Pınar Süt
Annual Report 2010

Yaşar
for a better life

Content

About Pınar Süt
2 Pınar Süt in Brief
4 Highlights from Pınar Süt's History and its "Firsts"
6 Pınar Süt's Competitive Advantages
8 Pınar Süt by Numbers

10 Chairperson's Message

12 Management
12 Board of Directors
13 Senior Management and Board of Auditors

14 In 2010
14 Macroeconomic and Sectoral Overview
18 Assessment of 2010 Activities

28 Environment & Sustainability

34 Corporate Governance and Financial Information
35 Agenda of the Annual General Assembly Meeting
36 Corporate Governance Principles Compliance Report
45 Statutory Auditors' Report
46 Profit Distribution Proposal
47 2010 Profit Distribution Table
48 Independent Auditor's Report
112 Information for Investors

The leader of Turkey's milk and dairy products sector since the day it was founded

Originally founded in İzmir in 1975 as the most advanced dairy processing complex in Europe and the Middle East, Pınar Süt's steadily expanding product line soon made it the preferred choice of consumers in Turkey, who came to recognize it as a source of health, good taste, and innovation–indeed of life itself.

Having introduced the first "long-life" UHT milk packaged in aseptic containers in Turkey, Pınar Süt today remains the leader of the Turkish dairy market and conducts its operations at plants located in İzmir and Eskişehir.

Pınar Süt in Brief

The author of many firsts since the day it was founded, Pınar Süt was the first brand to introduce and entrench the concept of wholesome milk and dairy products in Turkey.

Originally founded in İzmir in 1975 as the most advanced dairy processing complex in Europe and the Middle East, Pınar Süt's steadily expanding product line soon made it the preferred choice of consumers in Turkey, who came to recognize it as a source of health, good taste, and innovation– indeed of life itself.

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

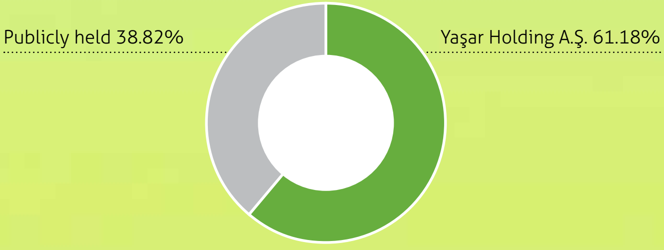
Pınar Süt introduced the first "long-life" UHT milk packaged in aseptic containers in Turkey in 1975. Operating out of plants located in İzmir and Eskişehir, the company has remained the leading brand in Turkey's dairy products industry ever since.

Deploying the most advanced technology available to produce the milk and dairy products that are indispensable to healthy nourishment and offer them to consumers, Pınar Süt makes the very best possible use of the efforts of more than 21,000 producers. By continuously supporting the country's dairy farmers, Pınar Süt has contributed towards the growth of dairy production in Turkey.

In order to ensure that it has an uninterrupted supply of high-quality raw milk, Pınar Süt works with more than 200 dairy farms that are contractually obligated to produce to EU norms.

Producing milk and dairy products not just for domestic consumption but also for export to other countries, Pınar Süt is moving rapidly towards becoming a regional force in its hinterland.

Pınar Süt Shareholder Structure



Issued Capital: TL 44,951,051.25
Registered Capital: TL 80,000,000

Shareholder	Share (%)	Share Amount (TL)
Yaşar Holding A.Ş.	61.18	27,503,257.79
Publicly held	38.82	17,447,793.46
Total	100.00	44,951,051.25

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

The undisputed and unchallenged leader of many segments of Turkey's milk and dairy product industry

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

with vision and a sense of responsibility for 36 years

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, ayran, 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.

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.

2010
Pınar Kido with Biscuit, Honey Flavored Pınar Kid's Milk, and Pınar Breakfast Cream Cheese products go on sale.

Pınar Süt's Competitive Advantages

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
- 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

Market Shares

Long-Life (UHT) Light Milk
59% Leader

Long-Life (UHT) Milk
27% Leader

Organic Milk
100% Leader and Unique

Children's milk
50% Leader

Production Facilities - İzmir

Production Line: 38	
Covered Area	**48,179 m^2**
Open Area	**65,817 m^2**
Total Area	**113,996 m^2**

Production Facilities - Eskişehir

Production Line: 30	
Covered Area	**22,700 m^2**
Open Area	**127,276 m^2**
Total Area	**149,976 m^2**

the most beloved flavors
the most healthful products
the most advanced technology

Spreadable Cheeses

39% Leader

Fresh Cheese (Pınar Beyaz)

78% Leader

Labaneh

53% Leader

Cream Cheese

17% Leader

Pınar Süt by Numbers

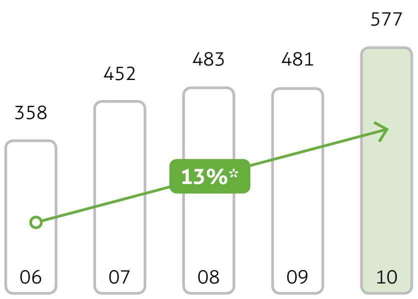
Financial Highlights

(TL million)	2010	2009	Change (%)
Total assets	532.6	479.0	11.2
Shareholders' equity	384.8	350.2	9.9
Financial liabilities	15.0	20.0	-25.0
Sales revenues	577.1	480.7	20.1
Profit before taxation on income	71.4	71.2	0.3
Net period profit	60.1	57.8	4.0
Earnings per share (TL)	1.3365	1.2863	3.9

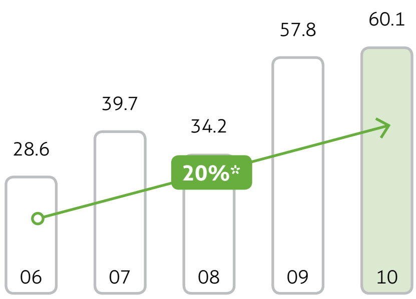
Financial Ratios

	2010	2009
Total liabilities/Total assets (%)	27.75	26.88
Total liabilities/Shareholders' equity (%)	38.41	36.77
Return on sales (%)	10.41	12.03
Current assets/Current liabilities	1.92	2.17
Equity turnover ratio	1.50	1.37
Net financing costs/Net sales (%)	0.67	0.94
Net financing costs/Shareholders' equity (%)	1.00	1.29

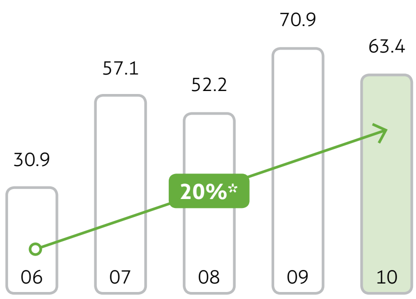
Net Sales (TL million)



Net Period Profit (TL million)



EBITDA (TL million)



* Compound Annual Growth Rate (CAGR).

Production (Tons)

Products	2010	2009	Change (%)
Milks & fruit juices, cream, puddings	193,461	173,155	11.7
Butters, sauces, honey, jams & jellies	14,981	12,836	16.7
Yoghurts & cheeses	51,732	44,292	16.8
Powdered products	1,467	440	233.4
Total	**261,641**	**230,723**	**13.4**

Gross Sales (TL million)

Products	2010	2009	Change (%)
Milks & fruit juices, cream, puddings	375.3	305.4	22.9
Butters, sauces, honey, jams & jellies	94.0	75.3	24.9
Yoghurts & cheeses	273.6	224.3	22.0
Powdered products	9.9	3.7	167.3
Other	19.2	18.5	3.8
Total	**772.1**	**627.2**	**23.1**

Net sales grew by 20% as a result of successful strategies.

Chairperson's Message

İdil Yiğitbaşı
Chairperson of the Board of Directors

we are focused on growth and on strengthening our leadership

Ever since it was originally established in 1975 as the most innovative enterprise in Turkey's dairy industry, Pınar Süt has made huge contributions not just to our country's livestock and food production but also to the health and wellbeing of its people.

Keeping a close watch on worldwide developments and trends in its sector, Pınar Süt makes the most beloved flavors and the most healthful products. It carries out its operations in modern production facilities that employ the most advanced technology under the safest conditions and it supplies its products in the most modern forms of packaging available today.

For 36 years Pınar's wholesome, superior, nourishing, delicious, and natural products have made it an indispensable part of people's lives. According to a survey conducted every year by the independent research firm of Nielsen, Pınar Süt ranks first (with a rating of 30.5%) as the "Most Recognizable Brand" in the "Milk" category.

Our market position remained strong in 2010 as well.
In 2010 our company once again maintained its leadership in all of its main product groups while also significantly increasing both its sales tonnages and its sales revenues.

Last year Pınar Süt registered a 20% rise in its total sales, which reached TL 577.1 million in value. Our company ships goods to 29 countries and in 2010 it booked export sales amounting to USD 29 million in value. Our total assets last year were worth TL 532.6 million while our net profit reached TL 60.1 million.

Due to the effects of our strong brand, our technical experience, and our extensive distribution network, we maintained our profitability in 2010.

Many of our products are the leaders of their market.
According to Nielsen market research reports in 2010, Pınar Süt maintained its leadership in the UHT milk and the light milk business lines with total turnover shares of 27% and 59% respectively. In the enriched children's milk category, Pınar is the unchallenged leader with a 50% market share.

Pınar Süt drives and dominates the market with its expertise in spreadable cheeses and is the leader of that segment with a 39% market share. The company's products in the fresh cheese category command market turnover shares of 78% ("Pınar Beyaz"), 53% ("Pınar Labne"), and 17% ("Pınar Krem Peynir").

We only work with dairy farms that commit to Pınar Süt's approach to quality.
Pınar Süt operates out of plants located in İzmir and Eskişehir. Supplying consumers with milk and dairy products that are EU-standard compliant and produced with the most modern technology, Pınar Süt obtains its superior-quality raw

milk through an extensive milk procurement network from more than 200 contractual dairy farms and more than 21,000 producers. 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 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. This milk is taken immediately to the company's processing plants.

We offer products specially designed to meet consumers' needs at different stages of their lives.
As food consumption habits change, so too do consumers' expectations about what those foods should be and do. The most fundamental expectation however is that food should be of high quality and wholesome. In 2010 we introduced to the market a number of new products capable of better satisfying consumers' needs; we also made changes in our packaging lineup in order to better respond to new market trends.

We keep a close watch on developments in consumer preferences.
As a company with vision and a sense of responsibility, we have introduced many innovations to the Turkish market designed to appeal to the Turkish consumer. Pınar has always been a company whose innovations are imitated and taken as models by others.

Pınar Süt's production and trade cycles are based on the principle of offering the best-quality products to customers and consumers at exactly the right price. In addition, we also give great importance to logistics and timing and we are scrupulously mindful of responding to customer needs in the best possible way.

In order to ensure that they are capable of responding quickly and completely to consumer wishes, our sales and marketing policies are formulated according to the following essential considerations:

- Planning production effectively
- Developing new products
- Keeping sufficient stocks on hand
- Identifying fair price levels
- Determining appropriate payment terms.

We take a total quality approach in the conduct of every aspect of our business.
Pınar Süt has identified the following as its primary goals:
- Pursue growth together with producers and suppliers
- Be a global brand that consumers identify with
- Increase profitability and productivity through employees.

In the conduct of all of our production processes, we give priority to making efficient use of natural resources and to conserving energy. Since 1994 we have been carrying out all of our business processes under TS ISO 9001 Quality Management System certification, which we were the first member of the Turkish dairy industry to qualify for. We structure those processes in such a way as to continuously improve ourselves and to focus on our customers and consumers.

The superior-quality raw materials that we use in production are processed and transformed into final products in full compliance with the requirements of regulatory communiques and standards and with the rules of good hygiene and health. All of our products are subjected to detailed physical, chemical, organoleptic, and microbiological analyses before being sent out, under cold chain conditions wherever necessary, to be sold to consumers.

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

We keep watch on the world's trends and developments as we ready ourselves for the future.
Pınar Süt is focused on increasing market share, on growing, and on strengthening its leadership through new ventures that it plans to take and new products that it plans to develop in national and international markets.

In the nearer term, our goals are to maintain our profitability and to pursue growth through correct strategies and appropriate activities with priority being given to investments in high added value products and in products for children.

We will continue our marketing investments while concentrating on managing our price structure effectively, on building up our portfolio with products appealing to consumers in different segments, and on expanding our distribution network. In all of these efforts, we will remain committed to defending our market leadership as we achieve above-market growth rates in all the segments in which we are active.

In closing, I extend my thanks to our valued customers and consumers for choosing to do business with us, to our employees whose creative ideas and dedicated efforts make it possible for us to maintain our leadership in the sector, and to our esteemed shareholders for their unstinted confidence.

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

Zeki Ilgaz
Director

Ali Sözen
Director

Senior Management and Board of Auditors

Senior Management

Ali Sözen
President of the Food and Beverage Group

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

Terms of Office of the Company's Directors

Name	Title	Appointment Dates and Terms of Office
İdil Yiğitbaşı	Chairperson	15.05.2008 - 15.05.2011
Yılmaz Gökoğlu	Deputy Chairperson	15.05.2008 - 15.05.2011
Mehmet Aktaş	Director	15.05.2008 - 15.05.2011
Hakkı Hikmet Altan	Director	30.04.2009 - 15.05.2011
Hasan Girenes	Director	30.04.2009 - 15.05.2011
Zeki Ilgaz	Director	30.04.2009 - 15.05.2011
Ali Sözen	Director	24.09.2009 - 15.05.2011

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.

Terms of Office of the Company's Statutory Auditors

Name	Appointment Dates and Terms of Office
Kamil Deveci	14.05.2010 - 14.05.2011
Onur Öztürk	14.05.2010 - 14.05.2011

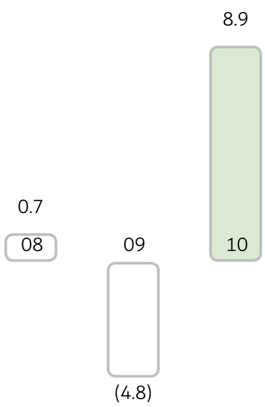
Limits of Authority:

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

strong growth performance in the economy

GDP Growth Rates – Fixed Prices (%)



In 2010, the Turkish economy grew by 8.9% which made it the best-performing economy among all European countries.

The economic growth in 2010 was the fastest rate of economic growth witnessed in Turkey since 2004.

With its relatively (compared with other countries) strong financial structure, healthy banking system, and the potential of a youthful population, Turkey promises to be a strong growth performer in 2011 as well.

International and national economic review

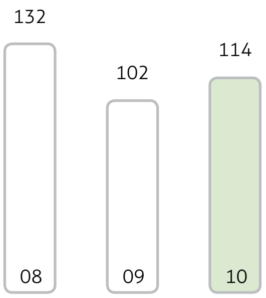
The global economy began to recover in 2010, with both the world and the Turkish economies growing and performing more strongly than expected.
Global growth, which is thought to have been on the order of 5% in 2010, is expected to slow down somewhat in 2011 but still be around 4.4%. Although economic growth remained slow in the USA and most European countries last year, overall economic activity was lively in Germany, in Asian countries other than Japan, and in developing market economies such as Turkey.

In 2010 the developed countries continued to inject liquidity into their markets through economic support programs while simultaneously seeking to keep their policy interest rates at low levels.

