Development Expenses	29	(3,787,258)	(4,267,359)
Marketing, Selling and Distribution Expenses	29	(26,547,164)	(26,885,445)
General Administrative Expenses	29	(20,013,371)	(20,740,266)
Other Operating Income	31	5,277,246	6,727,669
Other Operating Expenses	31	(3,984,346)	(3,580,995)
OPERATING PROFIT		**57,628,393**	**40,800,503**
Share of Results of Investment-in-Associates - net	16	8,841,862	6,421,325
Finance Income	32	9,335,916	12,994,064
Finance Expense	33	(4,651,360)	(19,432,430)
PROFIT BEFORE TAXATION ON INCOME		**71,154,811**	**40,783,462**
Income Tax Expense	35	(13,333,192)	(6,598,044)
- Taxes on Income	35	(13,549,338)	(8,403,977)
- Deferred Tax Income	35	216,146	1,805,933
PROFIT FOR THE YEAR		**57,821,619**	**34,185,418**
Other Comprehensive Income/(Expense):			
Increase/(Decrease) in Fair Value Reserve of Available-for-Sale Investments-net	7-35	16,505,938	(17,296,251)
Increase in Revaluation Reserve of Property, Plant and Equipment of Investments-in-Associates	18	-	8,376,063
Currency Translation Differences	2-16	(107,996)	53,499
Increase in Revaluation Reserve of Property, Plant and Equipment of Investments-in-Associates	16	-	598,157
Increase/(Decrease) in Fair Value Reserve of Investments-in-Associates	16	786,025	(1,100,222)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX		**17,183,967**	**(9,368,754)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**75,005,586**	**24,816,664**
EARNINGS PER SHARE	**36**	**1.2863**	**0.7605**

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

Pınar Süt Mamülleri Sanayii A.Ş.

Statements of Changes in Equity for the Years Ended at 31 December 2009 and 2008

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

	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	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 profit for prior year to retained earnings	-	-	-	-	-	-	-	-	-	39,660,157	(39,660,157)	-
Legal reserves	-	-	-	-	-	-	-	5,594,408	-	(5,594,408)	-	-
Dividends paid (Note 27 and 37.ii.j)	-	-	-	-	-	-	-	-	-	(31,016,225)	-	(31,016,225)
Depreciation transfer of investments in associates - net (Note 16)	-	-	-	(459,272)	-	-	-	-	-	459,272	-	-
Sales of property, plant and equipment in investments-in-associates - net (Note 16)	-	-	-	(47,746)	-	-	-	-	-	47,746	-	-
Sales of property, plant and equipment (Note 18)	-	-	(96,018)	-	-	-	-	-	-	96,018	-	-
Depreciation transfer (Note 18)	-	-	(2,621,759)	-	-	-	-	-	-	2,621,759	-	-
Total comprehensive income	-	-	8,376,063	598,157	(17,296,251)	(1,100,222)	53,499	-	-	-	34,185,418	24,816,664
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**
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-	-	-	-	34,185,418	(34,185,418)	-
Legal reserves	-	-	-	-	-	-	-	2,563,807	-	(2,563,807)	-	-
Transfer to restricted reserves (Note 27)	-	-	-	-	-	-	-	475,535	-	(475,535)	-	-
Dividends paid (Notes 27 and 37.ii.j)	-	-	-	-	-	-	-	-	-	(6,712,729)	-	(6,712,729)
Depreciation transfer of investments-in-associates-net (Note 16)	-	-	-	(255,607)	-	-	-	-	-	255,607	-	-
Sales of investment property (Notes 17 and 18)	-	-	(1,961,952)	-	-	-	-	-	-	1,961,952	-	-
Depreciation transfer (Note 18)	-	-	(2,581,682)	-	-	-	-	-	-	2,581,682	-	-
Total comprehensive income	-	-	-	-	16,505,938	786,025	(107,996)	-	-	-	57,821,619	75,005,586
31 December 2009	**44,951,051**	**16,513,550**	**81,339,774**	**185,355**	**13,772,027**	**1,943,633**	**(67,213)**	**17,020,753**	**(5,537,877)**	**122,258,847**	**57,821,619**	**350,201,519**

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

Pınar Süt Mamülleri Sanayii A.Ş.

Statements of Cash Flows
for the Years Ended at 31 December 2009 and 2008

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

	Notes	1 January - 31 December 2009	1 January - 31 December 2008
Operating activities:			
Profit before taxation on income		71,154,811	40,783,462
Adjustments to reconcile net cash generated from operating activities to profit before taxation on income:			
Depreciation and amortisation	18-19	13,183,311	12,767,887
Interest income	32	(7,500,923)	(4,856,384)
Interest expense	33	3,512,987	6,660,460
Provision for employment termination benefits	29	1,348,035	1,527,254
Impairment on available-for-sale investments	31.b	-	215,954
Reversal of impairment on property, plant and equipment	31.a	-	(1,364,796)
Impairment on intangible assets	31.b	348,677	653,853
Management bonus provision	22.a	1,325,000	1,350,000
Reversal of management bonus provision	31.a	(25,000)	-
Share of results of investments-in-associates-net	16	(8,841,862)	(6,421,325)
Inventory profit elimination	16	(597)	(124,096)
Loss on sales of property, plant and equipment and investment property - net	31.b	1,347,212	1,436,965
Provision for impairment of trade receivables	31.b	-	516,174
Collections of doubtful trade receivables	31.b	162,537	39,712
Gain on termination of supplier contract	31.a	(1,888,103)	-
Taxes paid	35	(13,066,199)	(8,919,513)
Foreign exchange loss/(gain)		31,966	(29,027)
		61,091,852	**44,236,580**
Changes in assets and liabilities:			
Increase in trade receivables	10	(4,134,139)	(6,352,137)
Decrease/(increase) in inventory	13	3,027,627	(3,095,361)
Increase in due from related parties	37	(9,851,236)	(3,291,824)
Decrease in other receivables and other current assets	11-26	28,952	6,071,126
Increase in trade payables	10	9,738,070	7,320,574
(Decrease)/increase in trade payables to related parties	37.i.d	(5,084,431)	8,930,488
(Decrease)/increase in other short and long-term payables	11-22-26	(2,387,941)	3,753,769
Bonus paid		(1,812,399)	(1,818,201)
Employment termination benefit paid	24	(829,017)	(929,785)
Net cash generated from operating activities		**49,787,338**	**54,825,229**
Investing activities:			
Interest received		7,088,324	4,303,620
Purchases of property, plant and equipment, intangibles and order advance given	18-19	(5,394,352)	(16,599,616)
Capital increase in investment in associates	16	-	(2,441,270)
Proceeds from sales of property, plant and equipment and investment property		2,183,868	87,330
Proceeds from non-trade receivables from related parties	37.i.b-c	8,626,040	-
Funds provided to related parties	37.i.b-c	(47,956,752)	(14,946,335)
Net cash used in investing activities		**(35,452,872)**	**(29,596,271)**
Financing activities:			
(Redemption of)/proceeds from bank borrowings and lease obligations	8	(9,173,938)	10,075,243
Redemption of non-trade due to related parties	37.i.e-f	(1,043,525)	(8,115,049)
Dividends paid	37.ii.j	(6,712,729)	(31,016,225)
Interest paid		(4,113,105)	(6,261,337)
Dividends received	37.ii.d	4,759,757	4,539,242
Net cash used in financing activities		**(16,283,540)**	**(30,778,126)**
Decrease in cash and cash equivalents - net		**(1,949,074)**	**(5,549,168)**
Cash and cash equivalents at 1 January		5,268,350	10,596,668
Foreign exchange (loss)/gain on cash and cash equivalents		(2,222)	220,850
Cash and cash equivalents at 31 December		**3,317,054**	**5,268,350**

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

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2009 and 2008

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

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.

95% (2008: 93%) of sales and distribution of the Company's products in the domestic market are performed by its investment-in-associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), and substantial portion of its exports are performed by Yaşar Dış Ticaret A.Ş., ("Yataş") which are both Yaşar Group Companies (Note 37).

The Company is subject to the regulations of the Capital Market Board ("CMB") and 37.95% (2008: 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 (2008: 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 Basis of Presentation of Financial Statements

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 financial reporting standards accepted by the CMB ("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.

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

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2009 and 2008

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

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

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 announcements in weekly newsletters numbered 2008/16, 2008/18, 2009/02, 2009/04 and 2009/40 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.c).

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 based on historical cost convention and in terms of Turkish Lira ("TL") which is the functional and reporting currency of the Company. 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) New and amended standards adopted by the Company:
The Company adopted the following new and amended standards as of 1 January 2009:

-IFRS 7 "Financial Instruments - Disclosures (Amendment)", (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

-IAS 1 (Revised), "Presentation of Financial Statements", (effective from 1 January 2009). 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). The Company has chosen the option to present one performance statement as the statement of comprehensive income.

-IAS 23 (Amendment), "Borrowing Costs", (Relevant to the qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009). The amendment 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. This amendment has been prepared accordance with context of adaptation to IAS 23 "Borrowing Costs" (2007) and comparative financial statements of the prior year compared would not be restated. Since the Company does not have any significant qualifying assets, the amendment does not have a material effect on the financial statements of the Company.

-IAS 16 (amendment), "Property, Plant and Equipment", (effective for periods beginning on or after 1 January 2009). It is not expected to have an impact on the Company's financial statements.

-IAS 36 (Revised), "Impairment of Assets", (effective for periods beginning on or after 1 January 2010). Amendment is only related with the disclosure of estimates used to determine recoverable amount.

-IFRS 8 (Revised), "Operating segments", (effective for period beginning on or after 1 January 2009). Since the Company has a single reportable segment, the standard does not have an effect on the financial statements of the Company.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2009 and 2008

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

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

b) Amendments and new standards and interpretations issued and effective other than those mentioned above in Note 2.2.a. have not been presented since they are not relevant to the operations of the Company.

c) Standards, amendments and interpretations to existing standards that are not yet effective in 2009 and have not been early adopted by the Company:
The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods, but the Company has not early adopted them:

-IFRS 3 (Revised), "Business Combinations", (effective from 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 comprehensive income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority 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 from 1 January 2010.

-IAS 38 (Amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. It is not expected to have an impact on the Company's financial statements and the Company's management will apply IAS 38 (amendment) from the date which IFRS 3 (Revised) is adopted.

-IAS 38 (Amendment), "Intangible Assets", (effective for periods beginning on or after 1 January 2010). Amendments to paragraphs 40 and 41 of IAS 38 to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. It is not expected to have an impact on the Company's financial statements.

-IAS 36 (Revised), "Impairment of Assets", (effective for periods beginning on or after 1 January 2010). Amendment to clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment. It is not expected to have an impact on the Company's financial statements.

-IAS 7 (Revised), "Statement of Cash Flows", (effective for periods beginning on or after 1 January 2010). Amendment to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment will not result in a material impact on the Company's statements of cash flows.

-IFRS 8 (Revised), "Operating Segments", (effective for periods beginning on or after 1 January 2010). It is not expected to have an impact on the Company's financial statements, as there are not any operating segments reportable in accordance with IFRS 8 (Note 5).

-IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement"- Eligible Hedged Items, (effective with retrospective application for annual periods beginning on or after 1 July 2009). As the Company does not have any hedging transaction, it is not expected to have an impact on the Company's financial statements.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2009 and 2008

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

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

-IAS 32 (Amendment), "Financial Instruments: Presentation", (effective for annual periods beginning on or after 1 February 2010). It is not expected to have an impact on the Company's financial statements.

-IAS 24 (Amendment), "Related Party Disclosures", (effective for annual periods beginning on or after 1 January 2011). As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

-IFRS 9, "Financial Instruments" (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). It is not expected to have an impact on the Company's financial statements.

-Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). Although these standards are not expected to have a material impact on the Company's financial statements, the Company management is still assessing their impact.

-IFRS 5 (Revised), "Measurement of Non-Current Assets (or disposal groups) Classified as Held-for-sale". The amendment is part of the International Accounting Standards Board's ("IASB") annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Company will apply IFRS 5 (Amendment) from 1 January 2010. It is not expected to have material impact on the Company's financial statements.

-IAS 1 (Amendment), "Presentation of Financial Statements". The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Company will apply IAS 1 (Amendment) from 1 January 2010. It is not expected to have an impact on the Company's financial statements.

-IFRIC 17 "Distribution of Non-Cash Assets to Owners", (effective for the annual periods beginning on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Company will apply IFRIC 17 from 1 January 2010. It is not expected to have an impact on the Company's financial statements.

d) Standards, amendments and interpretations to existing standards that are not yet effective in 2009 and not relevant for the Company's operations:

-IFRS 2 (Amendment), "Group Cash-settled Share-based Payments Transactions", (effective from 1 January 2010). In addition to incorporating IFRIC 8, "Scope of IFRS 2", and IFRIC 11, "IFRS 2 - Group and treasury share transactions", the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by the interpretation. Although these standards are not expected to have a material impact on the Company's financial statements, the Company management is still assessing their impact.

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

-IFRS 2 (Revised), "Share Based Payments", (effective for periods beginning on or after 1 July 2009). Amendment to confirm that, in addition to business combinations as defined by IFRS 3 (Revised), "Business Combinations", contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2, "Share-Based Payments". Although these standards are not expected to have a material impact on the Company's financial statements, the Company management is still assessing their impact.

-IFRIC 9 (Revised), "Reassessment of Embedded Derivatives", (effective for periods ending on or after 30 June 2009). It is not expected to have an impact on the Company's financial statements, as the Company does not have any embedded derivatives.

-IFRIC 9 and IFRS 3 (Revised), (effective for periods beginning on or after 1 July 2009). The IASB amended the scope paragraph of IFRIC 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture. Although these standards are not expected to have a material impact on the Company's financial statements, the Company management is still assessing their impact.

-IFRIC 18, "Transfers of Assets From Customers", (effective for periods beginning on or after 1 July 2009). It is not expected to have an impact on the Company's financial statements.

-IAS 17 (Revised), "Leases", (effective for periods beginning on or after 1 January 2010). It is not expected to have an impact on the Company's financial statements, as the Company does not have any material leasing transactions.

-IAS 39 (Revised), "Financial Instruments: Recognition and Measurement", (effective for periods beginning on or after 1 January 2010). Amendments regarding scope exemption for business combination contracts and cash flow hedge accounting. It is not expected to have an impact on the Group's financial statements as there are no business combination contracts or cash flow hedges.

-IFRIC 16, "Hedges of a net investment in a foreign operation", (effective for periods beginning on or after 1 July 2009). It is not expected to have an impact on the Company's financial statements, as the Company does not hedge its net investments in foreign operations.

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 but not control. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, 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 the statement of changes in equity and the statement of comprehensive income.

When the Company's share of the losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. The carrying amount of the investment at the date when significant influence ceases is regarded at cost thereafter.

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

The table below sets out the associates and the proportion of ownership interest as of 31 December 2009 and 2008 (Note 16):

	Shareholding (%)	
	2009	**2008**
Investments-in-associates		
YBP	31.95	31.95
Desa Enerji Elektrik Üretimi Otoprodüktör Grubu ("Desa Enerji")	30.52	30.52
Pınar Foods GmbH ("Pınar Foods")	44.94	44.94
Pınar Anadolu Gıda Sanayi ve Ticaret A.Ş. ("Pınar Anadolu")	20.00	20.00

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 comprehensive 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 it operates, 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. As of 31 December 2009, the equivalent of EUR1 is TL2,1603 (2008: TL2,1408) and for the year then ended, the average equivalent of EUR1 is TL2,1508 (2008: TL1,8958). Exchange differences arising from re-translation of the opening net assets of investment-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.

2.4 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.

2.5 Summary of Significant Accounting Policies

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

2.5.1 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).

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

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.

2.5.2 Inventories

Inventories of the Company include raw materials, work-in-progress and finished goods, spare parts, packaging materials and other materials.

The Company's raw material inventory mainly consist of cheddar cheese, lactic butter, concentrated fruit juice and packaging materials used for production of dairy products and fruit juice; work-in-progress inventory mainly consist of raw milk, milk powder, melting cheese, pasteurised lactic butter and pasteurised milk; finished goods inventory mainly consist of UHT milk, white cheese, kasseri, labne, packaged fruit juice, butter, sauces and yogurt; and other inventory mainly consist of spare part and pallet.

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).

2.5.3 Property, plant and equipment

The Company's land and land improvements, buildings, machinery and equipment are stated at their fair values less subsequent depreciation based on the valuations performed by the external independent valuers at 31 December 2008, namely Elit Gayrimenkul Değerleme A.Ş. for land and land improvements and buildings, and Vakıf Gayrimenkul Ekspertiz ve Değerleme A.Ş. for machinery and equipment since the Company's assumption is that those values do not significantly differ from their fair values as of 31 December 2009. All other items of property, plant and equipment except land, land improvements, building and machinery 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).

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 comprehensive income.

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

Property, plant 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).

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

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 estimated useful lives of property, plant and equipments are as follows:

	Years
Buildings and land improvements	15-50
Machinery and equipments	5-30
Motor vehicles (including leased motor vehicles)	5
Furniture and fixtures	5-10

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 2.5.5 and 18). If the property, plant and equipments that are impaired, are revalued, the impairment is charged to the revaluation reserves to the extent that the amount offsetting previous increases of the same asset charged in the revaluation reserves and all other decreases are recognised in the statement of comprehensive income (Note 31.b).

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 maintenance are charged to the statements of comprehensive 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.

2.5.4 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 depreciation is not allocated on investment properties. Any resulting increase in fair value is recognised in the statement of comprehensive income, whereas any decrease is charged to the revaluation reserves to the extent that the amount offsetting previous increases of the same asset charged in revaluation reserves, and all other decreases are recognised in the statement of comprehensive income. The investment properties are stated at fair values based on the valuations performed by Elit Gayrimenkul Değerleme A.Ş. at 31 December 2009 and 2008 (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.

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

2.5.5 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 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 2.5.6 and 19).

2.5.6 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 as of reporting date (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 in investment in associates, the carrying amount of the investments is tested in accordance with IAS 36, by comparing its recoverable amount (higher of value-in-use and fair value less cost to sell) with its carrying amount and any additional impairment loss is recognised, if any.

Assets are allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level. The recoverable amount of 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 comprehensive income. Decreases that offset previous increases of the respective asset are charged against the revaluation reserve; all other decreases are charged to the statement of comprehensive 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.

The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

-Significant financial difficulty of the issuer or obligor;
-A breach of contract, such as a default or delinquency in interest or principal payments;
-For economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
-It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
-Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets.

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

2.5.7 Borrowing and borrowing cost

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 comprehensive 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 (Notes 8 and 9).

2.5.8 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.

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 comprehensive 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 comprehensive 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 comprehensive 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

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

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 comprehensive income on investments are not reversed through the statement of comprehensive income.

2.5.9 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 comprehensive income.

2.5.10 Business combination

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".

2.5.11 Earnings per share

Earnings per share disclosed in the statement of comprehensive 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.

2.5.12 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.

2.5.13 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 has been reliably estimated.

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

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 in the statement of comprehensive income.

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.

2.5.14 Accounting policies, errors and change 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 changes in accounting estimate shall be recognised prospectively by including it in the statement of comprehensive 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.

2.5.15 Related parties

For the purpose of these financial statements, shareholders having control, joint control or significant influence over the Company, Yaşar Group Companies, key management personnel and board members, and their close family members, in each case together with and companies controlled, jointly controlled or significantly influenced by them are considered and referred to as related parties (Note 37).

2.5.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that takes strategic decisions.

The chief operating decision makers regularly monitor and review the operational results based on the main products' performances in domestic and foreign markets. However, as the nature of the products, production processes, type of customers, distribution methods and regulatory environment for the operations of the Company are identical, and the operations performed in foreign markets is not material, segment reporting is not applicable.

2.5.17 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 comprehensive 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).

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

Operating Leases

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

(2) The Company as the lessor

Operating Leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term in the statement of comprehensive income.

2.5.18 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 income or expense is recognised in the statement of comprehensive 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 and other comprehensive income, the tax is also recognized in equity and other comprehensive income.

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, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date (Note 35).

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).

2.5.19 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 comprehensive income (Note 24).

The Company allocates bonus for the management and board of directors and recognises a provision during the related year with respect to this bonus (Note 22.a).

2.5.20 Statement of cash flow

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

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

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.

2.5.21 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).

2.5.22 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.

2.5.23 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method (Notes 10.b and 10.c).

2.5.24 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 comprehensive 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 as finance income (Note 32) and finance expenses in the statement of comprehensive income (Note 33).

2.5.25 Government grants and incentive

Government subsidies are recognised as income in the statement of comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis (Note 21).

2.5.26 Critical accounting estimates and judgments

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.

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Notes to the Financial Statements at 31 December 2009 and 2008

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

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

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) Revaluation of land, buildings and land improvements, machinery and equipments

Land and buildings and machinery and equipments are stated at their fair values based on the valuations performed by the external independent valuers, at 31 December 2008, less the subsequent depreciation and these carrying values are assumed not to significantly differ from their fair values at 31 December 2009.

Land and buildings and land improvements were revaluated by the external independent valuers based on some techniques and assumptions as of 31 December 2008.

-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.

The carrying values of land, land improvements, buildings, machinery and equipment do not necessarily reflect the amounts that would result from the outcome of a sales transaction between independent parties.

NOTE 3 - BUSINESS COMBINATIONS

None (2008: None).

NOTE 4 - JOINT VENTURES

None (2008: None).

NOTE 5 - SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that takes strategic decisions.

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Notes to the Financial Statements at 31 December 2009 and 2008

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

NOTE 5 - SEGMENT REPORTING (Continued)

The chief operating decision makers regularly monitor and review the operational results based on the main products' performances in domestic and foreign markets. However, as the nature of the products, production processes, type of customers, distribution methods and regulatory environment for the operations of the Company are identical, and the operations performed in foreign markets is not material, segment reporting is not applicable.