The Turkish economy grew by 8.9% in 2010.
Having registered year-on rates of growth averaging 6% in 2002-2008, the Turkish economy shrank by some 4.8% in 2009 as a result of the sharp contraction experienced in domestic and foreign demand brought on by the global crisis of 2009. The recovery that got under way in the last quarter of that year however reversed the growth trend to positive and this situation continued into 2010.

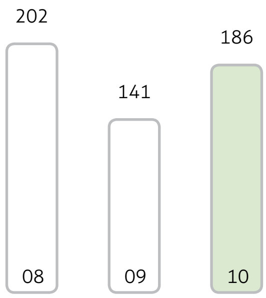
Due both to strong economic recovery and to base year effects, the Turkish economy registered quarter-to-quarter growth rates of 12% in the first quarter of 2010 and of 10.3% and 5.2% respectively in the second and third. A hefty 9.2% rate in the last quarter brought the overall performance for the year to 8.9%, which made Turkey's economy the best-performing among all European countries in 2010. This was also the fastest rate of economic growth witnessed in Turkey since 2004.

Total Exports (USD billion)



Turkey's total exports increased by 11.6% in 2010 and reached USD 114 billion.

Total Imports (USD billion)



The rise in total imports that reached USD 186 billion in 2010 was 31.7%.

With its relatively (compared with other countries) strong financial structure, healthy banking system, and the potential of a youthful population, Turkey promises to be a strong growth performer in 2011 as well.

CPI performance was within targets.

Due to the effects of tax increases and continuing high food prices, one-month inflation rates surged in the first two months of 2010. Thereafter they tended to subside for the rest of the year with the 12-month rise in consumer prices ending up at the 6.4% level. The 12-month rate of inflation in the first quarter of 2011 was 4%. For the second half of the year, it is expected that the inflationary outlook will begin to worsen, especially as base effects are eliminated in April, and that it will start to rise again due to the effects of loose monetary and fiscal policies. By the end of the year, it is likely that the 12-month rise in inflation will be around 5.5% or so.

CBT: Using interest rate and other market tools to achieve stability

In November 2010 the Turkish Central Bank (CBT) lowered its overnight borrowing rate to 1.75% while still holding the line on its policy interest rate. Taking this action to stem a tide of capital inflows, the bank lowered the overnight rate another 25 basis points to 1.50% on 23 March 2011. These tweakings had the effect of driving short-term lending rates down as well with the result that the Turkish lira lost a great deal of its attractiveness for the many international investors who were taking a short-term view.

In the last quarter of 2010, CBT launched another round of policy interest rate cuts while simultaneously speeding up its hikes in the banks' reserve requirement rates in order to impose some order on the expansion in credit that was resulting from lower interest rates.

Short-term capital inflows into Turkey nevertheless remained strong in 2010, with a total of USD 10.7 billion worth of foreign liquidity entering the bond & bill market during the 12 months to year-end. Nevertheless, CBT's loose-money policy worked to keep the interest rates on such instruments low. Indeed the benchmark interest rate on bonds, which was around 9% at the beginning of the year, slipped almost two whole points to 7.1% in December.

Turning now to currency markets, the USD/TL exchange rate, which was around 1.45 at the beginning of 2010, rose as high as 1.60 in parallel with a weakened global appetite for risk brought on by concerns about Eurozone countries' problems with debt. The rate began to fall again when Greece and Ireland were included in the IMF and EU rescue packages. By November, the rate fell below the 1.40 level, only to rebound to 1.55 or so by year-end in response to CBT's relaxation of its monetary policy.

Strong economic growth in 2010 nourished strong demand for imported goods, which pushed the ratio of the current account deficit to GDP up from 2.3% in 2009 to 6.4% in 2010. It is expected that the current account deficit will continue to widen in 2010 and that it will approach the 7% of GDP level.

Consumers' two most basic expectations are quality and health

Milk Consumption per Capita (liter)

Ireland	**132**	Argentina	**46**
Pakistan	**110**	India	**43**
Sweden	**90**	Saudi Arabia	**31**
Portugal	**83**	Turkey	**25**
USA	**69**	Iran	**19**
Brazil	**53**	Thailand	**10**
Russia	**50**	China	**5**

Looking at market share developments in the Turkish milk and dairy products industry, there was growth in terms of turnover in nearly every market segment.

8% growth rate in 2010 packaged dairy products market

Source: Nielsen

The dairy industry

Averaging growth rates on the order of 9% a year over the last decade, the dairy industry is one of the world's fastest-growing sectors. In Turkey, the market for packaged dairy products grew by 8% in 2010.

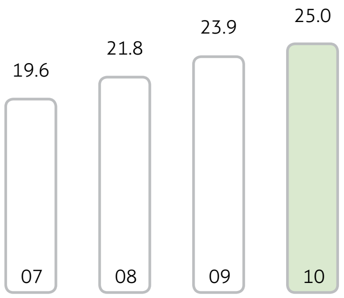
Global raw milk production amounts to about 714 million tons, to which Turkey contributes about 12 million tons, a performance that ranks it in 15th place in the world.

During 2010, 6.7 million tons of raw milk was acquired by integrated dairy processors. From this raw milk were produced 1 million tons of drinking milk, 437 thousand tons of cheese, 908 thousand tons of yoghurt, and 398 thousand tons of ayran.

Demand for branded dairy products is growing steadily for such reasons as improved consumer purchasing power, a greater preference for individualized choices, heightened concerns about health and food safety issues, and consumer awareness of innovations resulting from global communication.

Paralleling such developments, the packaged milk market in Turkey increased by 8% on a turnover basis last year. Looking at the situation in world markets, consumption of packaged milk increased by an annualized compound rate of 5.3% in the years between 2006 and 2009. (Source: Compass Products and Packages 2009.) The fastest growth rates are to be observed in milk specially made for infants and young children.

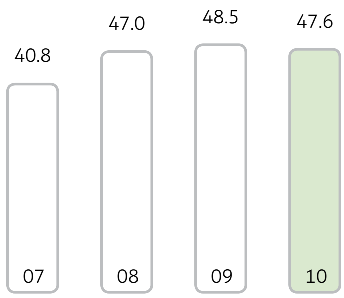
Market Share of Packaged Cheese (volume-%)



In 2010, the market share of packaged cheese increased 1.1 points and reached 25%.

Source: IPSOS

Market Share of Packaged Milk (volume-%)



In 2010, the market share of packaged milk was 47.6%, a level close to the one of the previous year.

Source: IPSOS

Trends in packaged dairy products

When consumers' habits change, so too do their expectations about their food. One of their most fundamental concerns is the quality and healthfulness of the food that one eats. 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 most outstanding trends in 2010 were weight-control (light) products, energy-enhancing products, and products that address problems with consumers' digestions. (Source: Health Focus International.)

Particularly in the plain milk category, there appeared to be an increased tendency on the part of consumers to simultaneously prefer brands with different price structures. House (private) brands also continued to gain strength in this category.

Looking at market share developments in the Turkish milk and dairy products industry, there was growth in terms of turnover in nearly every market segment.

In the case of the plain milk segment, tonnage was down by 5% in 2010 and amounted to 458 million liters even though there was a 4% rate of growth in total turnover, which reached a total of TL 812 million in value. While the more expensive brands lost market share in this category, brands in the medium-price range registered strong increases in market share, a performance that may be partly attributed to aggressive pricing.

In the light milk category, tonnage was up by 6% and turnover by 12% year-on.

In the enriched children's milk category, tonnage grew by 11% and turnover by 16% in 2010.

The market for enriched milk targeted at adults accounted for only 0.5% of the entire milk market's total turnover. (This figure does not include kefir however.) This market amounted to 1.6 million liters on a tonnage basis and to TL 5.1 million on a turnover basis in 2010.

Growth in the demand for flavored milk gained still more impetus and this segment accounted for a 10% share of the packaged milk market's turnover. This segment amounted to about 26 million liters on a tonnage basis and to about TL 105 million on a turnover basis in 2010.

Pasteurized day-fresh milk accounted for 5.8% of the entire milk market's turnover last year. In the twelve months to end-2010, this segment's turnover increased by 17% and reached TL 63 million in value.

The organic milk segment contributed only a 0.8% share of the milk market's turnover in 2010.

The cheese market amounted to 430 thousand tons and was worth TL 3.5 million overall. Looking at individual categories, packaged cheeses grew by 8% while unpackaged varieties remained at their previous year's level. Packaged cheeses accounted for a 25% share in the market and spreadable cheeses had an 11% share in the packaged cheese market.

Sources: Turkish Statistical Institute, IPSOS, Nielsen

Assessment of 2010 Activities

The best milk and dairy products brand*

As a result of its effective management, production, marketing, and sales activities in 2010, Pınar Süt once again achieved a consistently successful performance.

The sector's leading brand
Carrying out its activities in line with the business strategies which it had formulated, Pınar Süt put emphasis on investments in marketing last year and it registered rises in both sales and market share. The company's net sales were up by 20% compared with 2009.

In a survey conducted by the independent research firm of Nielsen, Pınar Süt once again demonstrated its drawing power as "the milk brand that first comes to mind." According to Turkish Customer Satisfaction Index, Pınar Süt is "the best milk and dairy products brand".

Blending its technical and sectoral knowledge with its innovative and pioneering identity, Pınar Süt sought to be one of the top three brands in terms of market share in all of the product categories in which it is active.

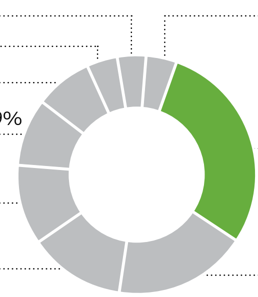
Pınar Süt remains the leader of the plain and light milk segments with 27% and 59% shares respectively of those markets' turnovers. Despite stiffer competition in the children's milk segment, the company gained market share with its "Pınar Çocuk" and "İlk Adım" products and it further strengthened its leadership by generating 50% of the segment's turnover.

* According to KalDer Turkish Customer Satisfaction Index

Deploying its technical and sectoral knowledge along with its innovative and pioneering identity, Pınar Süt sought to be one of the top three brands in terms of market share in all the product categories in which it is active.

Accounting for 21% of all of Turkey's milk and dairy product exports on its own, Pınar Süt continues to build up its international sales in a consistent and balanced manner.

Breakdown of Exports by Destination



29 countries exported to in 2010

8% share of export sales in 2010

Pınar Labaneh

Pınar Labaneh is exported mainly to Gulf region countries, where it is the unchallenged leader of this product segment with a 45% market share.

Pınar Süt's "Denge" brand of fortified milk for adults generates a 64% share of that product segment's turnover (not including kefir). In both the flavored milks and day-fresh milk segments, Pınar ranks fourth with turnover market shares of 14% and 11% respectively.

"Pınar Organik", Turkey's first and only certified organic milk, grew by 28% on a tonnage basis in 2010 to 2.5 million liters. On a turnover basis, sales increased by 48% year-on and reached TL 9.1 million in value.

Pınar Süt is the leader of the spreadable cheese segment with a 39% share of the entire market's turnover. In the subcategories of this market, Pınar controls turnover shares amounting to 78% in fresh cheese (Pınar Beyaz), 53% in labaneh (Pınar Labne), 17% in cream cheese (Pınar Cream Cheese), and 24% in triangular cheese (Pınar Triangular Cheese).

(Source: Nielsen.)

Balanced export growth

Pınar Süt on its own accounts for 21% of all of Turkey's milk and dairy product exports. The company continues to build up its international sales in a consistent and balanced manner.

In 2010 Pınar Süt secured USD 29 million worth of export earnings. Last year, exports accounted for an 8% share of the company's total net sales.

Between 2002 and 2010, Pınar Süt increased its export sales by 300%. Today the company exports to 29 countries ranging from the Middle East to Europe and from Asia to the United States.

Pınar Süt's principal export markets are Saudi Arabia, Kuwait, Turkish Republic of Northern Cyprus, Azerbaijan, United Arab Emirates, and Bahrain. The labaneh exported to Gulf countries under the "Pınar Labaneh" label is the leading brand of packaged labaneh that is sold there and controls a 45% market share. The company also exports UHT milk, white cheese, cream cheese, cream, fruit juices, yoghurts, and ayran to these countries as well.

Pınar Süt is one of the most important brands taking part in the Turquality Project.*

* Turquality is a government supported project whose aim is to increase the competitive strength of Turkish brands at the global level. The first and only brand-focused program of its kind, Turquality's goal is "To Create 10 World Brands In 10 Years".

Efforts to increase market share

Pınar Süt continued to undertaking marketing campaigns in profitable and strategic categories during 2010.

In the "Çocuk Sütü-İlk Adım" category, the company communicated with consumers through TV commercials in February-March, through internet advertising in April-May, and through magazine ads all year long.

In the plain milk category, the company engaged in communication activities at regular intervals. In addition, the company also reached consumers through targeted communication activities on Mother's Day and World Milk Day.

In October-November of the year, the company conducted an intensive campaign for Pınar-brand cream cheese. Another campaign conducted in December focused on Pınar-brand labaneh.

For its Kido brand in 2010, Pınar Süt once again authored another series of the successful campaigns that first attracted public attention in 2009.

Healthful, delicious, and innovative Pınar Süt products continue to meet consumers' every demand and need.

the market's leader with innovative products

Pınar Süt has an extensive lineup of products that are capable of addressing the needs and expectations of consumers in many different segments.

Functional Products

- Toddler & Follow-On Milk (plain)

- **"Denge" Product Line**
  - Omega 3 Milk
  - Calcium + Vitamin A, D & E Milk
  - Lactose-free Milk
- Pınar Kids Follow-On Milk
- Pınar Kids Follow-On Milk (honey-flavored)

Milk

- **Boxed Milk**
  - Long-Life (UHT) Milk
  - Organic Milk
  - Organic Light Milk
- Pasteurized Day-Fresh Milk
- Pınar Kido Milk (Strawberry, Banana, Chocolate, Biscuit)
- Pınar Flavored Milk (Chocolate, Coffee)
- Bottled Milk
- 50% Light Milk
- 0.1% Light Milk

Yoghurt

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

Ayran

- Pınar Ayran, bottled
- Pınar Ayran, plastic cup

Cheeses & Butters

- **Spreadable Cheeses**
  - Cream Cheese
  - Thyme & Olive Flavored Cheese Spread
  - Cheddar Flavored Cheese Spread
  - Pınar Beyaz
  - Pınar Beyaz Light
  - Pınar Labaneh
  - Pınar Labaneh Light

- **Convenience Cheeses**
  - Sliced Burger Cheese
  - Pınar Kido Triangular Cheese
  - Full-Fat Triangular Cheese
  - Thyme & Olive Flavored Triangular Cheese
  - Cheddar Flavored Triangular Cheese
  - Semi-Fat Triangular Cheese
  - Light Triangular Cheese
  - Sliced Toasting Cheese

- **Traditional Cheeses**
  - Fresh Kashkaval Cheese
  - Full-Fat White Cheese
  - Light White Cheese

- **Butters**
  - Cupped Butter
  - Traditional Butter
  - Roll Butter
  - Block Butter
  - Portioned Butter

- **Special Cheeses**
  - String Cheese
  - Cheddar Cheese
  - Mozzarella Cheese

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 / spicy)**
- **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 (Full-fat & semi-skimmed)
  - Pınar Bag-In-Box Milk (Full-fat & semi-skimmed)
- **Cheeses**
  - Labaneh
  - Pınar Beyaz
  - Pizzarella
  - Sliced Toast Cheese
- **Butters**
  - PVC-cup portions and foil-wrapped
  - Roll Butter
- **Yoghurt**
  - Pınar Natural Yoghurt
- **Ayran**
- **Milk Powder**
  - Skim Milk Powder
  - Full-fat milk Powder
  - Whey powder
  - Prosüt
- **Sauces**
  - Service Mayonnaise
  - Service Ketchup
  - Bucket Mayonnaise
  - Bucket Ketchup

Innovative new packaging was introduced in 2010 to make life more convenient for consumers while also creating cost advantages for the company.

30% Eskişehir plant investment capacity increase

Eskişehir Plant

With operations at the company plant located in the Eskişehir Organized Industry Zone continuing to expand, Pınar Süt enlarged the plant's enclosed production space to 22,700 m². This investment increased the company's milk and dairy product production capacity by 30% to 300 million liters a year.

New products added to the portfolio

Continuing to keep a close watch on changing consumer trends, in 2010 Pınar Süt added new products to its portfolio and introduced them to consumers.

New products

- Pınar Kido with Biscuit
- Pınar Breakfast Cream Cheese
- Pınar Sliced Cheese (700-gram pack)
- Honey Flavored Pınar Kid's Milk
- Extra Light Organic Milk
- Cheddar Flavored Pınar Cheese Spread
- Thyme & Olive Flavored Pınar Cheese Spread
- Cheddar Flavored Pınar Triangular Cheese
- Thyme & Olive Flavored Pınar Triangular Cheese

Innovative new packaging was introduced in 2010 to make life more convenient for consumers while also creating cost advantages for the company. The following products were put on store shelves in new packaging that incorporates easy-open, smaller-sized, and multi-pack features.

- Brined White Cheese (400- and 800-gram packs)
- Brined Light White Cheese (400-gram pack)
- Full-Fat Yoghurt (750-gram pack)
- Sliced Toasting Cheese (700-gram pack)
- White Cheese (4.8-kilogram bucket)
- Full-Fat Yoghurt (150-gram pack)
- Labaneh and Cream Cheese (180- and 200-gram packs for export and domestic markets)
- Food Trade Kashkaval (2-kilogram pack)
- Ketchup (500-gram pack) & Mayonnaise (420-gram pack)
- Ayran (1.5-liter bottle, for export)

Intensive R&D

Keeping a close watch on worldwide trends and developments, Pınar Süt continued to engage in intensive R&D during 2010.

In order to keep better track of worldwide developments and innovations, Pınar Süt R&D regularly takes 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 food additives.

New product development, alternative material/supplier creation, and product and cost improvement projects were carried out by the Quality, Manufacturing, Procurements, and Marketing departments at the company's İzmir and Eskişehir plants during 2010.

Laboratory work was conducted and projects were carried out in order to explore and create possible substitutes for raw materials for which no alternatives currently exist in order to achieve greater optimization in production processes.

On the packaging side, analysis and assessment activities were conducted as the company looked for ways to create alternative suppliers or alternative materials, to achieve cost advantages by creating alternatives for products whose packaging costs are high, to optimize existing packaging features, and to select packaging that is the most appropriate for specific products.

Because it is its principle to be customer-focused in its activities and to make products that are compatible with customers' needs and demands, Pınar Süt gives great importance and priority to R&D activities in order to keep a close watch on changes and developments in consumer trends and to follow technological developments both in its sector and throughout the world.

An investment program that conforms to sectoral conditions

Constantly adding to its own technology, knowledge, and experience, Pınar Süt formulates and adheres to an investment program that conforms to the changing conditions of its sector.

In 2010 Pınar Süt undertook investments whose aggregate value amounted to TL 22.6 million, of which amount TL 4 million was spent on buildings, TL 14.6 million on machinery and plant, TL 522 thousand on vehicles, TL 3.3 million on fixtures, and TL 199 thousand on proprietary rights.

New production lines at the Eskişehir plant

Pınar Süt undertook its first investments at its plant located in the Eskişehir Organized Industry Zone in 1997. With its operations here continuing to expand, Pınar Süt enlarged the plant's enclosed production space to 22,700 m². This investment increased the company's milk and dairy product production capacity by 30% to 300 million liters a year.

The new additions made to the plant employ state-of-the-art machinery and environment-friendly technologies on highly efficient production lines that reduce total energy consumption by 30%. They went into operation on 9 October 2010.

The fundamental mission of Pınar Süt human resources policy is to have and to hold human resources who are productive, motivated, high-performing, and loyal.

High-performing human resources

Conducting its operations in line with its mission of being a source of health, taste, and innovation, Pınar Süt believes that the real foundations of its success are rooted in its human resources.

The fundamental mission of Pınar Süt's human resources policy is to have and to hold human resources who are productive, motivated, high-performing, and loyal. Believing that improving its employees' performance improves its own corporate performance as well, Pınar Süt successfully achieved its objectives in 2010 with 719 people on its payroll.

In Pınar Süt's view, human resource training is the most important investment that it can make because it is the same as investing in its own future. For this reason, the company provides its personnel with training on a variety of subjects aimed at both their personal development and their professional progression. In 2010, the company provided a total of 8,215 hours of training time for its personnel. Average training time per employee was 6 hours.

During the year, training programs were carried out under the headings of "Occupational Health & Safety", "Occupational Health & Safety: The Requirements of Law", "Chemicals and their Safe Use", "Ergonomics", "Employee Rights & Responsibilities", "Fire Safety & Fire Fighting", "First Aid", and "Basic Disaster Awareness".

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 both company and individual objectives are compatible and are achieved with the aid of a performance evaluation system. This system makes it possible to keep track of all of its employees' personal development, career planning, compensation, and merit award processes based on the results of such evaluations.
- Pınar Süt provides employees and their families with training and support to help them combat illnesses.
- Programs are regularly conducted that focus on a variety of issues such as defense against contagious diseases, general and personal hygiene, food industry hazard analysis critical control point (HACCP) training, family planning, substance abuse, and breast cancer.

Food & Beverage Group Subsidiaries

Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş.
Originally commencing operations in 1983 as a producer of cattle feed, Çamlı Yem Besicilik's innovations eventually made it a leader of the Turkey's farming and stock raising industry as it contributed towards the creation of a sector that was both modern and strongly competitive.

Simultaneously engaged in several different business lines, Çamlı is today a farming, ranching, and fishing concern that has a presence in every link in the food chain from source to final consumer with hundreds of products in the areas of animal feed, turkey ranching, cattle ranching, fish farming, and plant fertilizers.

In 2010 Çamlı introduced many innovations both at the corporate level and in its product lines. In the cattle feed product group, it launched feeds intended for use in organic and probiotic dairy and meat production. The company also began sending customers information about all of its campaigns by SMS. Another product that was launched last year was that of "mini-turkeys" that are raised on special aromatic and organic-content feeds. The company undertook the trial production and sale of chicken products under the "Çamlı Çiftliği" brand in 2010.

In addition to cooked Angus beef and cooked turkey products, Çamlı Çiftliği Market has begun selling Pınar Süt and Pınar Et products as well. The store also provides consumers with cooking and home delivery services as well.

In the year to end-2010, Çamlı booked total sales amounting to 161,408 tons and exports amounting to 1,894 tons. Most of the latter consists of farmed fish, which is shipped to customers mainly in Greece, Holland, Qatar, Spain, United Arab Emirates, and USA.

Yaşar Birleşik Pazarlama
Yaşar Birleşik Pazarlama is a logistics and distribution company that operates as a member of the Yaşar Group Food & Beverages Division.

YBP ensures that all the Pınar-labeled goods which are produced by the group's food & beverage manufacturers reach consumers by being successfully sold and distributed through a national network of dealerships, regional offices, and more than 150,000 sales points. YBP regularly handles a huge array of goods consisting of more than 530 different varieties in 16 different product categories. Every product group consists of subgroups which have not only many different temperature requirements but also shelf lives ranging from three days to a year.

With its customer-focused sales specialists and experienced dealers numbering more than a hundred, the company continues to build on its productivity-based widespread 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.

Expanding its automobile and van fleet in line with requirements in 2010 and ranking among Turkey's 100 biggest concerns from the standpoint of turnover, Yaşar Birleşik Pazarlama owns and operates the biggest and most extensive frozen and cold chain sales and distribution network in Turkey.

Pınar Foods GmbH
Advancing rapidly towards its goal of becoming a globally recognized name in the foods sector, the Yaşar Group Food & Beverages Division set up Pınar Foods GmbH in Germany in order to increase its effectiveness in the European market. This company is responsible for the production and sale of Pınar-brand dairy products and Şölen-brand meat products. It also sells Pınar-brand water imported from Turkey.

Among the products that the Yaşar Group Food & Beverages Division supplies to the European market are Pınar bottled water; Pınar-brand full-fat and semi-fat white cheeses, kashkaval cheese, sheep-milk cheeses, cream cheese, homogenized yoghurt, condensed yoghurt, yoghurt drink, and fruit juices; and Şölen-brand grilling soudjouks, beef salamis, and beef sausages.

In 2010 Pınar Foods GmbH booked gross sales worth EUR 15.3 million. 75% of the company's sales consisted of dairy products.

Environment & Sustainability

The importance of protecting and informing consumers

Pınar İletişim Merkezi
Tel: 444 76 27
www.pinar.com.tr info@pinar.com.tr

Pınar Communication Center

Using environment-friendly materials and technologies
All operations taking place at Pınar Süt facilities are carried out in compliance with the requirements of the company's ISO 14001 Environmental Management System certification. To this end, the company seeks to comply with current environmental laws applicable to its business activities and with local regulations concerning environmental matters to which it is subject, to make productive use of natural resources, to control and reduce waste that causes environmental harm or else render it harmless, and to take other measures necessary to prevent pollution.

In addition, the company has set up a supplier evaluation system by means of which, suppliers are assigned points based on their having and complying with environment management systems. 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.

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. Some of the specific results of these efforts are summarized below.

- Energy savings were achieved and carbon emissions were reduced by installing economizers on steam boilers.
- Energy savings were achieved by replacing the ammonia refrigerant systems used in cold storage warehouses with iced-water systems.
- Energy savings were achieved by using illuminated panels and high-efficiency lighting fixtures in newly constructed units.
- The company expanded its program of replacing low-efficiency electrical motors with new high-efficiency EFF1 units.
- Fuel economies were achieved by overhauling plants' boiler combustion systems.
- Investments were made in a next generation UHT system and in machinery which is more energy-efficient and environment-friendly and which creates fewer carbon emissions.

Efforts to reduce the environmental impact of company products
Pınar Süt products themselves cause no direct harm to the environment whatsoever. Ongoing efforts are made to minimize the environmental impact resulting from raw materials and from manufacturing activities.

100% of the hazardous waste resulting from production and maintenance activities is collected in a temporary holding area within the confines of facilities that fully complies with the requirements of laws and regulations. Such waste is carried away by means of the vehicles of licensed firms for disposal or for recycling by licensed firms as appropriate.

In the same way, both organic waste from production activities and domestic waste are collected in a holding area within the confines of facilities that fully comply with the requirements of laws and regulations. It is then disposed of at location which have been designated by local authorities and which are licensed by the Ministry of Environment and Forestry.

A record-breaking number of 887,660 submissions were entered in the 29th Pınar Kido Art Competition.

All waste water generated by plants is sent to waste water treatment facilities where it is treated by means of appropriate methods and discharged into the receiving environment in compliance with legally recognized discharge standards.

Product packaging from recoverable materials

Pınar Süt only works with firms that are licensed by the ministry to collect and recycle all packaging waste materials. The company is a member of and works with the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO) to fulfill contractual obligations set forth in a packaging waste management plan which has been submitted to the ministry for approval. According to this plan, at-source waste sorting and segregation, recovery, and recycling activities are carried out by ÇEVKO, which also engages in public education campaigns that are aimed at both individuals and municipalities.

Designing and executing the packaging of its products with the issues of reusability and recoverability in mind, Pınar Süt gives attention to ways in which to minimize waste and to create packaging materials that will cause as little harm to the environment as possible from the initial concept stage to final production and post-use.

The Pınar Süt approach to quality

The most important factor making up the core of Pınar's corporate culture is the Pınar approach to quality. For Pınar Süt, quality is also one of the most efficient tools that it wields in its efforts to do better.

Pınar Süt seeks to maintain the quality of its products while operating within the framework of occupational health and safety rules, minimizing the adverse impact it makes on the environment, and continuously contributing to society.

Pınar Süt gives great importance to protecting and informing consumers, one of the most critical of issues nowadays. For this reason, full control is maintained over Pınar products at every stage of their journey from raw materials to points of sale in keeping with the company's "From Farm To Table" concept.

The amounts of packaging waste that were recovered from products sold by Pınar Süt are shown below, broken down by type and year.

Type of Packaging	2007 (%)	2008 (%)	2009 (%)	2010 (%)
Paper & cardboard	35	35	36	37
Plastic	35	35	36	37

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

Because it concentrates so much on food safety, Pınar Süt set up its first Hazard Analysis and Critical Control Points (HACCP) teams in 1996, at which time it also analyzed the risks inherent in all of its products, identified critical control points in detail, and formulated its HACCP plans. Since 2007, the company's HACCP practices have been carried out within the framework of its ISO 22000 Food Safety Management System.

Under the heading of quality assurance, Pınar Süt has made the changeover to the ISO 9001:2008 version of the Quality Management System and it is now engaging in process management in all of its activities.

Operational Cost Improvement System

The underlying goal of Operational Cost Improvement (OCI) is to reduce costs. This is achieved essentially by asking individuals to report problems related to their own functions, soliciting ideas to deal with the problems, and implementing solutions that are approved by management. The OCI system is supported by a program of rewards for those whose projects are successful.

When they were originally introduced in the 1990s, OCI projects were dealt with individually. As IT infrastructure continued to make progress and with the changeover to SAP, a more systematic management of these projects began in 2003. To date, OCI projects have generated savings on the order of TL 14.2 million.

Lean Six Sigma

Lean Six Sigma activities were introduced at the Yaşar Holding Food & Beverages Group in October 2007. In their second and third wave projects, the members of the group focused on reducing energy consumption, lowering production costs, and streamlining the supply chain.

Two other objectives of Lean Six Sigma are to promote its development as a shared company culture through widespread training and to create human resources who have brought their own work habits into line with the Lean Six Sigma philosophy. Taking this as the starting-point, a customer-focused quality approach comes to be recognized by employees throughout the organization while activities that enhance customer satisfaction become a part of everyday life.

Pınar Communication Center

Adhering to a customer-focused business approach, Pınar Süt carefully examines and gives importance to requests and suggestions received from consumers. As part of ongoing efforts in this direction, the Pınar Communication Center on 444 7627 was launched in 2009.

Live operators on duty at the Pınar Communication Center on 444 7627 respond to incoming calls between the hours of 7:00 and 23:00 every day. Their job is to ensure that callers are provided with the information that they need as quickly as possible.

A satisfaction survey is conducted among consumers who contact the center in order to systematically quantify the Pınar Communication Center's service levels. Process improvement activities continued as part of the Six Sigma Project and new customer relationship management software was brought online in early 2011.

Social Responsibility

Since the day it was founded, Pınar Süt has sought to contribute towards the physical and mental development of its consumers and to ensure the wellbeing of future generations through the products that it makes and the services that it provides. In line with this goal, Pınar Süt again contributed towards numerous projects in the areas of education, sport, culture, and art in 2010.