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2009	31 December 2008
Cash in hand	27,530	11,714
Banks	3,289,524	5,256,636
- Time deposits	3,120,000	5,034,145
- Local currency	3,120,000	3,295,000
- Foreign currency	-	1,739,145
- Demand deposits	169,524	222,491
- Local currency	169,524	128,709
- Foreign currency	-	93,782
	3,317,054	**5,268,350**

Time deposits are denominated in TL amounted to TL3,120,000 at 31 December 2008 and all mature in less than one month with the effective weighted average interest rates of 7.47% per annum ("p.a.") (2008: Time deposits are denominated in TL and USD which amounted TL3,295,000 and USD1,150,000 equivalent of TL1,739,145 and all mature in less than one month with the effective weighted average interest rates of 16.50% and 2.50% p.a., respectively). There are no foreign currency denominated bank deposits as of 31 December 2009 (2008: USD1,151,743 and EUR42,575 equivalent of TL1,832,927).

Based on the independent data with respect to the credit risk assessment of the banks, at which the Company has deposits, the credit quality of the banks is sufficient. The fair values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet dates.

NOTE 7 - FINANCIAL ASSETS

	31 December 2009	31 December 2008
Available-for-sale investments	37,742,060	20,454,629
Other financial investments (Note 8)	1,267,800	1,150,800
	39,009,860	**21,605,429**

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Notes to the Financial Statements at 31 December 2009 and 2008

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

NOTE 7 - FINANCIAL ASSETS (Continued)

a) Available-for-sale investments:

	31 December 2009		31 December 2008	
	TL	%	TL	%
Pınar Entegre Et ve Un Sanayi A.Ş. ("Pınar Et")	24,096,744	12,58	11,012,538	12,58
Çamlı Yem Besicilik San. ve Tic. A.Ş. ("Çamlı Yem")	7,527,014	5,47	5,496,961	5,47
Pınar Su San. ve Tic. A.Ş. ("Pınar Su")	5,666,858	8,81	3,074,691	8,81
Yataş	369,691	1,76	767,344	1,96
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	62,392	1,33	83,734	1,33
Other	19,361	-	19,361	-
	37,742,060		**20,454,629**	

Pınar Et and Pınar Su are stated at quoted market prices as they are listed on ISE; Yataş, Bintur and Çamlı Yem are stated at their fair values which are determined based on the discounted cash flows as of 31 December 2009 and 2008 by using the market interest rates and the risk premium specific to unlisted companies within the related sectors. The discount and growth rates used in discounted cash flow models as at 31 December 2009 and 2008 are as follows:

31 December 2009

	Discount rates	Growth rates
Çamlı Yem	12.74%	2%
Yataş	11.37%	0%
Bintur	15.60%	1%

31 December 2008

	Discount rates	Growth rates
Çamlı Yem	15.62%	2%
Yataş	15.25%	0%
Bintur	17.50%	0%

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Notes to the Financial Statements at 31 December 2009 and 2008

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

NOTE 7 - FINANCIAL ASSETS (Continued)

The movements of available-for-sale investments in 2009 and 2008 were as follows:

	2009	2008
1 January	**20,454,629**	**38,819,524**
Fair value gain/(loss):	**17,287,431**	**(18,148,941)**
Pınar Et	13,084,206	(12,975,170)
Çamlı Yem	2,030,053	(597,279)
Pınar Su	2,592,167	(4,555,929)
Yataş	(397,653)	(30,367)
Bintur	(21,342)	9,804
Impairment loss (Note 29):	**-**	**(215,954)**
Çamlı Yem	-	(215,954)
31 December	**37,742,060**	**20,454,629**

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

	2009	2008
1 January	**(2,733,911)**	**14,562,340**
Change in fair value of Pınar Et	13,084,206	(12,975,170)
Change in fair value of Çamlı Yem	2,030,053	(597,279)
Change in fair value of Pınar Su	2,592,167	(4,555,929)
Change in fair value of Yataş	(397,653)	(30,367)
Change in fair value of Bintur	(21,342)	9,804
Deferred income tax on fair value reserve of available-for-sale investments (Note 35)	(781,493)	852,690
31 December	**13,772,027**	**(2,733,911)**

b) Other financial assets:

As of 31 December 2009; other financial assets amounted to TL1,267,800 (2008: TL1,150,800) consist of receivables from derivative financial instruments and have been disclosed in detail in Notes 8 and 9.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2009 and 2008

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

NOTE 8 - FINANCIAL LIABILITIES

	31 December 2009	31 December 2008
Short-term borrowings	5,292,754	14,796,907
Short-term finance lease obligations	502	169,750
	5,293,256	14,966,657
Short-term derivative liabilities	258,763	459,765
Short-term financial liabilities and other financial liabilities	**5,552,019**	**15,426,422**
Long-term borrowings	14,754,180	14,506,590
Long-term derivative liabilities	-	499
	14,754,180	14,507,089
Long-term derivative assets (Note 7)	(1,267,800)	(1,150,800)
Long-term financial liabilities and other financial assets	**13,486,380**	**13,356,289**
Total financial liabilities, other financial assets and other financial liabilities	**19,038,399**	**28,782,711**

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Notes to the Financial Statements at 31 December 2009 and 2008

(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 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Short-term bank borrowings:						
TL borrowings (*)	10,25	18,42	4,034,689	12,674,902	4,034,689	12,674,902
Short-term portion of long-term bank borrowings:						
EUR borrowings (**)	5,62	8,23	350,472	311,374	757,125	666,590
CHF borrowings (***)	2,27	2,27	345,667	345,667	500,940	494,303
USD borrowings (****)	-	7,88	-	635,530	-	961,112
					5,292,754	14,796,907
Derivative liabilities:						
Cross currency swaps	-	-	258,763	459,765	258,763	459,765
Total short-term borrowings and other financial liabilities					**5,551,517**	**15,256,672**
Long-term borrowings:						
EUR borrowings (**)	6,49	10,56	6,597,806	6,314,454	14,253,240	13,517,983
CHF borrowings (***)	2,27	2,27	345,667	691,333	500,940	988,607
					14,754,180	14,506,590
Derivative financial (assets)/liabilities:						
Cross currency swaps	-	-	(1,267,800)	(1,150,800)	(1,267,800)	(1,150,800)
Total long-term financial liabilities and other financial assets					**13,486,380**	**13,355,790**

(*) TL denominated short-term bank borrowings are comprised of spot borrowing without interest charge that is amounting to TL534,689 (2008: TL453,887) and revolving borrowings that are amounting to TL3,500,000 (2008: TL12,221,014).
(**) EUR denominated bank borrowings are comprised of borrowing with semi-annually floating rates according to Euribor+5.60% p.a. that is amounting to EUR6,103,729 equivalent of TL13,185,886 (2008: EUR6,180,350 equivalent of TL13,230,893) and borrowings with 5.20% p.a. fixed interest rate that are amounting to EUR844,549 equivalent of TL1,824,479 (2008: EUR445,478 equivalent of TL953,680)
(***) CHF denominated bank borrowings are comprised of borrowings with 2.27% p.a. fixed interest rate (2008: 2.27% p.a.).
(****) USD denominated bank borrowings as of 31 December 2008, mainly consist of with quarterly and semi-annually floating interest rates between Libor +3.5% and +5%.

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Notes to the Financial Statements at 31 December 2009 and 2008

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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 statement of comprehensive income in finance income (Note 32) and finance expenses (Note 33).
The notional principal amount of the cross currency swap amounts to TL24,655,800 as at 31 December 2009 (2008: TL24,538,800).

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 2009, 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 for Group's financial liabilities and other financial liabilities are explained in Note 22.

The redemption schedule of long-term bank borrowings at 31 December 2009 and 2008 is as follows:

	31 December 2009	31 December 2008
2010	-	748,612
2011	996,227	763,577
2012	397,176	149,601
2013	12,092,977	11,694,000
	13,486,380	**13,355,790**

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Notes to the Financial Statements at 31 December 2009 and 2008

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

NOTE 8 - FINANCIAL LIABILITIES (Continued)

As of 31 December 2009 and 2008 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 2009 and 2008 are as follows:

	Up to 3 months	3 months to 1 year	Total
- 31 December 2009:			
Bank borrowings with floating rates	12,176,849	-	12,176,849
Bank borrowings with fixed rates	-	-	6,861,048
Total			**19,037,897**
- 31 December 2008:			
Bank borrowings with floating rates	12,539,858	-	12,539,858
Bank borrowings with fixed rates	-	-	16,072,604
Total			**28,612,462**

According to the interest rate sensitivity analysis performed at 31 December 2009, if interest rates on bank borrowings had been 1% higher while all other variables being constant, net profit for the year would be TL30,534 (2008: TL31,509) 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 and derivative financial instruments are as follows:

	Carrying Amounts		Fair Values	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Bank borrowings	**19,037,897**	**28,612,462**	**17,926,014**	**30,129,894**

The fair values are based on cash flows discounted using the rates based on the borrowing rates of 2.24% p.a., 0.38% p.a. and 16.56% p.a. for EUR, CHF and TL denominated bank borrowings as of 31 December 2009, respectively (2008: 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, respectively).

	31 December 2009	31 December 2008
b) Finance lease obligations:		
Short-term finance lease obligations	502	169,750
Long-term finance lease obligations	-	499
	502	**170,249**

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Notes to the Financial Statements at 31 December 2009 and 2008

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NOTE 8 - FINANCIAL LIABILITIES (Continued)

Effective weighted average interest rate of finance lease obligations is 8.64% p.a. (2008: 8.64% p.a.). The carrying values of finance lease obligations are assumed to approximate their fair values. At 31 December 2009, finance lease obligations consisted of EUR232 (2008: EUR79,495 and USD44).

NOTE 9 - OTHER FINANCIAL LIABILITIES

Please see Note 8.

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

	31 December 2009	31 December 2008
a) Short-term trade receivables:		
Customer current accounts	3,441,662	1,820,473
Cheques and notes receivable	11,774,361	9,473,278
Other	14,807	35,841
	15,230,830	11,329,592
Less: Provision for impairment of receivables	(458,181)	(553,604)
Unearned finance income	(70,375)	(112,430)
	14,702,274	**10,663,558**

The effective weighted average interest rate on TL denominated trade receivables is 6.85% p.a. as of 31 December 2009 (2008: 16.44% p.a.). Customer current accounts and notes receivable are all short term and maturing within 2 months (2008: 2 months).

The agings of cheques and notes receivables are as follows:

	31 December 2009	31 December 2008
Overdue	109,710	148,137
0-30 days	7,150,881	5,598,328
31-60 days	4,458,005	3,269,772
61-90 days	3,765	252,041
91 days and over	52,000	205,000
	11,774,361	**9,473,278**

The receivables of the Company come from milk and dairy product sales. As of 31 December 2009, trade receivables amounting to TL14,702,274 (2008: TL10,663,558) from customers and dealers, over which no provision for impairment is provided and the Company management does not expect any collection risk regarding those receivables considering its past experience (Note 38.a).

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Notes to the Financial Statements at 31 December 2009 and 2008

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

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

The aging of trade receivables as of 31 December 2009 and 2008, over which no provision for impairment is provided, are as follows:

	31 December 2009	**31 December 2008**
Overdue	471,254	556,657
0-30 days	9,185,276	6,033,848
31-60 days	4,992,130	3,632,901
61-90 days	3,709	244,105
91 days and over	49,905	196,047
	14,702,274	**10,663,558**

As of 31 December 2009, trade receivables of TL471,254 (2008: TL556,657), over which no provision for impairment is provided, were past due. The Company management does not expect any collection risk regarding those receivables considering its past experience (Note 38.a).