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 which mounts dozens of programs that are specially designed to appeal to children. To date, about three million children have had a chance to attend these performances, for which no admission is charged.

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. In addition to encouraging a love of theater among children, every performance is also designed to contribute towards children's individual cultural and personal development.

During the 2010-2011 academic year, the Pınar Kido Children's Theater mounted performances of Nasreddin İnadın Sonu, a newly-composed play that seeks to acquaint children with traditional Turkish theater.

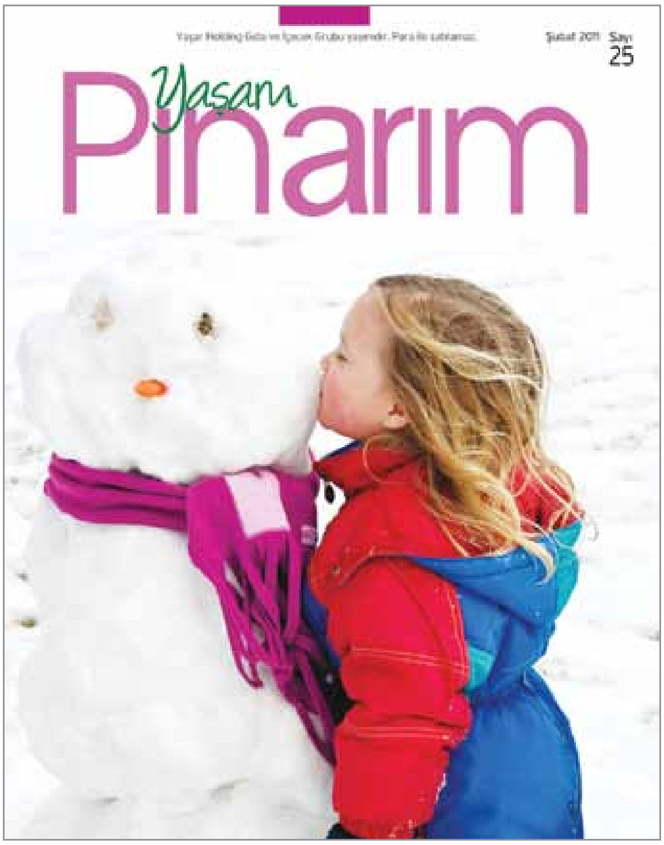
The Pınar Kido Children's Theater has also been instrumental in launching the careers of many of today's well-known performers in Turkey such as Bülent İnal, Vahide Gördüm, Özgür Ozan, Necmi Yapıcı, Sarp Apak, Engin Altan Düzyatan, and Ozan Güven.

Pınar Kido Art Competition

The Pınar Kido Art Competition has been held for 29 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 2010, whose theme was "Draw what most interests you". From among 887,660 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 2010 Pınar Süt once again was the recipient of respected organizations' awards and recognitions testifying both to the company's superior production standards and technologies and to its performance as an innovative and principled manufacturer.



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 Karşıyaka represented Turkey in the Euro Challenge Cup games during the 2010-2011 season. In addition, nearly a thousand children also benefit from the facilities of the Çiğli Selçuk Yaşar Sports Center 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 musically talented children and youths.

Under this project, students are given musical training in line with their individual abilities and skills while they are also helped to prepare for admission examinations and to take the first steps towards a career in music by attending fine arts lycees; the primary, middle, and high divisions of state conservatories; university music departments; and other music schools.

Publications

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

Pınar
Pınar is a newsletter that is published quarterly. 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 products at the Yaşar Group Food & Beverages Division's stand at the 79th İzmir International Fair in 2010. Pınar also acted as a sponsor for the "11th In Search Of Perfection Symposium" conducted by the İzmir Quality Association.
- Pınar was a prime sponsor of the Forum İstanbul 2010 conference when it was held in İstanbul in May to discuss the theme of Turkey's emergence from the current global financial and economic crisis and where Turkey was likely to be going between now and 2023.
- Pınar Süt provides sponsorship support for the congresses, seminars, and exploratory conferences organized by the National Dairy Council and by the Federation of Food and Drink Industry Associations of Turkey.
- Pınar was on hand as a prime sponsor for the 3rd International Golden Cap Chefs Competition, which was organized by the Turkish Federation of Cooks and by the Antalya Chefs Association at the Antalya Expo Fair and Congress Center and in which nearly 2,500 cooks from all over Turkey took part.
- Pınar was a prime sponsor for the 1st National & International Tocology Students Congress held in May jointly by Ege University's Department of Obstetrics, the Association of Turkish Midwives, and Ankara University's Faculty of Health Sciences.
- Pınar was a prime sponsor for the 13th National Public Health Congress held in İzmir in October by Dokuz Eylül University and the Association of Public Health Specialists.
- Pınar was as a sponsor for the "11th In Search Of Perfection Symposium" conducted by the İzmir Quality Association.
- A panel discussion on the subject of "Drinking Milk and Health" that was organized jointly by the Yaşar Education and Culture Foundation and by two divisions of Ege University (Faculty of Engineering, Department of Food Engineering; Faculty of Agriculture, Department of Dairy Technology) took place in December with Yaşar University and Pınar Süt acting as sponsors.
- Pınar was a sponsor for the first "Safe Food Symposium" organized by the İzmir branch of KalDer in December 2010.
- Pınar Supported the United Nations World Food Day Congress organized in İstanbul by the Turkish Food Industry Employers' Association (TÜGİS) and by FAO as a prime sponsor.
- Pınar sponsored the "Local Chains Gathering Conference" held by the Federation of Turkish Retailers when it was held in İstanbul in April.
- Pınar was one of the sponsors of the "4th International Corporate Governance Summit" held by the Corporate Governance Association of Turkey.

Awards & 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 awards in 2010 from respected organizations in recognition of the company's high production standards, advanced technology, and innovative and principled business approaches.

Listening to its consumers' wishes and needs and quickly developing solutions to address them, Pınar is a brand that is consumer-focused. According to the third-quarter 2010 sectoral results of the Turkish Customer Satisfaction Index (TMME) survey, Pınar Süt ranked first in its sector with the highest (85%) level of customer satisfaction in the milk and dairy products category. This citation made 2010 the fourth year in a row that Pınar Süt had the highest level of customer satisfaction in the Turkish milk and dairy products industry as reported by TMME.

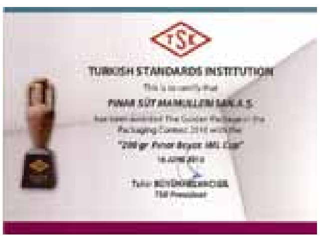
In TMME's second quarter 2010 survey, Pınar also had the highest level of customer satisfaction in the fruit juices category as well. In the conduct of this survey, attention was given to the criteria of customer expectations, perceived quality, perceived value customer satisfaction, customer complaints, and customer loyalty. According to the survey's findings, Pınar was the brand that ranked the highest in the fruit juices category with a customer satisfaction level of 83%.

In the 23rd "Golden Packaging" competition that is organized by the İzmir Packaging Laboratory of the Turkish Standards Institute, two Pınar Süt products–Pınar Cheese Spread and Pınar Cream Cheese–received the laboratory's "Golden Packaging" award.

On the occasion of "International Day of Persons with Disabilities", Pınar was awarded a plaque by the İzmir Metropolitan Municipal Council of Disabled Persons in recognition of its exemplary efforts and practices.

On the occasion of the 125th anniversary of the founding of the İzmir Chamber of Commerce, the İzmir Tax Office conducted a "2009 Tax Awards Ceremony" at İzmir Ekonomi University", at which Pınar Süt was cited as one of the top three taxpayers among the chamber's members in the corporation tax category. Pınar Süt was also awarded gold medals based on its reported pretax earnings and its export earnings performance.

In 2010 Pınar Süt received gold medals from the Aegean Chamber of Industry for its success in the "Highest Production Performance", "Highest Export Performance", "Highest Investment Performance", and "Highest Employment Performance In Production" categories. The company was also recognized for its performance in both the "Firm Paying The Most Tax" and the "R&D" categories.



Corporate Governance and Financial Information

35 Agenda of the Annual General Assembly Meeting
36 Corporate Governance Principles Compliance Report
45 Statutory Auditors' Report
46 Profit Distribution Proposal
47 2010 Profit Distribution Table
48 Independent Auditor's Report
112 Information for Investors

Agenda of the Annual General Assembly Meeting

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 2010 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. Determining the number of directors pursuant to articles 8 and 9 of the company's articles of incorporation; electing directors to replace those whose terms of office have expired.
7. Deliberating and voting on the salaries to be paid to members of the Board of Directors.
8. Deliberating and voting on amending article 3 ("Object and scope"), article 9 ("Registered capital"), and "Provisional article" of the company's articles of incorporation.
9. Deliberating and voting on the salaries to be paid to the statutory auditors.
10. Informing shareholders about charitable donations made during the year.
11. Deliberating and voting on matters pertaining to the year's profits.
12. 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.
13. 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 2011 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.
14. Authorizing the Board of Directors pursuant to articles 334 and 335 of the Turkish Commercial Code.
15. Petitions.

Corporate Governance Principles Compliance Report

Corporate Governance Principles Compliance Report

1. Statement of compliance with corporate governance principles

During the reporting period ending 31 December 2010, 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

The duties (1) of managing the exercise of shareholders' rights and maintaining communication between shareholders and the Board of Directors and (2) of conducting procedures pertaining thereto in compliance with CMB corporate governance principles are fulfilled by the Office of the Capital Markets Coordinator.

Information about the Shareholder Relations Unit is provided below.

Capital Markets Coordinator: Senem Demirkan

Tel: 0 232 482 22 00

Fax: 0 232 489 15 62

Email : yatirimciiliskileri@pinarsut.com.tr

Capital Markets Coordinator Senem Demirkan is in possession of all certifications issued by CMB and is also responsible for coordinating matters involved (1) in the fulfillment of company obligations arising from capital markets laws and regulations and (2) in corporate governance practices.

The duties of the Investor Relations Department are listed below.

• Ensure that records pertaining to shareholders are maintained in a reliable, secure, and up-to-date manner.

• 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.

• 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.

• Communicate with other units of the company and prepare the documents which shareholders may find useful at General Assembly meetings Ensure that records are kept of the results of voting at General Assembly meetings.

• Supervise all issues related to public disclosures as required by law and the company's public disclosure policy.

• 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.

Corporate Governance Principles Compliance Report

During 2010 the unit took part in one conference abroad, engaged in one-on-one meetings with nine investors, and responded to more than 400 questions by telephone or email An analysts' meeting which was open to the attendance of all analysts and which was concerned with the company's six-month activities in 2010 was also conducted. Periodic "Investor Presentations" in the Turkish language concerning the company's most recent operational results were published on the company's website. 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.

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 2010 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, interim financial results, developments in the sector, 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, "Investor Relations" section of the company's website, 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 2010.

4. Information about General Assembly meetings

The 2009 annual General Assembly meeting took place during 2010 on 14 May 2010. 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 2009 annual General Assembly meeting, 70.62% 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.

Corporate Governance Principles Compliance Report

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.

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.

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 2009 profits began on 21 May 2010 and was completed in two tranches 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.

Part 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

Fifteen material disclosures were made during 2010. 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. Pursuant to CMB regulations, all of our special circumstance announcements have been published exclusively in electronic format via our Public Disclosure Platform since 2010. 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.

Corporate Governance Principles Compliance Report

11. Disclosure of ultimate controlling shareholder(s)

The company's shareholder structure as of 31 December 2010 is shown below.

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

As 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)

• Zeynep Okuyan Gökyılmaz (Chief Independent Auditor (Responsible Partner))

• Independent auditing firm personnel

Part 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.

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.

Corporate Governance Principles Compliance Report

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.

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 without dialling an area code. 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

Corporate Governance Principles Compliance Report

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.

All employees are kept informed about a variety of issues by means of regulations and announcements that are published on the corporate intranet and posted on bulletin boards. Such regulations and announcements are prepared within the framework of the company's published regulations concerning announcements pertaining to company procedures, organizational changes, changes in rights and benefits, and other practices and decisions affecting employees. Neither the company's management nor its human resources department has ever received any complaint from an employee concerning discriminatory treatment.

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

• 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,

Corporate Governance Principles Compliance Report

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 2010 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.

During the reporting period, the Board of Directors convened thirty-seven 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 2010 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 2009 held during 2010, 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.

Corporate Governance Principles Compliance Report

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 2010 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 2010 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.

Statutory Auditors' Report

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

Company name	Pınar Süt Mamulleri 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 (14.05.2010 – one year) not a shareholder Onur Öztürk (14.05.2010 – one year) not a shareholder
Number of Board of Directors meetings participated in and of Board of Auditors meetings held	Board of Directors meetings: 37 Board of Auditors meetings: 12
Scope, dates and conclusions of the examination made on the accounts, books and documents of the company	At the end of each month, cash, cheques, bonds and receipts were counted, and the records and documents were screened on the basis of sampling method and no irregularities were found.
Dates and results of the examinations made pursuant to Article 353 paragraph 1, subparagraph 4 of the Turkish Commercial Code	The cashier's office of the company was checked and counted 12 times 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	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 2010 - 31 December 2010 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 2010, 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 2010 - 31 December 2010 fairly and accurately presents the operating results for the period.

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

Statutory Auditor
Kamil Deveci

Statutory Auditor
Onur Öztürk

Profit Distribution Proposal

The company's current net profit for 2010 is calculated as TL 60,575,622. This amount is arrived at as follows.

1. TL 60,075,624 is shown as consolidated net profit for 2010 in the company's financial statements, which have been prepared taking into account the requirements of the Turkish commercial law, of capital markets laws and regulations, of the corporation tax law, of the income tax law, and of other laws, regulations, and administrative provisions as well as of the provisions of the company's articles of incorporation pertaining to the distribution of profits, and which have been independently audited in accordance with International Financial Reporting Standards.

2. To the above amount is added the amount of TL 500,000, which is shown in the financial statements as an "allocation for the Board of Directors.

3. From the resulting amount is subtracted the amount of TL 2, which is the first statutory reserve that is mandated by article 466/1 of the Turkish Commercial Code.

We submit for your consideration and approval the following proposal concerning the allocation of the TL 60,575,622 in distributable profit as calculated above:

1. TL 12,288,524 will be distributed among shareholders as a first dividend. This corresponds to 20% of distributable profit when the TL 866,998 that was paid out as charitable donations during the year in line with CMB rules is taken into account.

2. Of the remainder, an allocation of not more than 5% will be set aside for the Board of Directors as prescribed by the company's articles of incorporation.

3. Of the remainder, the amount of TL 38,506,164 will be distributed among shareholders as a second dividend. The combined total of first and second dividends amounts to TL 50,794.688. This corresponds to 113% of our issued capital, which amounts to TL 44,951,051.25.

4. Of the remainder, TL 4,904,714 will be set aside as a second statutory reserve.

5. Of the final amount remaining, all will be set aside as a extraordinary reserve.

If this proposal is approved, the company will be paying out a gross cash dividend amounting to TL 1.1300, which is to say a net cash dividend of TL 0.9605, on each share of its stock with a par value of TL 1.0000. This corresponds to a gross cash dividend rate of 113% and to a net cash dividend rate of 96.05%.

2010 Profit Distribution Table

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
2010 PROFIT DISTRIBUTION TABLE (TL)

1.	Paid-in/Issued Capital		44,951,051
2.	Total Statutory Reserves (according to legal records)		22,397,926
If there are privileges for distribution of profits according to the Articles of Association, information on such privileges			
		Based on CMB	**Based on Legal Records**
3.	Profit for the Period	71,426,332	68,503,790
4.	Taxes Payable (-)	(11,350,708)	-12,027,813
5.	Net Profit for the Period (=)	60,075,624	56,475,977
6.	Losses in Prior Years (-)	0	0
	Net effect of reserves set aside in the financial statements for allocation for the Board of Directors (+)	500,000	
7.	First Statutory Reserves (-)	2	2
8.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**60,575,622**	**56,475,975**
9.	Donations during the Year (+)	866,998	
10.	**Net Distributable Profit for the Period Including Donations, Based on Which First Dividend will be Computed**	61,442,620	
11.	First Dividend to Shareholders	12,288,524	
	- Cash	12,288,524	
	- Bonus Shares		
	- Total	12,288,524	
12.	Dividends Distributed to Owners of Privileged Shares	0	
13.	Dividends Distributed to Board Members, Employees, etc.	500,000	
14.	Dividends Distributed to Owners of Redeemed Shares	0	
15.	Second Dividend to Shareholders	38,506,164	
16.	Second Statutory Reserves	4,904,714	
17.	Statutory Reserves	0	
18.	Special Reserves		
19.	**EXTRAORDINARY RESERVES**	4,376,221	276,574
20.	Other Resources to be Distributed		
	- Previous Year Profit		
	- Extraordinary Reserves		
	- Other Distributable Reserves as per the Law and Articles of Association		

INFORMATION ON EARNINGS PER SHARE

	GROUP	TOTAL DIVIDENDS (TL)	DIVIDENDS PER SHARES WITH NOMINAL VALUE OF TL 1 EACH AMOUNT (TL)	RATIO (%)
GROSS	**There are no privileged share groups for profit distribution.**	50,794,688	1.1300	113.00
NET		43,175,484	0,.9605	96.05

RATIO OF DIVIDENDS DISTRIBUTED TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS

CASH DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TL)	RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS (%)
50,794,688	83%

Pınar Süt Mamülleri Sanayii A.Ş.
Independent Auditor's Report

(Convenience translation of independent auditors' report and financial statements originally issued in Turkish)

To the board of Directors of Pınar Süt Mamülleri Sanayii Anonim Şirketi

We have audited the accompanying financial statements of Pınar Süt Mamülleri Sanayii Anonim Şirketi (the "Company"), which comprise the statement of financial position as at December 31, 2010 and the statements of comprehensive income, changes in equity and 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

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

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pınar Süt Mamülleri Sanayii A.Ş. as of December 31, 2010, 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.

Emphasis of Matters

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.

Other Matter

The financial statements of Pınar Süt Mamülleri Sanayii Anonim Şirketi prepared in accordance with the financial reporting standards accepted by the Turkish Capital Market Board as of December 31, 2009 had been audited by another audit firm whose independent auditors' report thereon dated April 8, 2010 expressed an unqualified opinion.

Additional paragraph for convenience translation to English:

As at December 31, 2010, the accounting principles described in Note 2 (defined as CMB Accounting Standards) to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting and also some additional disclosures required by the CMB. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited

Zeynep Okuyan Gökyılmaz, SMMM

Partner

April 6, 2011

İstanbul, Türkiye

Pınar Süt Mamülleri Sanayii A.Ş.

Contents **Page**

Contents	Page
Balance Sheets	50
Statements of comprehensive income	52
Statements of changes in equity	53
Statements of cash flow	54
Notes to the financial statements	
1. Organization and nature of operations	55
2. Basis of preparation of financial statements	55
3. Business combinations	69
4. Joint ventures	69
5. Segment reporting	69
6. Cash and cash equivalents	70
7. Financial assets	70
8. Financial liabilities and other financial liabilities	72
9. Other financial liabilities	73
10. Trade receivables and payables	73
11. Other receivables and payables	75
12. Receivables and payables from finance sector operations	75
13. Stocks	75
14. Biological assets	75
15. Construction contract receivables	75
16. Investment in associates accounted for using equity method	76
17. Investment property	77
18. Property, plant and equipment	78
19. Intangible assets	81
20. Goodwill	81
21. Government grants	81
22. Provisions, contingent assets and contingent liabilities	81
23. Commitments	84
24. Employee benefits	84
25. Pension plans	85
26. Other assets and liabilities	85
27. Equity	86
28. Sales and cost of sales	88
29. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses	89
30. Expenses by nature	90
31. Other operating income/expenses	90
32. Finance income:	91
33. Finance expense:	92
34. Non- current assets held for sale and discontinued operations	92
35. Tax assets and tax liabilities	92
36. Earnings per share	95
37. Transactions and balances with related parties	95
38. Financial instruments and financial risk management	102
39. Financial instruments (Fair value and financial risk management disclosures)	110
40. Subsequent events	111
41. Other Matters that may have a material effect on, or be explained for the clear understanding of the financial statements	111

Pınar Süt Mamülleri Sanayii A.Ş.
Balance Sheet at December 31, 2010
(Amounts expressed in Turkish Lira ("TL" unless otherwise indicated.)

	Notes	December 31, 2010	December 31, 2009
Assets			
Current assets		**192.370.268**	180.957.522
Cash and cash equivalents	6	**17.208.785**	3.317.054
Derivative financial instruments	7b-8	**352.500**	1.009.037
Trade receivables		**68.126.234**	70.237.691
- Due from related parties	37.i.a	**55.419.957**	55.535.417
- Other trade receivables	10a	**12.706.277**	14.702.274
Other receivables		**52.175.370**	66.167.470
- Due from related parties	37.i.b	**49.708.841**	63.775.698
- Other receivables	11a	**2.466.529**	2.391.772
Inventories	13	**50.138.989**	36.973.177
Other current assets	26a	**4.368.390**	3.253.093
Non-current assets		**340.222.449**	298.004.145
Other receivables		**11.694.751**	11.694.751
- Due from related parties	37.i.c	**11.694.000**	11.694.000
- Other receivables	11b	**751**	751
Available-for-sale investments	7a	**53.068.271**	37.742.060
Investments in associates accounted for using equity method	16	**44.170.404**	35.773.087
Property, plant and equipment	18	**230.610.002**	212.343.001
Intangible assets	19	**219.969**	337.196
Other non-current assets	26b	**459.052**	114.050
Total assets		**532.592.717**	478.961.667

The accompanying notes on pages 55 to 111 are an integral part of these financial statements.

Pınar Süt Mamülleri Sanayii A.Ş.

Balance Sheet at December 31, 2010

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

	Notes	December 31, 2010	December 31, 2009
Liabilities			
Current liabilities		**100.323.481**	83.448.666
Financial liabilities		**1.925.398**	5.293.256
- Current leasing obligations		**-**	502
- Other financial liabilities	8	**1.925.398**	5.292.754
Trade payables		**92.527.412**	72.351.048
- Due to related parties	37.i.d	**17.757.884**	13.025.461
- Other trade payables	10b	**74.769.528**	59.325.587
Other payables		**978.808**	199.574
- Due to related parties	37.i.e	**978.808**	199.574
Current income tax liabilities	35	**2.335.131**	2.377.206
Provisions	22a	**1.382.942**	1.580.244
Other current liabilities	26c	**1.173.790**	1.647.338
Non-current liabilities		**47.463.405**	45.311.482
Financial liabilities	8	**13.031.867**	14.754.180
Trade payables	10c	**6.837.858**	5.602.039
Other payables	11c	**48.534**	50.029
Provisions	22b	**203.804**	183.185
Provision for employment termination benefits	24	**5.609.212**	4.318.025
Deferred income tax liabilities	35	**21.732.130**	20.404.024
Total liabilities		**147.786.886**	128.760.148
Equity		**384.805.831**	350.201.519
Share capital	27	**44.951.051**	44.951.051
Adjustment to share capital	27	**16.513.550**	16.513.550
Reserves		**119.931.824**	97.240.789
- Revaluation reserves		**87.185.620**	81.339.774
- Revaluation reserves of investments-in-associates		**181.428**	185.355
- Fair value reserves of available-for investments		**28.318.434**	13.772.027
- Fair value reserves of investments-in-associates		**4.246.342**	1.943.633
Currency translation reserve		**(166.034)**	(67.213)
Restricted reserves		**22.873.461**	17.020.753
Distribution to shareholders		**(5.537.877)**	(5.537.877)
Retained earnings		**126.164.232**	122.258.847
Profit for the year	36	**60.075.624**	57.821.619
Total liabilities and equity		**532.592.717**	478.961.667

The accompanying notes on pages 55 to 111 are an integral part of these financial statements.

Pınar Süt Mamülleri Sanayii A.Ş.

Statement of Comprehensive Income for the Year Ended at December 31, 2010

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

	Notes	**January 1 - December 31, 2010**	January 1 - December 31, 2009
Revenue	28	**577.076.728**	480.746.723
Cost of sales	28	**(473.247.883)**	(374.268.811)
Gross profit	28	**103.828.845**	106.477.912
Research and development expenses	29a	**(4.665.136)**	(3.787.258)
Marketing, selling and distribution expenses	29b	**(28.510.138)**	(26.341.790)
General administrative expenses	29c	**(22.355.885)**	(20.013.371)
Other operating income	31a	**6.888.841**	5.277.246
Other operating expenses	31b	**(2.845.150)**	(3.984.346)
Operating profit		**52.341.377**	57.628.393
Share of results of investment-in-associates - net	16	**12.652.079**	8.841.862
Finance income	32	**10.289.873**	9.892.001
Finance expense	33	**(3.856.997)**	(5.207.445)
Profit before taxation on income		**71.426.332**	71.154.811
Income tax expense	35	**(11.350.708)**	(13.333.192)
- Taxes on income	35	**(12.027.803)**	(13.549.338)
- Deferred tax income	35	**677.095**	216.146
Profit for the year		**60.075.624**	57.821.619
Other comprehensive income/(expense):			
Increase/(decrease) in fair value reserve of available-for-sale investments-net	7	**14.546.407**	16.505.938
Currency translation differences	2 – 16	**(98.821)**	(107.996)
Increase/(decrease) in fair value reserve of investments-in-associates	16	**2.302.709**	786.025
Increase in revaluation reserve of property, plant and equipment of investments-in-associates	18	**8.797.836**	-
Other comprehensive income/(expense) for the year, net of tax		**25.548.131**	17.183.967
Total comprehensive income for the year		**85.623.755**	75.005.586
Earnings per share	36	**1,3365**	1,2863

The accompanying notes on pages 55 to 111 are an integral part of these financial statements.

Pınar Süt Mamülleri Sanayii A.Ş.

Statements of Changes in Equity for the Year Ended at December 31, 2010

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

	Share capital	Adjustment to share capital	Revaluation reserves	Revaluation reserves of investments in associates	Fair value reserves of available-for- sale investments	Fair value reserves of investments -in-associates (*)	Currency translation reserves	Restricted reserves	Distribution to shareholders	Retained earnings	Profit for the year	Total equity
January 1 2010	**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**
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-	-	-	-	**57.821.619**	**(57.821.619)**	-
Legal Reserves	-	-	-	-	-	-	-	**5.852.708**	-	**(5.852.708)**	-	-
Dividends paid (Notes 27 and 37.ii.h)	-	-	-	-	-	-	-	-	-	**(51.019.443)**	-	**(51.019.443)**
Increase in fair value reserves of investments-in associates – net (Note 16)	-	-	-	-	-	**2.302.709**	-	-	-	-	-	**2.302.709**
Depreciation transfer of investments-in-associates-net (Note 16)	-	-	-	**(3.927)**	-	-	-	-	-	**3.927**	-	-
Increase in fair value reserves of available-for-sale investments (Note 7.a)	-	-	-	-	**15.326.211**	-	-	-	-	-	-	**15.326.211**
Deferred tax calculated on the basis of fair value reserves of available-for-sale investments (Notes 7.a and 35)	-	-	-	-	**(779.804)**	-	-	-	-	-	-	**(779.804)**
Increase in fixed asset revaluation fund (Note 18)	-	-	**10.023.233**	-	-	-	-	-	-	-	-	**10.023.233**
Tax impact of increase in fixed asset revaluation fund (Note 18)	-	-	**(1.225.397)**	-	-	-	-	-	-	-	-	**(1.225.397)**
Fund outflow arising from sale of fixed asset – net (Note 18)	-	-	**(344.441)**	-	-	-	-	-	-	**344.441**	-	-
Currency translation reserve (Note 16)	-	-	-	-	-	-	**(98.821)**	-	-	-	-	**(98.821)**
Depreciation transfer (Note 18)	-	-	**(2.607.549)**	-	-	-	-	-	-	**2.607.549**	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	**60.075.624**	**60.075.624**
December 31, 2010	**44.951.051**	**16.513.550**	**87.185.620**	**181.428**	**28.318.434**	**4.246.342**	**(166.034)**	**22.873.461**	**(5.537.877)**	**126.164.232**	**60.075.624**	**384.805.831**

	Share capital	Adjustment to share capital	Revaluation reserves	Revaluation reserves of investments in associates	Fair value reserves of available for- sale investments	Fair value reserves of investments-in-associates (*)	Currency translation reserves	Restricted reserves	Distribution to shareholders	Retained earnings	Profit for the year	Total equity
January 1 2009	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 (Note 37.ii. h)	-	-	-	-	-	-	-	-	-	(6.712.729)	-	(6.712.729)
Increase in fair value reserves of investments-in associates – net (Note 16)	-	-	-	-	-	786.025	-	-	-	-	-	786.025
Depreciation transfer of investments-in-associates-net (Note 16)	-	-	-	(255.607)	-	-	-	-	-	255.607	-	-
Increase in fair value reserves of available-for-sale investments (Note 7.a)	-	-	-	-	17.287.431	-	-	-	-	-	-	17.287.431
Deferred tax calculated on the basis of fair reserves of available-for-sale investments (Notes 7.a and 35)	-	-	-	-	(781.493)	-	-	-	-	-	-	(781.493)
Sales of investment property (Notes 17 and 18)	-	-	(1.961.952)	-	-	-	-	-	-	1.961.952	-	-
Depreciation transfer (Note 18)	-	-	(2.581.682)	-	-	-	-	-	-	2.581.682	-	-
Currency translation reserve (Note 16)	-	-	-	-	-	-	(107.996)	-	-	-	-	(107.996)
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	57.821.619	57.821.619
December 31, 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 fair value reserves of investments in associates valued with equity method.

The accompanying notes on pages 55 to 111 are an integral part of these financial statements.

Pınar Süt Mamülleri Sanayii A.Ş.