The aging of overdue receivables as of 31 December 2009 and 2008 are as follows;

0-3 months overdue	471,254	273,675
3-6 months	-	282,982
	471,254	**556,657**

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

	2009	**2008**
1 January	**553,604**	**37,430**
Charged to the statement of comprehensive income (Note 31.b)	-	516,174
Collections (Note 31.a)	(95,423)	-
31 December	**458,181**	**553,604**

	31 December 2009	**31 December 2008**
b) Short-term trade payables:		
Supplier current accounts	59,538,329	46,859,764
Less: Unincurred finance cost	(212,742)	(318,053)
	59,325,587	**46,541,711**

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Notes to the Financial Statements at 31 December 2009 and 2008

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NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

The effective weighted average interest rates for TL, USD and EUR denominated short-term trade payables as of 31 December 2009 and 2008 are as follows:

	31 December 2009	31 December 2008
TL trade payables	6.88%	16.30%
USD trade payables	0.24%	1.11%
EUR trade payables	0.52%	2.75%

Short-term trade payables mature within 2 months (2008: 2 months).

As of 31 December 2009 and 2008, foreign currency details of short-term trade payables are as follows:

31 December 2009	Original currency	TL equivalent
USD short-term trade payables	1,061,378	1,598,117
EUR short-term trade payables	4,295,248	9,279,024

31 December 2008	Original currency	TL equivalent
USD short-term trade payables	130,422	197,237
EUR short-term trade payables	1,971,717	4,221,054

	31 December 2009	31 December 2008
c) Long-term trade payables:		
Supplier current accounts	5,602,039	14,622,499
	5,602,039	**14,622,499**

Long-term trade payables are comprised of payables regarding property, plant and equipment purchases that are amounting to EUR2,593,176 as of 31 December 2009 (2008: regarding property, plant and equipment and intangible assets purchases that are amounting to EUR4,469,164 and TL5,054,913). The effective weighted average interest rate for long-term trade payables is 5.81% p.a. (2008: 5.03% p.a.).

Long-term trade payables are recognised initially at property, plant and equipment purchase dates and initially measured at respective acquisition costs, net of any transaction costs incurred.

In subsequent periods, long-term trade payables are measured at amortised cost using the effective yield method.

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Notes to the Financial Statements at 31 December 2009 and 2008

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

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

The redemption schedules of long-term trade payables at 31 December 2009 and 2008 are as follows:

	31 December 2009	31 December 2008
2010	-	6,390,809
2011	3,601,795	3,912,461
2012	1,484,329	2,489,720
2013	515,915	1,829,509
	5,602,039	**14,622,499**

As of 31 December 2009 and 2008, foreign currency details of long-term trade payables are as follows:

31 December 2009	Original currency	TL equivalent
EUR long-term trade payables	2,593,176	5,602,039

31 December 2008	Original currency	TL equivalent
EUR long-term trade receivables	4,469,164	9,567,586

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

	31 December 2009	31 December 2008
a) Other short-term receivables:		
Receivable from sale of land (Note 18)	2,154,608	-
Receivables from insurance companies	225,262	225,262
Deposits and guarantees given	8,097	1,062
Other	3,805	29,991
	2,391,772	**256,315**
b) Other long-term receivables:		
Deposits and guarantees given	751	1,673
c) Other long-term payables:		
Deposits and guarantees received	50,029	49,923

NOTE 12 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2008: None).

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Notes to the Financial Statements at 31 December 2009 and 2008

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

NOTE 13 - INVENTORIES

	31 December 2009	31 December 2008
Raw materials	15,940,698	14,761,508
- Raw materials	14,949,303	12,083,370
- Raw materials in-transit	991,395	2,678,138
Work-in-progress	6,982,018	8,794,365
Finished goods	11,156,674	12,690,451
Trade goods	273,598	409,806
Spare parts	1,921,494	2,422,194
Other (*)	698,695	922,480
	36,973,177	**40,000,804**

(*) Other inventories mainly consist of pallet stocks.

The cost of inventories recognised as expense and included in cost of sales amounted to TL333,977,105 (2008: TL351,821,800) (Note 30). Inventories are carried at cost, and there are no inventories valued at fair value less cost to sell.

NOTE 14 - BIOLOGICAL ASSETS

None (2008: None).

NOTE 15 - CONSTRUCTION CONTRACT RECEIVABLES AND PROGRESS BILLINGS

None (2008: None).

NOTE 16 - INVESTMENT-IN-ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD

Investments-in-associates:

	31 December 2009		31 December 2008	
	TL	**%**	**TL**	**%**
YBP	29,661,460	31.95	25,475,625	31.95
Desa Enerji	2,629,156	30.52	2,360,175	30.52
Pınar Foods	2,721,261	44.94	2,309,042	44.94
Pınar Anadolu	761,210	20.00	867,514	20.00
	35,773,087		**31,012,356**	

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Notes to the Financial Statements at 31 December 2009 and 2008

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

Movements of investments-in-associates in 2009 and 2008 are as follows:

	2009	2008
1 January	**31,012,356**	**27,013,473**
Share of profit before taxation of investments-in-associates - net	11,381,042	7,775,902
Share of income taxation on investments-in-associates	(2,539,180)	(1,354,577)
Increase/(decrease) in fair value reserves of associates - net	786,025	(1,100,222)
Currency translation reserve	(107,996)	53,499
Dividend income from investments-in-associates (Note 37.ii.d)	(4,759,757)	(4,539,242)
Capital increase (Desa Enerji)	-	2,441,270
(Decrease)/increase in revaluation reserves of investments-in-associates - net	(255,607)	91,139
Reclassification of decrease in revaluation reserve of investments-in-associates to retained earnings	255,607	507,018
Inventory profit elimination	597	124,096
31 December	**35,773,087**	**31,012,356**

Movements in revaluation reserve of investments-in-associates are as follows:

	2009	2008
1 January	**440,962**	**349,823**
Revaluation reserve change - net (Desa Enerji)	(254,722)	91,181
Revaluation reserve change - net (YBP)	(885)	(42)
31 December	**185,355**	**440,962**

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

		31 December 2009	
	Assets	**Liabilities**	**Profit for the year**
- YBP	250,007,632	156,618,305	24,226,269
- Desa Enerji	14,748,357	6,133,823	881,357
- Pınar Foods	7,111,708	1,056,387	1,066,925
- Pınar Anadolu	6,457,967	2,651,917	1,765,513

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

	31 December 2008		
	Assets	**Liabilities**	**Profit/(Loss) for the year**
- YBP	222,143,836	141,855,520	16,879,574
- Desa Enerji	13,386,388	5,653,213	(2,485,526)
- Pınar Foods	6,022,070	884,150	921,346
- Pınar Anadolu	6,317,107	1,979,540	2,455,031

NOTE 17 - INVESTMENT PROPERTY

	1 January 2009	**Transfers from property, plant and equipment (Note 18)**	**Disposals**	**Transfers to property, plant and equipment (Note 18)**	**31 December 2009**
Fair value:					
Land	-	1,785,000	(1,785,000)	-	-
Land improvements and buildings	960,026	1,905,000	(1,905,000)	(960,026)	-
Net book value	**960,026**	**3,690,000**	**(3,690,000) (*)**	**(960,026)**	**-**

(*) The land, land improvements and building located in Işıkkent - Izmir, were reclassified as investment property in 2009 since they have been started to be held for capital appreciation. The Company sold these investment properties to Çamlı Yem in consideration of TL2,000,000 (Note 18). The sales price was determined based on the independent valuer's report on 27 October 2009 (Note 37.ii.i). Loss from sales of these investment properties amounting to TL1,690,000 was recognized as other expense in the statement of comprehensive income (Note 31.b).

	1 January 2008	**31 December 2008**
Fair value:		
Land improvements and buildings	960,026	960,026
Net book value	**960,026**	**960,026**

Investment properties are stated at fair value based on the valuations performed by Elit Gayrimenkul Değerleme A.Ş. at 31 December 2008.

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NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment for the period between 1 January - 31 December 2009 are as follows:

	1 January 2009 Opening	Additions	Disposals	Transfers	Transfers to investments property (Note 17)	Transfers from investments property (Note 17)	31 December 2009 Closing
Cost/valuation:							
Land	63,160,001	-	(5,985,026)	-	(1,785,000)	-	55,389,975
Buildings and land improvements	89,953,938	127,310	-	-	(2,237,754)	960,026	88,803,520
Machinery and equipment	200,116,668	2,746,959	(274,862)	1,899,993	-	-	204,488,758
Motor vehicles	5,424,094	-	(348,098)	-	-	-	5,075,996
Leased motor vehicles	2,223,121	-	-	-	-	-	2,223,121
Furnitures and fixtures	34,272,307	1,012,969	(354,440)	17,235	-	-	34,948,071
Construction in progress	346,280	1,619,828	-	(1,917,228)	-	-	48,880
	395,496,409	**5,507,066**	**(6,962,426)**	**-**	**(4,022,754)**	**960,026**	**390,978,321**
Accumulated depreciation:							
Buildings and land improvements	(29,516,906)	(2,582,074)	-	-	332,754	-	(31,766,226)
Machinery and equipment	(107,395,342)	(7,156,553)	200,069	-	-	-	(114,351,826)
Motor vehicles	(5,224,618)	(101,705)	348,098	-	-	-	(4,978,225)
Leased motor vehicles	(1,107,324)	(275,323)	-	-	-	-	(1,382,647)
Furnitures and fixtures	(24,048,988)	(2,439,427)	332,019	-	-	-	(26,156,396)
	(167,293,178)	**(12,555,082)**	**880,186**	**-**	**332,754**	**-**	**(178,635,320)**
Net book value		**228,203,231**					**212,343,001**

Disposals from lands in 2009 are mainly comprised of lands in Manisa Organized Industrial Zone ("MOIZ") that were purchased in 2008. At 31 December 2009, the Company had receivable from MOIZ amounting to TL2,154,608 (Note 11) with respect to this sale transaction. Gain from sale of these lands amounting to TL256,134 was recognised as other income in the statement of comprehensive income. Main additions to machinery and equipment in 2009 were dairy products' manufacturing and packaging machinery.

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Notes to the Financial Statements at 31 December 2009 and 2008

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NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2008 Opening	Additions	Disposals	Revaluation	Reversal of impairment (Note 31.a)	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 major additions to land were composed of purchase of a land in Manisa Industrial Zone.

There are no mortgages or other collaterals placed on property, plant and equipment for loans obtained from financial institutions as of 31 December 2009 (2008: TL27,371,002).

Current year's depreciation and amortisation charges were allocated to cost of production by TL9,502,445 (2008: TL8,356,497), to cost of inventories by TL221,277 (2008: TL428,170), to general administrative expenses by TL1,076,944 (2008: TL1,325,522) (Note 29), to selling and marketing expenses by TL2,106,347 (2008: TL2,465,688) (Note 29), and to research and development expenses by TL276,298 (2008: TL192,010) (Note 29).