Statements of Cash Flow for the Year Ended at December 31, 2010

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

	Notes	January 1 - December 31, 2010	January 1 - December 31, 2009
Operating activities:			
Profit before taxation on income		**71.426.332**	71.154.811
Adjustments to reconcile net cash generated from operating activities to profit before taxation on income:			
Operating activities:			
Depreciation and amortization	18-19	**13.269.742**	13.183.311
Interest income	32	**(7.865.011)**	(7.500.923)
Interest expense	33	**2.610.785**	3.512.987
Provision for employment termination benefits	24	**1.861.388**	1.348.035
Share of results of investments-in-associates-net	16	**(12.652.079)**	(8.841.862)
Inventory profit elimination	16	**4.846**	(597)
Impairment on intangible assets	31b	**-**	348.677
Management bonus provision		**500.000**	1.325.000
Reversal of management bonus provision		**-**	(25.000)
Provisions for doubtful trade receivables	31b	**4.543**	-
Collections of doubtful trade receivables	31a	**80.049**	162.537
Gain on termination of supplier contract	31a	**-**	(1.888.103)
Loss on sales of property, plant and equipment and investment property - net	31b	**998.876**	1.347.212
		70.239.471	74.126.085
Changes in assets and liabilities:			
Decrease in trade receivables	10	**1.991.454**	(4.134.139)
Decrease/(increase) in inventory	13	**(13.165.812)**	3.059.593
Increase in due from related parties	37	**35.411**	(9.851.236)
Decrease in other short and long term receivables and other current and non-current assets	11-26	**(1.551.907)**	28.952
Decrease/(increase) in trade payables	10	**16.679.760**	9.738.070
(Decrease)/increase in trade payables to related parties	37	**4.732.423**	(5.084.431)
(Decrease)/increase in other short and long- term payables and liabilities		**(1.151.726)**	(4.200.340)
Employment termination benefit paid	24	**(570.201)**	(829.017)
Taxes paid	35	**(12.069.878)**	(13.066.199)
Net cash generated from operating activities		**65.168.995**	49.787.338
Investing activities:			
Interest received		**7.881.862**	7.088.324
Increase in non-trade receivables from related parties	37	**14.066.857**	(39.330.712)
Purchase of tangible and intangible assets	18-19	**(22.512.730)**	(5.394.352)
Cash received from sales of tangible and intangible assets		**117.571**	2.183.868
Dividend received	16	**6.453.804**	4.759.757
Net cash provided by/(used in) investing activities		**6.007.364**	(30.693.115)
Financing activities:			
(Redemption of)/increase in borrowings and leasing obligations		**(4.412.891)**	(9.173.938)
Dividends paid	27	**(51.019.443)**	(6.712.729)
Redemption of non-trade payables to related parties	37	**779.234**	(1.043.525)
Interest paid		**(2.631.528)**	(4.115.327)
Net cash used in financing activities		**(57.284.628)**	(21.045.519)
Net increase/(decrease) in cash and cash equivalents		**13.891.731**	(1.951.296)
Cash and cash equivalents at January 1	6	**3.317.054**	5.268.350
Cash and cash equivalents at December 31,	6	**17.208.785**	3.317.054

The accompanying notes on pages 55 to 111 are an integral part of these financial statements.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

1. Organization 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.

96% (2009 - 96%) 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% (2009 - 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

(2009: 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

2. Basis of preparation of financial statements

2.1 Basis of Presentation of Financial Statements

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (TL) in accordance with regulations on accounting and reporting framework and the Uniform Chart of Accounts issued by the Ministry of Finance. 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.

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 financial statements and the disclosures have been prepared using the compulsory standard formats as published by Communiqué on April 9, 2008 declared by the CMB. The financial statements have been approved for issue by the management of the Company on April 6, 2011. Although there is no such intention, the General Assembly and certain regulatory bodies have the power to amend the statutory financial statements and these consolidated financial statements.

Comparative information and classifications on the prior period financial statements

For the purpose of comparability, certain reclassifications were made on 2009 financial statements. The financial income in 2009 amounting to TL 117.000 in the 'foreign exchange gains arising from the swap operation 'account, have been classified to foreign exchange loss account under financial expenses. Furthermore, derivative financial liabilities amounting to TL 258.763 classified under current liabilities and derivative financial assets amounting to TL 1.267.800 classified under non-current assets have been classified as derivative financial instruments under current assets.

Pınar Süt Mamülleri Sanayii A.Ş.
Notes to the Financial Statements at December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of preparation of financial statements (continued)

For the period ended December 31, 2009 included in the sales revenues amounting to TL 205.374, the Undersecretaries of Foreign Trade Turquality project revenue have been netted against selling and marketing costs. In addition, un-incurred financial expense from credit sales classified under financial income as at December 31, 2009 amounting to TL 673.085 have been re-classified under financial expenses.

Furthermore, in order to be comparative with 2010, certain changes have been made in statements of changes in equity and statements of cash flow.

Changes in accounting policies

The accounting policies adopted in the preparation of the financial statements as at December 31, 2010 are consistent with those followed in the preparation of the financial statements of the prior year and for the year ended December 31, 2009, except for the adoption of new standards summarized below and IFRIC interpretations. The effects of these standards and interpretations on the Company's financial position and performance, if any, have been disclosed in the related paragraphs.

Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2010:

- **IFRIC 17 Distributions of Non-cash Assets to Owners**

- **IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items**

- **IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)**

- **IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)**

- **Improvements to IFRSs (May 2008) All amendments issued are effective as at December 31, 2009, apart from the following:** IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively.

- **Improvements to IFRSs (April 2009)**

Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Company.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

Amendments resulting from improvements to IFRSs (April 2009) to the following standards which had or did not have an effect on the accounting policies, financial position or performance of the Company:

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segment Information
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 18 Revenue
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

The new and amended IFRS and IFRIC interpretations effective for the financial periods beginning after December 31, 2010:

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments", is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. The Company does not expect that this amendment will have any impact on the financial statements of the Company.

IFRIC 14 (Amended) "Prepayments of a Minimum Funding Requirement", is effective for annual periods beginning on or after 1 January 2011. The purpose of this amendment was to permit entities to recognise as an asset some voluntary prepayments for minimum funding contributions. Earlier application is permitted and must be applied retrospectively. The Company does not expect that this amendment will have any impact on the financial statements of the Company.

IFRS 9 "Financial Instruments – Phase 1 financial assets, classification and measurement", is effective for annual periods beginning on or after 1 January 2013. Phase 1 of IFRS 9 Financial Instruments introduces new requirements for classifying and measuring financial assets. Early adoption is permitted. This standard has not yet been endorsed by the EU. The Company does not expect that this amendment will have any impact on the financial statements of the Company.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

IAS 32 (Amended) "Classification on Rights Issues", is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively. The Company does not expect that this amendment will have any impact on the financial statements of the Company.

IAS 24 (Revised) "Related Party Disclosures", is effective for annual periods beginning on or after 1 January 2011. This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. The Company does not expect that this amendment will have an impact on the financial statements of the Company.

IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for the first time adopters (Amended)

The amendment is effective for annual periods beginning on or after 1 July 2010. This amendment was issued on 28 January 2010 and exempts first-time adopters of IFRSs from providing the additional disclosures introduced by IFRS 7 on 5 March 2009. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2010. Early application is permitted in all cases.

- **IFRS1 First-time adoption,** effective for annual periods beginning on or after 1 January 2011
- **IFRS 3 Business Combinations,** effective for annual periods beginning on or after 1 July 2010
- **IFRS 7 Financial Instruments:** Disclosures, effective for annual periods beginning on or after 1 January 2011.
- **IAS 1 Presentation of Financial Statements,** effective for annual periods beginning on or after 1 January 2011.
- **IAS 27 Consolidated and Separate Financial Statements,** effective for annual periods beginning on or after 1 July 2010.
- **IAS 34 Interim Financial Reporting,** effective for annual periods beginning on or after 1 January 2011.
- **IFRIC 13 Customer Loyalty Programmes,** effective for annual periods beginning on or after 1 January 2011.

IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)

The amendment is effective for annual periods beginning on or after July 1, 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

IAS 12 Income Taxes-Deferred Taxation: Recovery of Main assets (Amendment)

The amendments are mandatory for annual periods beginning on or after January 1, 2012, but earlier application is permitted. IAS 12 has been updated to include i) a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale and ii) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

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.

The table below sets out the associates and the proportion of ownership interest as of December 31, 2010 and 2009 (Note 16):

	Shareholding (%)	
Investments-in-associates	**2010**	2009
Yaşar Birleşik Pazarlama Dağıtım Tur. ve Tic. A.Ş. (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.

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 December 31, 2010, equivalent of 1 Euro is 2,0491 TL (2009 - 2,1603 TL) and for the year then ended the average equivalent of 1 Euro 1,9894 TL is (2009 - 2,1508 TL). Exchange differences arising from re-translation of the opening net assets of investments-in-associate and the differences between the average and year-end rates are included in the "currency translation reserve" under the equity as a separate component.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liabilities simultaneously.

Significant accounting estimates and judgments

The preparation of financial statements in accordance with the CMB Accounting Standards require the Company management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. Significant accounting policies 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 and recognises tax assets for the carry forward tax losses and unused investment tax credits to the extent that the realisation of the related tax benefit through the future taxable profits is probable. 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 tax provisions in the period in which such determination is made.

b) Fair value determination of available-for-sale investments

The generally accepted valuation techniques used in fair value determination of available-for-sale investments for which there is no quoted market price exists, consist of several assumptions, which are based on the management's best estimates (Note 7).

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

Following the negotiations with the Bornova Municipality Housing Department regarding the building development scheme, the square feet of the plots in Pınarbaşı- Izmir, the site of the Company's land, buildings and land improvements are located in the industrial zone have reached to a conclusion. Therefore, as of December 31, 2010, the land and land improvements and buildings on Pınarbaşı- Izmir site, were stated at their new fair values, based on valuations as of the same date.

Other than the property in Pınarbaşı – İzmir stated above, land and land improvements, buildings, machinery and equipment were stated at fair value, based on valuations at December 31, 2008. The fair values of land and land improvements, buildings, machinery and equipment are estimated as of December 31, 2008 to approximate to values as of December 31, 2010, as there is no change in the market conditions in 2010.

The revaluation techniques used in fair value determination of land and land improvements, buildings, machinery and equipment as at December 31, 2008, consist of several assumptions, which are based on the management's best estimates:

- As there were no recent similar buying/selling transactions nearby, revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements were based on the method of cost approach.

- In the market reference comparison method, current market information was utilized, 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 m^2 sale value was determined for the lands subject to the valuation. The similar pieces of land found 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 utilized.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

-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.

- Whenever 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.

d) Employee termination benefits:

- The liability of defined benefit plans is determined using actuarial valuations which involve making assumptions about discount rates, future salary increases and employee turnover. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details about the assumptions used are given in Note 24.

e) Economic lives of property, plant and equipment and intangible assets:

- The Company's management has made certain important assumptions based on experiences of their technical personnel in determining useful economic life of the tangible and intangible assets (Notes 18-19).

Summary of significant accounting policies

The significant accounting policies applied in the preparation of financial statements is summarized as follows:

Revenue

Sale of goods

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

Interest income

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

Rent income is recognized on an accrual basis.

Dividend income

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at banks, checks and short-term deposits having maturity of less than 3 months.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

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 and 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.

Property, plant and equipment

Property, plant and equipment, except for land, land improvements, buildings and machinery and equipment, are carried at cost less accumulated depreciation. Land, land improvements, buildings and machinery and equipment are stated at their revalued amounts, based on valuations, which are estimated to approximate the fair values as of December 31, 2010.

All other items of property, plant and equipment other than land, land improvements, building and machinery and equipment acquired before January 1, 2005 are carried at cost in the equivalent purchasing power of TL as at December 31, 2004 and items acquired after January 1, 2005 are carried at cost, less the subsequent depreciation and impairment loss, if any

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).

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.

Depreciation is provided on the restated or revalued amounts of property, plant and equipment on a straight-line basis (Note18).

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

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

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.

Intangible assets

Intangible assets comprise acquired rights, information systems and software. Intangible assets acquired before January 1, 2005 are carried at cost in the equivalent purchasing power of TL as at December 31, 2004 and items acquired after January 1, 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 (Note 19).

Impairment of assets

At each reporting date, the Company assesses whether there is an impairment indication for the property, plant and equipment and intangible assets. 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 (Note 18). If the impaired fixed assets have been re-evaluated, the impairment will be deducted from the prior year's revaluation reserves and the remaining part will be associated to comprehensive income statement. (Note 31.b)

The recoverable amount of the fixed asset which are not ready to use is estimated at each reporting date. If the book value of the stated asset or the book value of any cash generating unit of the stated asset is higher than the amount, which will be gained by usage or sale; impairment is occurred. Impairment losses are accounted in comprehensive income statement. The impairment losses is accounted in the comprehensive income statement.

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.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

Company welded trade receivables, which are composed of direct supply of goods or service to a debtor, are recorded with their invoiced costs and in the following periods the related receivables are evaluated by deducting the provision for impairment (if any) from their discounted costs found by employing effective interest method. Short-term trade receivables, with no emphasized interest rate, are evaluated with invoiced amounts, in the case of effective interest rate effect's immateriality.

b) Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets, unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. 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 January 1, 2005 are carried at cost expressed in purchasing power of TL as at December 31, 2004 and available-for-sale investments acquired after January 1, 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 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 comprehensive income. Impairment losses recognised in the statement of comprehensive income on investments are not reversed through the statement of comprehensive income.

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 8).

The Company identifies the derivative instruments, at the inception date of the related derivative contract to avoid the changes in the fair value of derivatives that are designated and qualify as fair value hedges that 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).

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

Borrowings and borrowings costs

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of 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 (Note 8).

Trade payables

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

Long-term debts, which are recorded with their values left after deducting the transaction costs from the purchase price of fixed assets, are recognized with their discounted cost by employing effective interest method (Note 10.c).

Accounting of financial assets and liabilities

Since the financial instrument agreements are signed, the Company reflects to the balance sheet the related financial assets or liabilities. The Company effaces a part or the totality of the financial assets only when the rights over the related financial assets are expired according to the agreements. The financial liabilities can only be deleted if the obligations defined in the agreements have been removed, cancelled or become barred.

Financial asset purchases and sales are recording at the transaction dates, namely when the Company stipulates the related purchase or sale.

Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognized in the consolidated statement of income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Provision for impairment is provided when there is an objective evidence of uncollectibility of trade receivables. Reserve is provided for the overdue uncollectible receivables. Also portfolio reserve is provided for the not due receivables based on certain criteria. The carrying amount of the receivable is reduced through use of an allowance account.

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.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

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;

- The Company, 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 reorganization;

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets.

Provisions, contingent liabilities and contingent assets

i) Provisions

Provisions are recognized 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. When the time value of money is material, then the provision is discounted using the pretax discount rates. When discounting is used, the increase is reflected as financial expense.

ii) Contingent assets and liabilities

Contingent liabilities are not recognised in the financial statements but they are disclosed only, unless the possibility of an outflow of resources embodying economic benefits is probable. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

Related parties

Parties are considered related to the Company if;

(a) directly or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries and fellow subsidiaries);

(ii) has an interest in the Company that gives it significant influence over the Company; or

(iii) has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or

Pınar Süt Mamülleri Sanayii A.Ş.
Notes to the Financial Statements at December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of preparation of financial statements (continued)

Related party transactions are transfer of resources or obligations between related parties, regardless of whether a price is charged.

For the purpose of the 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, together with companies controlled, jointly controlled or significantly influenced by them are considered as and referred to as related parties (Note 37).

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. 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).

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.

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).

Accounting policies, errors and changes in accounting estimates

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

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.

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).

Pınar Süt Mamülleri Sanayii A.Ş.
Notes to the Financial Statements at December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of preparation of financial statements (continued)

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.

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. Non adjusting subsequent events are disclosed in the notes to the extent that they impact the economic decisions of the readers of the financial statements.

Business combinations

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 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".

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, there is a single reportable segment.

Income taxes

Income tax is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred income tax assets are recognized for all deductible temporary differences, and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Deferred taxes of income and expenses booked in equity have been also carried in equity.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Provision for Termination Indemnities/Defined benefit plans

a) Defined benefit plans:

In accordance with existing social legislation, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In the accompanying financial statements, the Company has reflected a liability calculated using "Projected Unit Credit Method" and based upon factors derived using the Company's experience of personnel terminating their services and being eligible to receive benefits, discounted by using the current market yield at the balance sheet date on government bonds (Note 24).

b) Defined contribution plans:

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as an employee benefit expense when they are due (Note 24).

c) Seniority incentive bonus

The Company has an employee benefit plan called "Seniority Incentive Bonus" ("Bonus") which is paid to employees with a certain level of seniority. Seniority incentive bonus provision represents the present value at the date of the balance sheet of the estimated total reserve of the probable future obligations (Notes 22.a and 22.b).

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 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.

3. Business combinations

None (2009 - None).

4. Joint ventures

None (2009 - None).

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.

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.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

6. Cash and cash equivalents

	December 31, 2010	December 31, 2009
Cash in hand	**20.334**	27.530
Banks	**17.188.451**	3.289.524
- Time deposits	**17.077.000**	3.120.000
- Demand deposits	**111.451**	169.524
	17.208.785	3.317.054

As of December 31, 2010, time deposits amounting to TL 17.077.000 (2009 - TL 3.120.000) mature in less than one month (2009 - less than one month) and bear the effective weighted average interest rates of 8,21% per annum ("p.a.") (2009 - 7,47% p.a.). As of December 31, 2010, the Company does not have any time deposits in foreign currency.

7. Financial assets

a) Available-for sale investments:

	December 31, 2010		December 31, 2009	
	TL	%	TL	%
Pınar Entegre Et ve Un Sanayi A.Ş. ("Pınar Et")	**37.071.915**	**12,58**	24.096.744	12,58
Çamlı Yem Besicilik San. ve Tic. A.Ş. ("Çamlı Yem")	**10.059.689**	**5,47**	7.527.014	5,47
Pınar Su San. ve Tic. A.Ş. ("Pınar Su")	**5.397.520**	**8,77**	5.666.858	8,81
Yataş	**459.780**	**1,76**	369.691	1,76
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	**60.006**	**1,33**	62.392	1,33
Other	**19.361**	**-**	19.361	-
	53.068.271		37.742.060	

Pınar Et and Pınar Su are stated in financial statements at quoted market prices as they are listed on ISE; Çamlı Yem, Yataş and Bintur are stated in financial statements at their fair values which are determined based on the discounted cash flows technique which is one of the generally accepted valuation techniques.

The discount and growth rates used in discounted cash flow models as at December 31, 2010 and 2009 are as follows:

	Discount rate		Growth rate	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Çamlı Yem	**11,01%**	12,74%	**2%**	2%
Yataş	**9,68%**	11,37%	**0%**	0%
Bintur	**11,70%**	15,60%	**1%**	1%

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

7. Financial assets (continued)

The movements of available-for-sale investments in January 1 - December 31, 2010 and 2009 were as follows:

	2010	2009
January 1,	**37.742.060**	20.454.629
Fair value gain/(loss)		
Pınar Et	**12.975.171**	13.084.206
Pınar Su	**(269.338)**	2.592.167
Çamlı Yem	**2.532.675**	2.030.053
Yataş	**90.089**	(397.653)
Bintur	**(2.386)**	(21.342)
December 31	**53.068.271**	37.742.060

The movements of fair value reserves of available-for-sale investments in January 1 - December 31, 2010 and 2009 were as follows:

	December 31, 2010	December 31, 2009
January 1	**13.772.027**	(2.733.911)
Fair value gain/(loss)	**15.326.211**	17.287.431
Deferred income tax on fair value reserve of available-for-sale investments (Note 35)	**(779.804)**	(781.493)
December 31,	**28.318.434**	13.772.027

b) Other financial assets:

As of December 31, 2010; other financial assets amounted to TL 352.500 (2009 – TL 1.009.037) consist of receivables from derivative financial instruments and have been disclosed in detail in Note 8.

Pınar Süt Mamülleri Sanayii A.Ş.
Notes to the Financial Statements at December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

8. Financial liabilities and other financial liabilities

	Effective weighted average interest rate p.a.%		Original currency value		TL equivalent	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009	**December 31, 2010**	December 31, 2009
Short- term borrowings:						
TL borrowings (*)	**-**	10,25	**651.907**	4.034.689	**651.907**	4.034.689
Short-term portion of long-term bank borrowings:						
EUR Borrowings (**)	**5,07**	5,62	**344.192**	350.472	**705.283**	757.125
CHF Borrowings (***)	**2,27**	2,27	**345.667**	345.667	**568.208**	500.940
Total short –term borrowings					**1.925.398**	5.292.754
Derivative financial (assets)/ liabilities:						
Currency swaps from foreign currency to TL		-	**-**	-	**(352.500)**	(1.009.037)
Total financial derivatives					**1.572.898**	4.283.717
Long-term:						
EUR borrowings (**)	**6,65**	6,49	**6.359.800**	6.597.806	**13.031.867**	14.253.240
CHF borrowings (***)	**-**	2,27	**-**	345.667	**-**	500.940
Total long-term liabilities					**13.031.867**	14.754.180

(*) TL denominated short-term bank borrowings are comprised of spot borrowing without interest charge that is amounting to TL 651.907 (2009 - TL 534.689).

(**) EUR denominated bank borrowings are comprised of borrowing with semi-annually floating rates according to Euribor+5.60% p.a. that is amounting to EUR 6.000.000 equivalent of TL 12.294.600 (2009 - EUR 6.103.729 equivalent of TL 13,185,886) and borrowings with fixed interest rate between 4.58%-5.55% p.a. fixed interest rate that are amounting to EUR 359.800 equivalent of TL 737.266 (2009 - EUR 844.549 with 5.20% p.a. fixed interest rate equivalent of TL 1.824.479).

(***) CHF denominated bank borrowings are comprised of borrowings with 2.27% p.a. fixed interest rate (2009 - 2.27% p.a.).

Based on the loan agreement undersigned on September 27, 2006 between the Company and Morgan Stanley International Limited, the Company received a borrowing amounting to EUR6.000.000 with a maturity date of September 27, 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 TL 11.694.000, 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 and finance expenses (Note 7.b).

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

8. Financial liabilities and other financial liabilities (continued)

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 December 31, 2010, 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 December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
2011	**-**	996.227
2012	**358.827**	397.176
2013	**12.558.061**	13.360.777
2014	**114.979**	-
	13.031.867	14.754.180

9. Other financial liabilities

None (December 31, 2009 – None).

10. Trade receivables and payables

a) Short- term trade receivables:

	December 31, 2010	December 31, 2009
Customer current accounts	**5.014.004**	3.441.662
Cheques and notes receivable	**7.084.050**	11.774.361
Other	**1.183.850**	14.807
	13.281.904	15.230.830
Less: Provisions for doubtful receivables	**(462.724)**	(458.181)
Unearned finance income	**(112.903)**	(70.375)
	12.706.277	14.702.274

The effective weighted average interest rate on TL denominated trade receivables is 7,09% p.a. as of December 31, 2010 (2009 - 6,85% p.a.). Customer current accounts and notes receivable are all short term and maturing within 2 months (2009 - 2 months).

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

10. Trade receivables and payables (continued)

The aging analysis of overdue trade receivables at December 31, is as follows;

		Overdue receivables without provision for doubtful receivables				
	Not due	1-30 days	1-3 month	3-12 month	1-5 year	Total
December 31, 2010	**12.353.614**	**352.663**	**-**	**-**	**-**	**12.706.277**
December 31, 2009	14.231.020	471.254	-	-	-	14.702.274

The movements in the provision for impairment of receivables can be analysed as follows:

	2010	2009
January 1	**458.181**	553.604
Charged to the statement of comprehensive income (Note 31.b)	**4.543**	-
Collections	**-**	(95.423)
December 31	**462.724**	458.181

b) Short-term trade payables:

	December 31, 2010	December 31, 2009
Supplier current accounts	**75.027.030**	59.538.329
Less: Unincurred finance cost	**(257.502)**	(212.742)
	74.769.528	59.325.587

Average maturity of the trade payables is 2 month (2009 - 2 months). Discounted cost value is calculated with using interest rates 6,63% for TL, 0,23% for USD and 0,71% for EUR (2009-TL: 6,68%, USD: 0,24%, EUR: 0,52%)

c) Long- term trade payables:

	December 31, 2010	December 31, 2009
Supplier current accounts	**6.837.858**	5.602.039
	6.837.858	5.602.039

Long term trade payables consist of Euro payables from the purchase of property, plant and equipment and the effective weighted average interest rate is 6,2% (2009 - 5,81%).

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

11. Other receivables and payables

a) Short-term other receivables:

	December 31, 2010	December 31, 2009
VAT receivables	**2.236.364**	-
Receivables due to land sales (Note 18)	**-**	2.154.608
Receivables from insurance companies	**225.262**	225.262
Deposits and guarantees given	**1.180**	8.097
Other	**3.723**	3.805
	2.466.529	2.391.772

b) Long-term other receivables:

The long-term other receivables consist of deposits and guarantees given amounting to TL 751 as of December 31, 2010 (December 31, 2009 - TL 751).

c) Long-term other payables:

The long-term other payables consist of deposits and guarantees taken amounting to TL 48.534 as of December 31, 2010 (December 31, 2009 - TL 50.029).

12. Receivables and payables from finance sector operations

None (2009 – None).

13. Stocks

	December 31, 2010	December 31, 2009
Raw materials	**19.642.862**	15.940.698
- Stocks of raw materials	**16.172.906**	*14.949.303*
- Raw materials in transit	**3.469.956**	*991.395*
Work in progress	**10.601.374**	6.982.018
Finished goods	**16.377.384**	11.156.674
Trade goods	**309.896**	273.598
Spare parts	**2.431.684**	1.921.494
Other	**775.789**	698.695
	50.138.989	36.973.177

The cost of inventories recognized as expense and included in cost of sales amounted to TL 425.810.827 (2009: TL 333.977.105) (Note 30).

14. Biological assets

None (2009 - None).

15. Construction contract receivables

None (2009 - None).

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

16. Investment in associates accounted for using equity method

Investments-in-associates:

	December 31, 2010		December 31, 2009	
	TL	**%**	TL	%
YBP	**36.837.502**	**31,95**	29.661.460	31,95
Desa Enerji	**3.848.200**	**30,52**	2.629.156	30,52
Pınar Foods	**2.790.087**	**44,94**	2.721.261	44,94
Pınar Anadolu	**694.615**	**20,00**	761.210	20,00
	44.170.404		35.773.087	

The movement in investments-in-associates during January 1- December 31, 2010 and 2009 are as follows:

	2010	2009
January 1	**35.773.087**	31.012.356
Share of results of investments-in-associates- net	**12.652.079**	8.841.862
Increase/(decrease) in fair value reserves of associates-net	**2.302.709**	786.025
Currency translation reserve	**(98.821)**	(107.996)
Dividend income from investments-in-associates (Note 37.ii.ı)	**(6.453.804)**	(4.759.757)
Inventory profit elimination	**(4.846)**	597
December 31	**44.170.404**	35.773.087

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

	2010	2009
January 1	**185.355**	440.962
Revaluation reserve change - net (Desa Enerji)	**(3.042)**	(254.722)
Revaluation reserve change - net (YBP)	**(885)**	(885)
December 31	**181.428**	185.355

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

16. Investment in associates accounted for using equity method (continued)

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

	December 31, 2010			December 31, 2009		
	Assets	**Liabilities**	**Profit for the year**	Assets	Liabilities	Profit for the year
- YBP	297.470.094	181.608.562	34.268.829	250.007.632	156.618.305	24.226.269
- Desa Enerji	14.369.252	1.760.472	3.994.245	14.748.357	6.133.823	881.357
- Pınar Foods	6.895.836	687.368	522.603	7.111.708	1.056.387	1.066.925
- Pınar Anadolu	5.961.165	2.488.098	1.246.423	6.457.967	2.651.917	1.765.513

17. Investment property

The property, plant and equipments in Işıkkent- Izmir has been transferred to real estate in order to increase its value as of 2009. The Company sold its investment properties in Işıkkent-Izmir to Çamlı Yem in consideration of TL 2.000.000 (Note 37.ii.n). The sales price was determined based on the independent valuer's report on October 27, 2009. Loss from sales of these investment properties amounting to TL 1.690.000 was recognized as other expense in statement of comprehensive income (Note 31.b).

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

18. Property, plant and equipment

Movements of property, plant and equipment and accumulated depreciation in 2010 were as follows:

	January 1, 2010	Additions	Disposals	Revaluation	Transfers	December 31, 2010
Cost or valuation						
Land	55.389.975	24.938	-	5.195.000(*)	-	60.609.913
Buildings and land improvements	88.803.520	430.728	-	4.828.233(*)	2.207.202	96.269.683
Machinery and equipment	204.488.758	12.649.108	(12.329.642)	-	985.608	205.793.832
Motor vehicles	5.075.996	522.397	(178.342)	-	-	5.420.051
Leased motor vehicles	2.223.121	-	-	-	-	2.223.121
Furnitures and fixtures	34.948.071	3.322.650	(627.163)	-	8.914	37.652.472
Construction in progress	48.880	5.477.754	-	-	(3.201.724)	2.324.910
	390.978.321	22.427.575	(13.135.147)	10.023.233	-	410.293.982
Less: Accumulated depreciation						
Buildings and land improvements	(31.766.226)	(2.601.683)	-	-	-	(34.367.909)
Machinery and equipment	(114.351.826)	(7.949.975)	11.224.782	-	-	(111.077.019)
Motor vehicles	(4.978.225)	(156.806)	178.342	-	-	(4.956.689)
Leased motor vehicles	(1.382.647)	(118.714)	-	-	-	(1.501.361)
Furnitures and fixtures	(26.156.396)	(2.240.182)	615.576	-	-	(27.781.002)
	(178.635.320)	(13.067.360)	12.018.700	-	-	(179.683.980)
Net book value	212.343.001					230.610.002

(*) Following the negotiations with the Bornova Municipality Housing Department regarding the building development scheme, the square feet of the plots in Pınarbaşı- Izmir, the site of the Company's land, buildings and land improvements are located in the industrial zone have reached to a conclusion. Therefore, as of December 31, 2010, the land and land improvements and buildings on Pınarbaşı- Izmir site, were stated at their new fair values amounting to TL 67.680.000, based on valuations as of the same date.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

18. Property, plant and equipment (continued)

	January 1, 2009 Opening	Additions	Disposals	Transfers	Transfer to Investment property (Note 17)	Transfer from investment property (Note 17)	December 31, 2009 Closing
Cost or 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 December 31, 2009, the Company had receivable from MOIZ amounting to TL 2.154.608 (Note 11) with respect to this sale transaction. Gain from sale of these lands amounting to TL 256.134 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.

There are no mortgages or other collaterals placed on property, plant and equipment as of December 31, 2010 (2009 - None).