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NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in revaluation reserve related to land, land improvements, buildings, machinery and equipment in 2009 and 2008 were as follows:

	2009	2008
1 January	**85,883,408**	**80,225,122**
Depreciation transfer upon revaluation reserve	(3,227,102)	(2,621,759)
Deferred income tax on depreciation transfer	645,420	524,352
Disposal from revaluation reserve due to sales of property, plant and equipment and investment property	(2,117,754)	(96,018)
Deferred income tax calculated on disposal from property, plant and equipment and investment property	155,802	19,204
Increase in revaluation reserve arising from revaluation of land, land improvements and buildings	-	4,373,332
Decrease in revaluation reserve arising from revaluation of land, land improvements and buildings	-	(665,070)
Increase in revaluation reserve arising from revaluation of machinery, plant and equipment	-	5,884,202
Deferred income tax calculated on revaluation reserve	-	(1,759,957)
31 December	**81,339,774**	**85,883,408**

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 2009 and 2008 are as follows:

31 December 2009:	**Land**	**Land improvements and buildings**	**Machinery and equipment**
Cost	9,551,770	37,585,603	179,338,919
Less: Accumulated amortisation	-	(12,061,505)	(105,130,074)
Net book value	**9,551,770**	**25,524,098**	**74,208,845**

31 December 2008:	**Land**	**Land improvements and buildings**	**Machinery and equipment**
Cost	15,536,796	38,736,022	174,966,828
Less: Accumulated amortisation	-	(11,775,080)	(99,770,551)
Net book value	**15,536,796**	**26,960,942**	**75,196,277**

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NOTE 19 - INTANGIBLE ASSETS

Movements of intangible assets for the years ended 31 December 2009 and 2008 were as follows:

	1 January 2009 Opening	Additions	Impairment (Note 31.b)	31 December 2009 Closing
Cost:				
Rights:	9,547,981	69,711	(348,677)	9,269,015
Less: Accumulated amortisation	(8,303,590)	(628,229)	-	(8,931,819)
Net book value	**1,244,391**			**337,196**

	1 January 2008 Opening	Additions	Impairment (Note 31.b)	31 December 2008 Closing
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**

NOTE 20 - GOODWILL

None (2008: None).

NOTE 21 - GOVERNMENT GRANTS

In accordance with bulletin of Ministry of Agriculture and Rural Affairs, numbered 2009/40, regarding the utilisation of milk powder, the Company was provided TL909,000 government incentive, based on the production of milk powder. The relevant incentive amount was reflected to the statement of comprehensive income by netting off against the cost of sales (2008: None).

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Notes to the Financial Statements at 31 December 2009 and 2008

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NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	31 December 2009	31 December 2008
a) Short-term provisions:		
Management bonus accruals	1,325,000	1,350,000
Provision for litigations	127,394	127,394
Provision for seniority incentive bonus	60,678	60,678
Other	67,172	272,259
	1,580,244	**1,810,331**
b) Long-term provisions:		
Provision for seniority incentive bonus	183,185	145,300
c) Guarantees given		
Bails	605,508,327	670,070,400
Letters of guarantee	4,069,440	7,775,472
Guarantee notes	2,000,000	2,000,000
Mortgages	-	27,371,002
	611,577,767	**707,216,874**

As of 31 December 2009, 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 EUR280,289 thousands (equivalent of TL605,508,327) (2008: EUR313 million, equivalent of TL670,070,400).

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Notes to the Financial Statements at 31 December 2009 and 2008

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

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

Collaterals, pledges and mortgages ("CPM") positions of the Company as of 31 December 2009 and 2008 are summarized as follows;

	31 December 2009	**31 December 2008**
CPM provided by the Company:		
A. Total amount of CPM given for the Company's own legal personality	6,069,440	37,146,474
B. Total amount of CPM given on behalf of fully consolidated companies	-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	-	-
D. Total amount of other CPM	629,796,285	690,738,709
i. Total amount of CPM given on behalf of the majority shareholder	391,638,627	441,004,800
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C.	238,157,658	249,733,909
iii. Total amount of CPM given on behalf of third parties which are not in scope of C.	-	-
	635,865,725	**727,885,183**
The ratio of total amount of other CPM to Equity	179.84%	245.02%

d) Guarantees received:

Bails	12,961,800	12,844,800
Guarantee cheques	835,291	1,085,802
Letters of guarantee	698,539	2,616,965
Guarantee notes	488,705	432,723
	14,984,335	**16,980,290**

As of 31 December 2009 and 2008, bails received are related with joint guarantees provided to the Company by 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 the Company from international capital markets amounting to EUR6,000,000.

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Notes to the Financial Statements at 31 December 2009 and 2008

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

As of 31 December 2009, foreign currency denominated guarantees were as follows:

	31 December 2009	31 December 2008
Guarantees given	EUR	280,289,000
Guarantees received	EUR	6,210,065
	USD	105,717

As of 31 December 2008, foreign currency denominated guarantees and mortgages were as follows:

Guarantees given	EUR	313,000,000
Mortgages given	USD	7,500,000
	EUR	7,487,272
Guarantees received	EUR	6,480,296
	USD	155,523

e) Contingent liabilities:

As a result of negotiations with the Bornova Municipality Housing Department, it was identified that the plots in Pınarbaşı, Izmir, the site of the Company's land, buildings and land improvements, are located within the an urban workspace zone. As of 31 December 2009, the fair value of the aforementioned properties located on the plots amounts to TL59,480,883. If the building development scheme comes into force, Bornova Municipality may reduce the legal area on the title deeds of those properties. In consideration of the time consuming process, it is not possible to make a reliable estimate of any possible reduction over those plots. The Company management assumes that the impact of such reduction will be immaterial to the financial statements.

NOTE 23 -COMMITMENTS

a) Purchase commitments:

As of 31 December 2009, the Company has purchase commitments of 1,532 tons of concentrated fruit juice equivalent of TL3,668,585; 770 tons of tomato sauce equivalent of TL1,258,374 and packaging materials amounting to EUR6,905,711 equivalent of TL14,918,407 (2008: 570 tons of concentrated fruit juice equivalent of TL1,801,695, 413 tons of tomato sauce equivalent of TL1,017,168 and cleaning material amounting to TL128,746).

b) Other commitments:

As a result of the agreement undersigned by the Company one of its suppliers, the Company has guaranteed the redemption of payable amounting to TL24,287,958 as of 31 December 2009 (2008: TL20,668,309).

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NOTE 24 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 December 2009	**31 December 2008**
Provision for employment termination benefits	4,318,025	3,799,007
	4,318,025	**3,799,007**

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 TL2,365.16 for each year of service as of 31 December 2008 (2008: TL2,173,18). 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 TL2,427.04 which is effective from 1 January 2010 (1 January 2009: TL2,260,05) 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:

Discount rate (%)	5.92	6.26
Probability of retirement (%)	96.73	96.47

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

	2009	**2008**
1 January	**3,799,007**	**3,201,538**
Interest costs	224,902	200,416
Actuarial losses	299,163	428,700
Paid during the year	(829,017)	(929,785)
Annual charge during the year	823,970	898,138
31 December	**4,318,025**	**3,799,007**

The total of interest costs, actuarial losses and annual charge for the year amounting to TL1,348,035 (2008: TL1,527,254) was included in general administrative expenses (Note 29.c).

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NOTE 25 - PENSION PLANS

None (2008: None).

NOTE 26 - OTHER ASSETS AND LIABILITIES

	31 December 2009	31 December 2008
a) Other current assets:		
Value Added Tax receivable	2,066,205	663,666
Prepaid expenses	1,145,094	527,793
Order advances given	20,731	1,542,018
Other	21,063	116,817
	3,253,093	**2,850,294**
b) Other non-current assets:		
Advances given for property, plant and equipment	114,050	295,553
	114,050	**295,553**
c) Other current liabilities:		
Witholding taxes and funds payable	972,542	981,045
Payable to personnel	636,792	1,128,547
Overdue taxes and funds payable (*)	-	2,126,223
Other	38,004	119,767
	1,647,338	**4,355,582**

(*) Unpaid various taxes amounting to TL2,126,223 including overdue interest charges amounting to TL61,588 as of 31 December 2008, were fully paid in 2009 with the additional accrued overdue interest charge related to 2009 amounting to TL376,881 (Note 31.b).

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 2009 and 2008 is as follows:

	31 December 2009	31 December 2008
Registered share capital (historical values)	80,000,000	80,000,000
Share capital with a nominal value	44,951,051	44,951,051

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NOTE 27 - EQUITY (Continued)

The compositions of the Company's share capital at 31 December 2009 and 2008 were as follows:

	31 December 2009		**31 December 2008**	
	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
Share 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 (2008: TL16,513,550) represents the remaining amount after net-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 2009, there are 44,951,051 (2008: 44,951,051) units of shares with a face value of TL1 each.

The Company's capital is composed of 1,728 units of A type shares and 1,260 units of B type shares and 44,948,063 units of C type shares, and the C type shares are traded on the ISE. Based on the Company's Articles of Association, the Board of Directors comprises five to nine members elected by the General Assembly from among the Company's shareholders or from outside the Company personnel, in accordance with the provisions of the Turkish Commercial Code. In the event the Board of Directors comprises of five members, three are elected from among candidates nominated by shareholders bearing A type shares, one from those nominated by shareholders bearing B type shares and one from those nominated by shareholders bearing C type shares. In the event the Board of Directors comprises of seven members, four are elected from among candidates nominated by shareholders bearing A type shares, two from those nominated by shareholders bearing B type shares, and one from those nominated by shareholders bearing C type shares. In the event the Board of Directors comprises of nine members, five are elected from among the candidates nominated by shareholders bearing A type shares, two from those nominated by shareholders bearing B type shares, and two from those nominated by shareholders bearing C type shares. Moreover, the chairman of the board and the executive director are selected among shareholders of A type shares.

Board of Directors has authority to classify new shares as registered or bearer separately in accordance with the CMB regulations. Companies can increase their share capital by way of bonus issue to existing shareholders in proportion of their shareholding rates.

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NOTE 27 - EQUITY (Continued)

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. On the other hand, in case of the distribution of the total net distributable profit as dividend, limited only for such case, the second legal reserve is appropriated at the rate of 9% per annum of net distributable profit 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 share capital.

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. In this respect, TL475,535 which was 75% of gain from sale of investment property amounted to TL634,047 recognised as a special fund in the statutory financial statements prepared in accordance with the Tax Procedure Law; was not subject to the profit distribution since such special fund will be transfer to share capital within next five years.

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 TL17,020,753 (2008: TL13,981,411). The extraordinary funds as unrestricted reserves of the Company, amounting to TL38,001,934 (2008: TL8,883,311), is classified in the retained earnings.

In accordance with the Communiqué No: XI-29 and related announcements of CMB "Share capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences (like inflation adjustments) 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:

Based on the CMB Decree No. 02/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations in 2009. Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of CMB Communiqué IV, No: 27, their articles of association and their previously publicly declared profit distribution policies. On the other hand, according to the Company's Article of Association, the followings could be applied for additional allocation of retained earnings;

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NOTE 27 - EQUITY (Continued)

- Based on the approval of the General Assembly, up to 3% of retained earnings after dividend distribution could be allocated to plant investments designated in accordance with article of 468 in TCC,

- Up to 5% of retained earnings after dividend distribution could be allocated to the Board of Directors as necessary,

- Up to 5% of retained earnings after dividend distribution could be allocated to donations, bonuses etc.

Based on the decision of General Assembly meeting on 13 May 2009, the Company has distributed 20% of the distributable net profit for the year ended 31 December 2008 amounting to TL6,712,729 as dividend.

Composition of the equity items subject to the profit distribution as per statutory financial statements of the Company is as follows:

	31 December 2009	31 December 2008
Extraordinary reserves	55,900,652	26,782,029
Retained earnings	5,456,411	5,943,811
Profit for the year	58,334,894	39,695,776
	119,691,957	**72,421,616**

NOTE 28 - SALES AND COST OF SALES

	1 January - 31 December 2009	1 January - 31 December 2008
Domestic sales	565,036,972	576,713,623
Export sales	46,088,437	35,339,012
Merchandise goods sales	16,028,986	21,989,727
Other sales	205,374	82,722
Gross Sales	627,359,769	634,125,084
Less: Discounts	(137,209,915)	(137,235,716)
Returns	(9,197,757)	(14,095,723)
Net sales	**480,952,097**	**482,793,645**
Cost of sales	**(374,268,811)**	**(393,246,746)**
Gross profit	**106,683,286**	**89,546,899**

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

	1 January - 31 December 2009	1 January - 31 December 2008
a) Research and development expenses:		
Staff cost	1,664,338	1,689,834
Material usage	740,015	957,174
Outsourced services	713,235	779,846
Depreciation and amortisation (Notes 18 and 19)	276,298	192,010
Consultancy charges	32,261	41,561
Other	361,111	606,934
	3,787,258	**4,267,359**
b) Marketing, selling and distribution expenses:		
Advertisement	13,760,491	13,478,984
Transportation	3,721,584	3,876,488
Outsourced services	2,310,673	2,692,380
Depreciation and amortisation (Notes 18 and 19)	2,106,347	2,465,688
Staff cost	2,091,007	2,118,448
Other	2,557,062	2,253,457
	26,547,164	**26,885,445**
c) General administrative expenses:		
Consultancy charges	6,566,561	4,797,084
Staff cost	5,814,599	5,798,252
Employment termination benefits (Note 24)	1,348,035	1,527,254
Management bonus	1,325,000	2,800,000
Depreciation and amortisation (Notes 18 and 19)	1,076,944	1,325,522
Outsourced services	797,055	938,252
Taxes (Corporate tax excluded)	405,305	470,356
Utilities	327,681	375,333
Representation and hosting	255,878	467,706
Communication	236,230	355,040
Other	1,860,083	1,885,467
	20,013,371	**20,740,266**
Total operating expenses	**50,347,793**	**51,893,070**

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NOTE 30 - EXPENSES BY NATURE

	1 January - 31 December 2009	1 January - 31 December 2008
Direct material costs	333,977,105	351,821,800
Staff cost	25,398,284	29,305,376
Utilities	14,290,733	14,703,287
Advertisement	13,760,491	13,478,984
Depreciation and amortisation (Notes 18 and 19)	13,390,204	12,339,717
Consultancy charges	6,752,461	4,838,645
Repair and maintenance	6,312,118	7,228,191
Outsourced services	3,972,450	4,524,542
Employment termination benefits (Note 24)	1,348,035	1,527,254
Rent	613,096	1,159,495
Taxes, dues and fees	449,030	470,356
Insurance	168,029	120,726
Other	4,184,568	3,621,443
	424,616,604	**445,139,816**

NOTE 31 - OTHER OPERATING INCOME/EXPENSES

	1 January - 31 December 2009	1 January - 31 December 2008
a) Other operating income:		
Gain on termination of supplier contract (*)	1,888,103	-
Rent income	1,321,529	1,264,185
Dividend income (Note 37.ii.d)	1,121,806	3,014,003
Income from sales of property, plant and equipment	342,788	26,508
Income from sales of scrap	227,581	673,624
Reversal of bad debt expense (Notes 10 and 37.i.a)	162,537	39,712
Reversal of impairment on property, plant and equipment (Note 18)	-	1,364,796
Other	212,902	344,841
	5,277,246	**6,727,669**

(*) Based on the minute of Board of Director dated 29 April 2009, the Company cancelled a license agreement undersigned with a supplier in prior years, and the supplier wrote off its respective long and short term receivables from the Company amounting to TL1,393,334 (equivalent of EUR645,000) and TL494,709 (equivalent of EUR229,000). As a result of the cancellation, the Company derecorgnised total liability of TL1,888,103 by recognising other income in the statement of comprehensive income.

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NOTE 31 - OTHER OPERATING INCOME/EXPENSES (Continued)

	1 January - 31 December 2009	1 January - 31 December 2008
b) Other operating expense:		
Loss on sales of investment property (Note17)	(1,690,000)	-
Donations	(1,065,937)	-
Tax penalties (Note 26.c)	(376,881)	(61,588)
Impairment on intangible assets (Note 19)	(348,677)	(653,853)
Loss from sales of property, plant and equipment	-	(1,463,473)
Bad debt expense (Note 10.a)	-	(516,174)
Impairment on available-for-sale investments (Note 7)	-	(215,954)
Other	(502,851)	(669,953)
	(3,984,346)	**(3,580,995)**

In 2009, donations amounting to TL908,650 were given related parties (Note 37.ii.l).

NOTE 32 - FINANCE INCOME

	1 January - 31 December 2009	1 January - 31 December 2008
Interest income	7,500,923	4,856,384
Bail income from related parties (Note 37.ii.c)	1,420,584	1,321,525
Interest income on term sales	176,154	901,530
Foreign exchange gain	121,255	3,331,025
Foreign exchange gain from swap transaction	117,000	2,583,600
	9,335,916	**12,994,064**

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NOTE 33 - FINANCE EXPENSES

	1 January - 31 December 2009	1 January - 31 December 2008
Interest expense	(2,188,113)	(4,852,033)
Interest expense from swap transaction	(1,324,874)	(1,808,427)
Foreign exchange loss	(631,106)	(11,237,622)
Bail expenses (Note 37.ii.j)	(29,545)	(87,723)
Other	(477,722)	(1,446,625)
	(4,651,360)	**(19,432,430)**

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

None (2008: None).

NOTE 35 - TAX ASSETS AND TAX LIABILITIES

As of 31 December 2009 and 2008, prepaid income taxes and corporation taxes currently payable are as follows:

	31 December 2009	31 December 2008
Corporation taxes currently payable	13,549,338	8,403,977
Less: Prepaid corporate tax	(11,172,132)	(6,509,910)
Current income tax liabilities	**2,377,206**	**1,894,067**

Corporation tax is payable at a rate of 20% for 2009 (2008: 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 (except for withholding tax at the rate of 19.8% (2008: 19.8%), calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61).

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% (2008: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2008: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2008: 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.

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.

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..

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 deductions mentioned in 10th article of Corporate Tax Law, have been taken into consideration in calculation of the Company's corporate tax.

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NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

Transfer Pricing

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.

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 in the statement of comprehensive income for the years ended 31 December 2009 and 2008 are as follows:

	1 January - 31 December 2009	**1 January - 31 December 2008**
Current corporation tax expense	(13,549,338)	(8,403,977)
Deferred tax income	216,146	1,805,933
Taxes on income	**(13,333,192)**	**(6,598,044)**

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NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

The reconciliations of the taxation on income for are as follows:

	1 January - 31 December 2009	1 January - 31 December 2008
Profit before tax	**71,154,811**	**40,783,462**
Tax calculated at tax rates applicable to the profit	(14,230,962)	(8,156,692)
Non-deductible expenses	(769,584)	(144,109)
Tax effect upon the results of investment-in-associates	1,768,372	1,284,265
Income not subject to tax	177,887	61,356
Other	(278,905)	357,136
Taxation on income	**(13,333,192)**	**(6,598,044)**

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% (2008: 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 2009 and 2008 using the enacted tax rates at the balance sheet dates are as follows:

	31 December 2009		31 December 2008	
	Cumulative temporary differences	**Deferred income tax assets/ (liabilities)**	**Cumulative temporary differences**	**Deferred income tax assets/ (liabilities)**
Depreciation difference calculated on the economic useful lives	31,582,493	(6,316,499)	26,508,437	(5,301,687)
Revaluation of buildings	31,513,195	(6,302,639)	33,476,090	(6,695,218)
Restatement difference on property, plant and equipment	19,965,391	(3,993,078)	26,505,101	(5,301,020)
Revaluation of machinery and equipment	15,928,087	(3,185,617)	17,525,049	(3,505,010)
Revaluation of land	45,838,205	(2,291,910)	47,623,205	(2,381,160)
Fair value reserves of available-for-sale investments	17,051,817	(852,591)	1,421,960	(71,098)
Restatement difference on intangible assets	273,688	(54,738)	585,112	(117,022)
Provision for employment termination benefits	(4,318,025)	863,605	(3,799,007)	759,801
Impairment on intangible assets	(2,713,247)	542,649	(4,713,560)	942,712
Impairment on machinery and equipment	(2,218,303)	443,660	(2,343,601)	468,720
Management bonus accruals	(1,819,400)	363,880	(2,331,799)	466,360
Deferred income tax calculated on available-for-sale investments	(1,209,514)	242,021	(1,209,514)	242,021
Provision for doubtful receivables	(80,048)	16,010	(653,462)	130,692
Other	(606,115)	121,223	(2,616,160)	523,232
Deferred income tax assets		2,593,048		3,533,538
Deferred income tax liabilities		(22,997,072)		(23,372,215)
Deferred income tax liabilities-net		**(20,404,024)**		**(19,838,677)**

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NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

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

	2009	2008
1 January	**(19,838,677)**	**(21,280,899)**
Charged to fair value reserve of available-for-sale investments (Note 7.a)	(781,493)	852,690
Charged to revaluation reserve (*)	-	(1,216,401)
Credited to statement of comprehensive income	216,146	1,805,933
31 December	**(20,404,024)**	**(19,838,677)**

(*) The Company recognised the deferred income tax amounting to TL155,802 and TL645,420 as of 31 December 2009 (2008: TL19,204 and TL524,352 respectively) (Note 18) calculated from the disposal of property, plant and equipment and investment property, and the deprecation transfer respectively, in the statement of comprehensive income in 2009, which was recognised in the retained earnings in the financial statements, prepared before 1 January 2009. Prior year financial statements were not restated within the context of materiality.

NOTE 36 - EARNINGS PER SHARE

		1 January - 31 December 2009	1 January - 31 December 2008
Profit for the period	A	57,821,619	34,185,418
Weighted average number of shares (Note 27)	B	44,951,051	44,951,051
Earnings per share with a TL1 face value	**A/B**	**1.2863**	**0.7605**

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 and due to related parties and the transactions with related parties as of and for the years ended 31 December 2009 and 2008 are as follows:

i) Balances with related parties:

	31 December 2009	31 December 2008
a) Trade receivables from related parties- current:		
YBP	49,100,405	42,398,458
Yataş	6,769,886	4,005,437
	55,870,291	**46,403,895**
Less: Unearned finance income	(254,826)	(505,438)
Provision for impairment	(80,048)	(147,162)
	55,535,417	**45,751,295**

As of 31 December 2009 and 2008, the effective weighted average interest rates applied to TL and USD denominated receivables are follow:

TL denominated trade receivables	6.85%	16.43%
USD denominated trade receivables	0.22%	1.12%

Trade receivables from related parties mature within two months (2008: two months).

The Company sells a substantial portion of its products to its related party and associate, YBP, which is the general distributor of the Company in Turkey. Export sales and distribution was performed by its related party, Yataş.

The aging of trade receivables from related parties as of 31 December 2009 and 2008, over which no provision for impairment is provided, are as follows:

Overdue	3,654,139	2,164,155
0-30 days	34,085,820	27,567,910
31-60 days	17,795,458	16,019,230
	55,535,417	**45,751,295**

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

The aging of overdue trade receivables from related parties as of 31 December 2009 and 2008 is as follows:

	31 December 2009	31 December 2008
0-3 months	3,164,674	1,828,690
3-6 months	435,426	335,465
6-9 months	54,039	-
	3,654,139	**2,164,155**

Movements in the provision for impairment of trade receivables from related parties can be analysed as follows:

	2009	2008
1 January	147,162	186,874
Collections (Note 31.a)	(67,114)	(39,712)
31 December	**80,048**	**147,162**

b) Non-trade receivables from related parties - current:

Yaşar Holding	63,154,722	22,332,754
DYO Boya Fab. A.Ş. ("DYO Boya")	479,405	149,238
Viking Kağıt ve Selüloz A.Ş. ("Viking")	49,186	122,648
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yabim")	35,980	126,536
Yataş	34,388	408,763
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
Other	22,017	-
	63,775,698	**24,085,986**

Other receivables from Yaşar Holding amounting to TL3,500,000 (2008: TL12,945,188) consist of TL denominated loans and respective interest accruals obtained from various banks and financial institutions by the Company, and were transferred to Yaşar Holding with the same conditions. The effective weighted average interest rates applied to those TL denominated loans is 10.25% p.a. (2008: TL denominated loans and USD denominated loans are 21.42% p.a. and 7.88% p.a., respectively).

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

As of 31 December 2009, the Company has short-term receivables from Yaşar Holding amounting to TL59,654,722 (2008: 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 0.83% per month (2008: 1.75% per month). For the companies subject to the regulations of the CMB, asset transactions between related parties should be fair if such transactions exceed 10% of total asset in accordance with the CMB Communique No: 41. The effective interest rate applied to such receivables is TR Libor +3% and updated as necessary considering the recent developments in respective market interest rates and risk ratings. The maturity of these non-trade receivables from Yaşar Holding is between three and twelve months (2008: between three and twelve months).

Other receivables of the Company from related parties consist of receivables related with overdue interest charges 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.

The aging of other receivables from related parties for which no provision was accounted as of 31 December 2009 and 2008 are as follows;

	31 December 2009	**31 December 2008**
Overdue	535,433	-
1-3 months	85,543	1,753,232
3-12 months	63,154,722	22,332,754
	63,775,698	**24,085,986**

The agings of overdue other receivables from related parties as of 31 December 2009 and 2008 are as follows;

0-3 months	156,372	-
3-6 months	23,098	-
6-9 months	355,963	-
	535,433	**-**

c) Non-trade receivables from related parties - non-current:

Yaşar Holding	**11,694,000**	**12,053,000**

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 15.81% p.a. (2008: 26.85% p.a.). The fair value of these long-term receivables is TL10,893,001 (2008: TL13,294,032) and interest rate used in the fair value calculation is 19.42% p.a. (2008: 24.48% p.a.).

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

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

	31 December 2009	31 December 2008
2013	**11,694,000**	**12,053,000**

d) Trade payables to related parties - current:

Yadex Export-Import und Spedition GmbH ("Yadex")	4,617,688	7,135,413
Çamlı Yem	2,722,650	2,546,189
Yaşar Holding A.Ş.	2,227,828	1,106,663
Hdf FZ Co. ("HDF")	1,685,087	5,118,492
Desa Enerji	842,463	1,004,509
Other	948,374	1,228,457
	13,044,090	**18,139,723**
Less: Unincurred finance cost	(18,629)	(29,831)
	13,025,461	**18,109,892**

TL4,617,688 (2008: TL7,135,413) of due to related parties is the payable to Yadex arising from import transactions and promotion charges respectively, conducted by these companies on behalf of the Company. Trade payables to Çamlı Yem mainly consist of trade payable due to purchase of cattle feed that are sold to raw milk suppliers.

As of 31 December 2009 and 2008, the effective weighted average annual interest rates for short-term TL, USD and EUR denominated trade payables are as follows:

TL trade payables	6.91%	16.37%
EUR trade payables	0.52%	2.67%
USD trade payables	0.24%	1.08%

Trade payables to related parties mature within 2 months (2008: 2 months).

As of 31 December 2009 and 2008, foreign currency details of trade payables to related parties are as follows:

31 December 2009	Original currency	TL equivalent
USD denominated trade payables to related parties	2,728,126	4,107,739
EUR denominated trade payables to related parties	1,192,495	2,576,147

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

31 December 2008	Original currency	TL equivalent
USD denominated trade payables to related parties	4,226,345	6,391,502
EUR denominated trade payables to related parties	2,758,783	5,906,003

	31 December 2009	31 December 2008
e) Non-trade payables to related parties - current:		
Payable to shareholders	141,733	142,931
Yaşar University	5,664	4,248
Çamlı Yem	-	696,042
Other	52,177	40,878
	199,574	**884,099**

Non-trade payables to related parties consist of dividend payables. As of 31 December 2008, 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**

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.

ii) Transactions with related parties:

	1 January - 31 December 2009	1 January - 31 December 2008
a) Product sales:		
YBP	413,839,205	420,845,931
Yataş	46,088,437	35,339,012
Pınar Et	994,188	385,278
Other	297,271	753,346
	461,219,101	**457,323,567**

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2009 and 2008

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

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

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.

	1 January - 31 December 2009	1 January - 31 December 2008
b) Service sales:		
Çamlı Yem	868,945	364,717
Pınar Et	100,235	276,549
YBP	44,568	318,674
Pınar Su	44,283	20,605
Pınar Anadolu	1,730	111,855
Other	149,170	69,722
	1,208,931	**1,162,122**
c) Finance income:		
Yaşar Holding A.Ş.	4,885,183	1,616,514
DYO Boya	434,216	324,573
YBP	333,848	67,554
Viking	108,599	-
Çamlı Yem	74,514	67,554
Yataş	13,521	98,484
Yabim	2,953	22,999
DYO Matbaa	-	211,640
Other	60,264	103,939
	5,913,098	**2,513,257**

The finance income mainly includes overdue interest charges for both trade and non-trade receivables and recharges of interest expense of the borrowings obtained from various banks and financial institution by the Company and transferred to the related parties (Notes 37.i.a and 37.i.b). Furthermore, the finance income also includes bail commission charges amounting to TL1,420,584 (2008: TL1,321,525) (Note 32), for the borrowings obtained by the related parties 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 bail commission and financing rates used in the associated intercompany charges is 0.75% p.a. per each(2008: 0.75% p.a. per each).

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Notes to the Financial Statements at 31 December 2009 and 2008

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

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

	1 January - 31 December 2009	1 January - 31 December 2008
d) Dividends received:		
YBP	4,317,063	3,939,850
Pınar Et	778,510	2,289,736
Pınar Anadolu	442,694	599,392
Çamlı Yem	240,790	196,856
Pınar Su	100,881	527,411
Bintur	1,625	-
	5,881,563	**7,553,245**
e) Other incomes from related parties:		
YBP	718,813	681,837
Çamlı Yem	589,059	540,244
Other	49,278	37,369
	1,357,150	**1,259,450**

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

f) Product purchases:		
Çamlı Yem	15,698,283	21,999,568
Yadex	9,577,865	12,824,956
Desa Enerji	8,175,572	8,821,392
Hedef Ziraat Ticaret A.Ş.	1,449,622	1,288,282
Pınar Anadolu	121,989	231,745
Other	113,927	436,936
	35,137,258	**45,602,879**

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

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

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

	1 January - 31 December 2009	1 January - 31 December 2008
g) Service purchases:		
Yaşar Holding A.Ş.	6,042,257	4,362,329
Hdf	3,629,193	4,003,059
Yataş	1,296,411	1,359,638
YBP	767,358	1,961,008
Bintur	189,700	187,269
Other	204,064	174,486
	12,128,983	**12,047,789**

Service purchases from YBP and HDF, which is Company's investments in associate and a Yaşar Group company respectively, 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	6,173	268,948
Other	3,046	20,200
	9,219	**289,148**
i) Sales of investment property:		
Çamlı Yem (Note 17)	**2,000,000**	**-**
j) Finance expense:		
Çamlı Yem	375,373	122,829
Yaşar Holding A.Ş.	69,147	154,431
Yadex	-	100,027
Other	139,714	155,590
	584,234	**532,877**

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

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 (2008: 0.75% p.a. per each) (Note 33).

	1 January - 31 December 2009	**1 January - 31 December 2008**
k) Dividends paid:		
Yaşar Holding A.Ş.	4,107,519	18,977,248
Other	2,605,210	12,038,977
	6,712,729	**31,016,225**
l) Donations:		
Yaşar Education Fund	558,650	-
Yaşar University	350,000	-
	908,650	**-**

m) 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 and other short term employee benefits	1,734,940	1,720,842
Bonus and profit-sharing	1,325,000	2,800,000
Post employment benefits	-	37,224
Termination benefits	-	158,068
Other long term benefits	19,384	24,520
	3,079,324	**4,740,654**

As of 31 December 2008, a provision amounting to TL1,350,000 was recognised for bonus and profit-sharing of key management with respect to the profit of 2008. However, as an outcome of the General Assembly on 13 May 2009, it was decided to pay management bonus with respect to the profit of 2008 amounting to TL1,325,000, As of 31 December 2009, based on the past experiences, the Company management accounted for a provision amounting to TL1,325,000 for distribution of the management bonus to the key management with respect to the profit of 2009 (Note 22.a).

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2009 and 2008

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

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

n) Guarantees given to related parties:
As of 31 December 2009, 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 EUR280,289 thousands (equivalent of TL605,508,327) (2008: EUR313 million, equivalent of TL670,070,400) (Note 22.c).

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow, fair value interest rate risk), capital risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

Risk management is carried out by the senior management and finance department of the Company under policies approved by Board of Directors. The Board of Directors provides principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and capital risk and closely monitors financial and operational (especially arising from raw milk prices fluctuations) risks.

The financial risk management objectives of the Company are defined as follows:

-safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk;
-effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures;
-effective monitoring and minimizing risks sourced from counterparts.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2009 and 2008

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

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

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers and related parties. 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 necessary provisions for impairment are recognised. The Company management believes credit risk is well managed and monitored effectively. The Company management believes that there is no risk for non-trade receivables from related parties since they are mainly comprised of receivables from shareholders (Note 37.i.b). The credit risk exposure in terms of financial instruments as of 31 December 2009 and 2008 were as follows:

31 December 2009	**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)	**55,535,417**	**14,702,274**	**75,469,698**	**2,392,523**	**3,289,524**	**-**
- The part of maximum credit risk covered with guarantees	-	-	-	-	-	-
A. Net book value of financial assets not due or not impaired (3)	51,881,278	14,231,020	74,934,265	2,392,523	3,289,524	-
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)	3,654,139	471,254	535,433	-	-	-
- The part covered by guarantees	-	-	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due amount (gross book value)	80,048	458,181	-	-	-	-
- Impairment amount (-)	(80,048)	(458,181)	-	-	-	-
- 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	-	-	-	-	-	-

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Notes to the Financial Statements at 31 December 2009 and 2008

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

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

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 receive	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

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

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

31 December 2009	**Receivables**		
	Related parties	**Third parties**	**Total**
Past due 1-30 days	1,322,742	471,254	1,793,996
Past due 1-3 months	1,998,304	-	1,998,304
Past due 3-12 months	868,526	-	868,526
Past due 1-5 years	-	-	-
The part of credit risk covered with guarantees	-	-	-
	4,189,572 (*)	**471,254 (**)**	**4,660,826**

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2009 and 2008

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

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

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**

(*) A total amount of TL3,192,589 of the past due but not impaired receivables from related parties has been collected as of the approval date of the financial statements.

(**) All of the past due but not impaired receivables from third parties have been collected as of the approval date of the financial statements.

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.

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Notes to the Financial Statements at 31 December 2009 and 2008

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

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, takes 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 2009				
	Carrying Value	**Total cash outflows per agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Contractual maturity dates:					
Non-Derivative Financial Liabilities					
Financial liabilities	20,047,436	23,570,346	4,435,841	1,318,486	17,816,019
Trade payables	77,953,087	78,875,547	63,291,574	9,586,496	5,997,477
Other payables	249,603	249,603	249,603	-	-
	98,250,126	**102,695,496**	**67,977,018**	**10,904,982**	**23,813,496**
Derivative financial instruments					
Financial (assets)/liabilities (Note 8)	(1,009,037)	3,469,472	236,679	568,079	2,664,714

(*) 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.

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

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

	31 December 2008				
	Carrying Value	**Total cash outflows per agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Contractual maturity dates:					
Non-Derivative Financial Liabilities					
Financial liabilities	29,473,746	35,112,805	5,087,450	9,612,971	20,412,384
Trade payables	79,274,102	79,342,915	46,148,186	18,702,320	14,492,409
Other payables	1,293,022	1,293,022	1,293,022	-	-
	110,040,870	**115,748,742**	**52,528,658**	**28,315,291**	**34,904,793**
Derivative financial instruments					
Financial (assets)/liabilities (Note 8)	(691,035)	7,180,140	416,529	943,919	5,819,692

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.

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Notes to the Financial Statements at 31 December 2009 and 2008

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

	Schedule for Foreign Currency Position							
	31 December 2009				31 December 2008			
	TL Equivalent	USD	EUR	Other (TL Equivalent)	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Receivables	6,272,078	4,125,571	27,869	-	4,503,846	2,937,179	28,938	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	11,395	1,628	4,140	-	1,840,503	1,154,333	44,285	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	1,272,888	637,083	144,538	-
4. Current Assets (1+2+3)	**6,283,473**	**4,127,199**	**32,009**	**-**	**7,617,237**	**4,728,595**	**217,761**	**-**
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)	**6,283,473**	**4,127,199**	**32,009**	**-**	**7,617,237**	**4,728,595**	**217,761**	**-**
10. Trade Payables	(17,561,027)	(3,789,504)	(5,487,743)	-	(16,728,825)	(4,356,767)	(4,730,500)	(13,032)
11. Financial Liabilities	(1,258,566)	-	(350,704)	(500,940)	(2,292,187)	(635,530)	(390,869)	(494,303)
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**(18,819,593)**	**(3,789,504)**	**(5,838,447)**	**(500,940)**	**(19,021,012)**	**(4,992,297)**	**(5,121,369)**	**(507,335)**
14. Trade Payables	(5,602,039)	-	(2,593,176)		(9,567,586)	-	(4,469,164)	-
15. Financial Liabilities	(14,754,180)	-	(6,597,806)	(500,940)	(14,507,089)	(44)	(6,314,656)	(988,607)
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**(20,356,219)**	**-**	**(9,190,982)**	**(500,940)**	**(24,074,675)**	**(44)**	**(10,783,820)**	**(988,607)**
18. Total Liabilities (13+17)	**(39,175,812)**	**(3,789,504)**	**(15,029,429)**	**(1,001,880)**	**(43,095,687)**	**(4,992,341)**	**(15,905,189)**	**(1,495,942)**
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)	**(32,892,339)**	**337,695**	**(14,997,420)**	**(1,001,880)**	**(35,478,450)**	**(263,746)**	**(15,687,428)**	**(1,495,942)**
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (IFRS 7.B23) (=1+2a+3+5+6a-10-11-12a-14-15-16a)	**(32,892,339)**	**337,695**	**(14,997,420)**	**(1,001,880)**	**(35,478,450)**	**(263,746)**	**(15,687,428)**	**(1,495,942)**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**13,185,886**	**-**	**6,103,729**	**-**	**13,230,893**	**-**	**6,180,350**	**-**
23. Export	**46,088,437**	**29,713,000**	**-**	**-**	**35,339,012**	**28,025,000**	**-**	**-**
24. Import	**22,330,529**	**14,431,000**	**-**	**-**	**28,281,522**	**18,701,000**	**-**	**-**

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Notes to the Financial Statements at 31 December 2009 and 2008

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

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

31 December 2009	**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 10% against TL				
1- Asset/Liability denominated in USD - net	50,847	(50,847)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	**50,847**	**(50,847)**	**-**	**-**
Change of EUR by 10% against TL				
4- Asset/Liability denominated in EUR - net	(3,239,893)	3,239,893	-	-
5- The part hedged for EUR risk (-)	1,318,589	(1,318,589)	-	-
6- EUR Effect - net (4+5)	**(1,921,304)**	**1,921,304**	**-**	**-**
Change of Other Currencies by average 10% against TL				
7- Assets/Liabilities denominated in other foreign currencies - net	(100,188)	100,188	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**(100,188)**	**100,188**	**-**	**-**
TOTAL (3+6+9)	**(1,970,645)**	**1,970,645**	**-**	**-**

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Notes to the Financial Statements at 31 December 2009 and 2008

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

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	(6,716,729)	6,716,729	-	-
5- The part hedged for EUR risk (-)	1,323,089	(1,323,089)	-	-
6- EUR Effect - net (4+5)	**(5,393,640)**	**5,393,640**	**-**	**-**
Change of Other Currencies by average 20% against TL				
7- Assets/Liabilities denominated in other oreign 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)	**(5,772,601)**	**5,772,601**	**-**	**-**

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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 2009	**31 December 2008**
Financial instruments with fixed interest rates		
Financial assets	151,219,912	97,845,972
Financial liabilities	85,064,240	96,809,977
Financial instruments with floating interest rates		
Financial assets	-	-
Financial liabilities	12,176,849	12,539,858

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 TL30,534 lower (2008: income for the current year would be TL31,509 lower) as a result of additional interest expense that would be incurred on financial instruments with floating rates.

iii) Price risk

Main operational risk of the Company is raw milk 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 that are closely monitored by the Company management and precautions for cost efficiency are taken.
The Company does not anticipate that prices of raw milk and other raw materials will change significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline or increase in the prices of raw milk and other stocks and raw materials.

The current risks are properly monitored by Board of Directors and Audit Committee regularly in considering the need for active financial risk management.

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.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2009 and 2008

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

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

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.

	31 December 2009	31 December 2008
Financial liabilities	20,047,436	29,473,746
Derivative financial assets	(1,009,037)	(691,035)
Trade payables	77,953,087	79,274,102
Other payables	249,603	1,293,022
Less: Cash and cash equivalents (Note 6)	(3,317,054)	(5,268,350)
Net debt	93,924,035	104,081,485
Total equity	350,201,519	281,908,662
Debt/equity ratio	**27%**	**37%**

The Company's strategy is to maintain low levels of balance sheet gearing and indebtedness consistent with its conservative financial profile. The reasons of decrease in net debt/equity ratio in 2009 are mainly increase in equity related to operational funds and paid financial debts partially. The Company management regularly monitors the debt/equity ratio.

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

Classification of financial instruments

The Company classified financial assets and liabilities as available-for-sale investments, borrowings and receivables. Cash and cash equivalents (Note 6), trade receivables (Notes 10 and 7) and other receivables (Note 11 and 37) of the Company are categorised as loans and receivables; and measured at amortised cost using effective interest method. Available-for-sale investments of the Company are disclosed in Note 7. Financial liabilities (Note 8), other financial liabilities (Note 9), trade payables (Note 10) and other payables (Notes 11 and 37) are categorised as financial liabilities measured at amortised costs using effective interest method.

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.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2009 and 2008

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

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

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
None (2008: None).

NOTE 41 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS
None (2008: None).

NOTE 42 - EXPLANATION FOR CONVENIENCE TRANSLATION INTO ENGLISH
As of 31 December 2009, the 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.

Pınar Süt Mamülleri Sanayii A.Ş.

Information for Investors

Stock Exchange

Pınar Süt Mamülleri Sanayii A.Ş. shares are traded on the National-100 market of the İstanbul Stock Exchange (ISE) under the symbol "PNSUT.IS".

Initial public offering date: 03 February 1986

Annual General Assembly Meeting

Pursuant to a resolution passed by the Board of Directors of Pınar Süt Mamülleri Sanayii A.Ş., the company's annual General Assembly meeting for 2009 will take place on 14 May 2010 at 14:30 hours at the following address: Kemalpaşa Asfaltı No.1 Pınarbaşı İzmir.

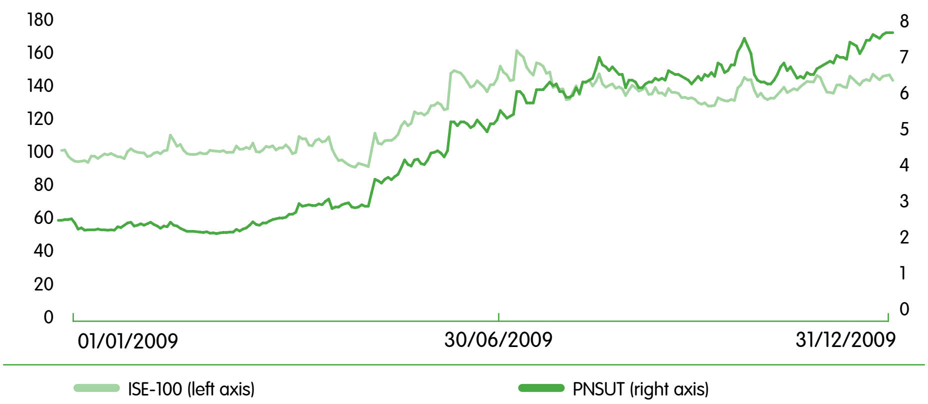
Dividend Policy

Pınar Süt Mamülleri Sanayii A.Ş.'s general policy concerning the distribution of its profits has been publicly disclosed and is accessible in the Turkish and English languages from the "Investor Relations" page of the company's corporate website located at www.pinar.com.tr.

Investor Relations

Pınar Süt Mamülleri Sanayii A.Ş.
Investor Relations Department
Şehit Fethi Bey Caddesi No: 120 35210 İzmir
Tel : (90 232) 482 22 00
Fax : (90 232) 489 15 62
E-mail: yatirimci@pinarsut.com.tr

Pınar Süt Share Performance in 2009 (in comparison with the ISE 100 Index)



* Adjusted share prices

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Tel: (90 212) 227 04 36 Fax: (90 212) 227 88 57
www.tayburnkurumsal.com

Kemalpaşa Asfaltı No: 1 35060 Pınarbaşı - İzmir, Turkey
Tel: 90 232 436 15 15
Fax: 90 232 436 20 40 - 436 27 25
www.pinar.com.tr