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

18. Property, plant and equipment (continued)

Allocation of depreciation and amortization costs in 2010 and 2009 were as follows:

	December 31, 2010	December 31, 2009
Cost of sales	**10.144.831**	9.502.445
Cost of inventories	**503.235**	221.277
Selling and marketing costs (Note 29b)	**1.412.289**	2.106.347
General administrative expenses (Note 29c)	**926.530**	1.076.944
Research and development expenses (Note 29a)	**282.857**	276.298
	13.269.742	13.183.311

Movements in revaluation reserve related to land, land improvements, buildings, machinery and equipment in 2010 and 2009 were as follows:

	2010	2009
January 1	**81.339.774**	85.883.408
Depreciation transfer upon revaluation reserve	**(3.259.436)**	(3.227.102)
Deferred income tax on depreciation transfer	**651.887**	645.420
Disposal from revaluation reserve due to sales of property, plant and equipment and investment property	**(344.441)**	(1.961.952)
Increase in revaluation reserve arising from revaluation of land, land improvements and buildings	**10.023.233**	-
Deferred income tax calculated on revaluation of land and buildings	**(1.225.397)**	-
December 31	**87.185.620**	81.339.774

The carrying amounts of each class of property, plant and equipment that would have been recognized if the assets have been carried under the cost model are as follows:

December 31, 2010	**Land**	**Land improvements and buildings**	**Machinery and equipment**
Cost	**9.576.708**	**40.223.533**	**181.032.307**
Less: Accumulated depreciation	-	**(13.032.938)**	**(103.871.273)**
Net book value	**9.576.708**	**27.190.595**	**77.161.034**

December 31, 2009	**Land**	**Land improvements and buildings**	**Machinery and equipment**
Cost	9.551.770	37.585.603	179.338.919
Less: Accumulated depreciation	-	(12.061.505)	(105.130.074)
Net book value	9.551.770	25.524.098	74.208.845

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

19. Intangible assets

The movements of intangible assets and related accumulated amortisation for the years ended December 31, 2010 and 2009 were as follows:

	January 1, 2010	**Additions**	**Disposals**	**December 31, 2010**
Costs:				
Rights	**9.269.015**	**85.155**	**-**	**9.354.170**
Accumulated amortisation	**(8.931.819)**	**(202.382)**	**-**	**(9.134.201)**
Net book value	**337.196**			**219.969**

	January 1, 2009	Additions	Disposals	December 31, 2009
Costs:				
Rights	9.547.981	69.711	(348.677)*	9.269.015
Accumulated amortisation	(8.303.590)	(628.229)	-	(8.931.819)
Net book value	1.244.391			337.196

(*) Note 31.b

20. Goodwill

None (2009 - None).

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 TL 2.187.080 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 (2009 - TL 909.000).In addition, under Turquality project, the government incentive has been contributed by Undersecretariat of Foreign Trade as of 2010 and 2009 for branding of Turkish goods and building Turkish goods image in foreign markets.

22. Provisions, contingent assets and contingent liabilities

a) Short-term provisions:

	December 31, 2010	December 31, 2009
Management bonus accruals	**1.140.045**	1.325.000
Provision for litigations	**76.000**	127.394
Provision for seniority incentive bonus	**120.474**	60.678
Other	**46.423**	67.172
	1.382.942	1.580.244

b) Long-term provisions:

The long-term provisions consist of provision for seniority incentive bonus amounting to TL 203.804 as of December 31, 2010 (December 31, 2009 - TL 183.185).

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

22. Provisions, contingent assets and contingent liabilities (continued)

c) Guarantees given:

	2010	2009
Bails	**619.935.397**	605.508.327
Letters of guarantee	**6.292.532**	4.069.440
Guarantee notes	**4.500.000**	2.000.000
	630.727.929	611.577.767

The Company jointly guarantees with Yaşar Group companies the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR 95.059 thousands and USD 275.000 thousands (equivalent of TL 619.935.397) (2009 – EUR 280.289 thousands, equivalent of TL 605.508.327).

Collaterals, pledges and mortgages ("CPM") positions of the Company as of December 31, 2010 and 2009 are summarized as follows:

	December 31, 2010			
	Total TL equivalent	**TL**	**USD**	**EUR**
A. Total amount of CPM given for the Company's own legal personality	**10.792.532**	**10.792.532**	**-**	**-**
Collateral	*10.792.532*	*10.792.532*	-	-
Pledge	-	-	-	-
Mortgage	-	-	-	-
B. Total amount of CPM given on behalf of fully consolidated companies	**-**	**-**	**-**	**-**
Collateral	-	-	-	-
Pledge	-	-	-	-
Mortgage	-	-	-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	**-**	**-**	**-**	**-**
D. Total amount of other CPM	**652.422.964**	**32.487.567**	**275.000.000**	**95.059.000**
i. Total amount of CPM given on behalf of the majority shareholder	542.352.497	-	250.000.000	76.059.000
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C.	110.070.467	32.487.567	25.000.000	19.000.000
iii. Total amount of CPM given on behalf of third parties which are not in scope of C.	**-**	**-**	**-**	**-**
Total	**663.215.496**	**43.280.099**	**275.000.000**	**95.059.000**

The ratio of total amount of other CPM to Equity is 169,55%.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

22. Provisions, contingent assets and contingent liabilities (continued)

	December 31, 2009			
	Total TL equivalent	TL	USD	EUR
A. Total amount of CPM given for the Company's own legal personality	6.069.440	6.069.440	-	-
Collateral	6.069.440	6.069.440	-	-
Pledge	-	-	-	-
Mortgage	-	-	-	-
B. Total amount of CPM given on behalf of fully consolidated companies	-	-	-	-
Collateral	-	-	-	-
Pledge	-	-	-	-
Mortgage	-	-	-	-
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	24.287.958	-	280.289.000
i. Total amount of CPM given on behalf of the majority shareholder	391.638.627	-	-	181.289.000
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	24.287.958	-	99.000.000
iii. Total amount of CPM given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	635.865.725	30.357.398	-	280.289.000

The ratio of total amount of other CPM to Equity is 179,84%.

d) Guarantees received:

	December 31, 2010	December 31, 2009
Bails	**12.294.600**	12.961.800
Guarantee cheques	**747.023**	835.291
Letters of guarantee	**2.462.410**	698.539
Guarantee notes	**157.504**	488.705
	15.661.537	14.984.335

As of December 31, 2010, bails received are related with joint guarantees provided to the Company by Yaşar Holding A.Ş. and its affiliates for repayment of borrowings obtained by the Company from international capital markets amounting to EUR 6.000.000 (2009 - EUR 6.000.000).

Foreign currencies denominated guarantees received were as follows:

		December 31, 2010	December 31, 2009
Guarantees received	EUR	**6.642.090**	6.210.065
	USD	**145.267**	105.717

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

22. Provisions, contingent assets and contingent liabilities (continued)

e) Contingent liabilities

None.

23. Commitments

a) Purchase commitments:

As of December 31, 2010, the Company has purchase commitments of 1.049.872 kilogram of tomato sauce equivalent of TL 2.203.451; 2.306.776 kilogram of concentrated fruit juice equivalent of TL 5.103.635 and packaging materials amounting to EUR 5.615.687 equivalent of TL 11.507.103 (2009 - 770 tons of tomato sauce equivalent of TL 1.258.374; 1,532 tons of concentrated fruit juice equivalent of TL 3.668.585 and packaging materials amounting to EUR 6.905.711 equivalent of TL 14.918.407).

b) Other commitments:

As a result of the agreement undersigned by the Company's associate, YBP, with one of its suppliers, the Company has guaranteed the redemption of YBP's payable to this supplier amounting to TL 32.487.567 as of December 31, 2010 (2009 - TL 24.287.958).

24. Employee benefits

Provision for employment termination benefits

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 TL 2.567,16 for each year of service as of December 31, 2009 (2009 - TL 2.365,16). 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 TL 2.623,23 which is effective from January 1, 2011 (January 1, 2010 – TL 2.427,04) 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:

	December 31, 2010	December 31, 2009
Discount rate (%)	**4,66**	5,92
Probability of retirement (%)	**96,67**	96,73

Pınar Süt Mamülleri Sanayii A.Ş.
Notes to the Financial Statements at December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

24. Employee benefits (continued)

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

	2010	2009
January 1	**4.318.025**	3.799.007
Interest costs	**201.220**	224.902
Actuarial losses	**721.787**	299.163
Paid during the year	**(570.201)**	(829.017)
Annual charge during the year	**938.381**	823.970
December 31	**5.609.212**	4.318.025

The total of interest costs, actuarial losses and annual charge for the year amounting to TL 1.861.388 (2009 - TL 1.348.035) was included in general administrative expenses (Note 29.c).

25. Pension plans

None (2009 – None).

26. Other assets and liabilities

a) Other current assets:

	December 31, 2010	December 31, 2009
Taxes and funds deductible	**1.712.240**	2.066.205
Prepaid expenses	**1.499.922**	1.145.094
Income accruals (*)	**991.855**	-
Order advances given	**69.206**	20.731
Other	**95.167**	21.063
	4.368.390	3.253.093

(*) Under Turquality project, the government incentive has been contributed by Undersecretariat of Foreign Trade as of 2010 and 2009 for branding of Turkish goods and building Turkish goods image in foreign markets. Income accruals are related with this incentive.

b) Other non-current assets:

The other non-current assets consist of advances given for purchase of property, plant and equipment amounting to TL 434.525 and prepaid expenses amounting to TL 24.527 as of December 31, 2010 (December 31, 2009 - TL 114.050).

c) Other current liabilities:

	December 31, 2010	December 31, 2009
Witholding taxes and funds payable	**1.050.377**	972.542
Payable to personnel	**86.034**	636.792
Other	**37.379**	38.004
	1.173.790	1.647.338

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

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 December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
Registered share capital (historical values)	**80.000.000**	80.000.000
Share capital with a nominal value	**44.951.051**	44.951.051

The compositions of the Company's share capital at December 31, 2010 and 2009 were as follows:

	December 31, 2010		December 31, 2009	
	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 (2009 - 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 December 31, 2010, there are 44.951.051 (2009 - 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.

Retained earnings, as per the statutory financial statements, are available for distribution, subject to the legal reserve requirement referred to below:

Pınar Süt Mamülleri Sanayii A.Ş.
Notes to the Financial Statements at December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

27. Equity (continued)

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.

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. At December 31, 2010, the restricted reserves of the Company amount to TL 22.873.461 (2009 – TL 17.020.753). The extraordinary funds as unrestricted reserves of the Company, amounting to TL 38.139.677 (2009 – TL 38.001.934), is classified in the retained earnings.

According to Turkish Corporate Income Tax Law numbered 5520, effective from June 21, 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 TL 634.047 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.

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 January 27, 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;

- 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.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

27. Equity (continued)

Based on the decision of General Assembly meeting on May 14, 2010, the Company has distributed TL 51.019.443 as dividend from the distributable net profit for the year ended December 31, 2009.

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

	December 31, 2010	December 31, 2009
Extraordinary reserves	**56.038.395**	55.900.652
Retained earnings	**5.602.056**	5.456.411
Profit for the year	**56.475.977**	58.334.894
	118.116.428	119.691.957

28. Sales and cost of sales

	January 1 - December 31, 2010	January 1 - December 31, 2009
Domestic sales	**713.534.078**	565.036.972
Export sales	**43.670.966**	46.088.437
Merchandise goods sales	**14.872.034**	16.028.986
Gross Sales	**772.077.078**	627.154.395
Less: Discounts	**(184.077.996)**	(137.209.915)
Returns	**(10.922.354)**	(9.197.757)
Net sales	**577.076.728**	480.746.723
Cost of sales	**(473.247.883)**	(374.268.811)
Gross profit	**103.828.845**	106.477.912

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

29. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses

	January 1 - December 31, 2010	January 1 - December 31, 2009
a) Research and development expenses:		
Staff costs	**2.175.681**	1.664.338
Material usage	**1.380.895**	740.015
Outsourced services	**562.196**	713.235
Depreciation and amortisation (Notes 18 and 19)	**282.857**	276.298
Consultancy charges	**-**	32.261
Other	**263.507**	361.111
	4.665.136	3.787.258
b) Marketing, selling and distribution expenses:		
Advertisement	**15.057.275**	13.555.117
Transportation	**4.017.508**	3.721.584
Outsourced services	**2.766.021**	2.310.673
Depreciation and amortisation (Notes 18 and 19)	**1.412.289**	2.106.347
Staff costs	**2.489.088**	2.091.007
Rent cost	**877.035**	854.689
Other	**1.890.922**	1.702.373
	28.510.138	26.341.790
c) General administrative expenses:		
Consultancy charges	**7.564.041**	6.566.561
Staff costs	**6.509.065**	5.814.599
Employment termination benefits (Note 24)	**1.861.388**	1.348.035
Depreciation and amortisation (Notes 18 and 19)	**926.530**	1.076.944
Outsourced services	**844.421**	797.055
Maintenance and repair	**691.948**	553.992
Taxes (Corporate tax excluded)	**670.780**	405.305
Management bonus	**500.000**	1.325.000
Rent costs	**596.201**	492.387
Energy costs	**549.952**	327.681
Communication costs	**266.620**	236.230
Travel costs	**222.719**	134.365
Insurance costs	**102.277**	100.606
Other	**1.049.943**	834.611
	22.355.885	20.013.371
Total operating expenses	**55.531.159**	50.142.419

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

30. Expenses by nature

	January 1 - December 31, 2010	January 1 - December 31, 2009
Direct material costs (Note 13)	**425.810.827**	333.977.105
Staff costs	**28.412.104**	25.398.284
Advertisement	**15.057.275**	13.555.117
Energy	**14.394.719**	14.290.733
Depreciation and amortization (Note 18 and 19)	**12.766.508**	12.962.034
Consultancy	**7.771.223**	6.752.461
Repair and maintenance	**7.027.218**	6.312.118
Outsourced services	**5.732.597**	3.972.450
Rent	**2.280.366**	1.960.173
Employment termination benefits (Note 24)	**1.861.388**	1.348.035
Taxes, dues and fees	**730.944**	449.030
Insurance premium	**152.433**	168.029
Other	**6.781.440**	3.265.661
	528.779.042	424.411.230

31. Other operating income/expenses

a) Other operating income:

	January 1 - December 31, 2010	January 1 - December 31, 2009
Dividend income (Note 37.ii.d)	**4.604.650**	1.121.806
Rent income	**1.396.255**	1.321.529
Income from sales of scrap	**553.457**	227.581
Collections of doubtful trade receivables and due from related parties (Note 37.i.a)	**80.049**	162.537
Gain on termination of supplier contract (*)	**-**	1.888.103
Gain on property, plant and equipment sales	**-**	342.788
Other	**254.430**	212.902
	6.888.841	5.277.246

(*) Based on the minute of Board of Director dated August 29, 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 TL 1.393.334 (equivalent of EUR 645.000) and TL 494.709 (equivalent of EUR 229.000). As a result of the cancellation, the Company derecognised total liability of TL 1.888.103 by recognising other income in the statement of comprehensive income.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

31. Other operating income/expenses (continued)

b) Other operating expense:

	January 1 - December 31, 2010	January 1 - December 31, 2009
Loss from sales of property, plant and equipment	**(998.876)**	-
Donations	**(866.998)**	(981.711)
Overdue charges upon unpaid taxes	**(331.511)**	(376.881)
Loss from sales of scrap	**(193.902)**	(10.872)
Rent cost	**(154.915)**	(154.915)
Chamber fees	**(97.964)**	(84.226)
Cost of provision for doubtful receivables (Note 10.a)	**(4.543)**	-
Impairment on intangible assets (Note 19)	**-**	(348.677)
Loss on sales of investment property	**-**	(1.690.000)
Other	**(196.441)**	(337.064)
	(2.845.150)	(3.984.346)

In 2010, donations amounting to TL750.000 were given related parties (Note 37.ii.k) (2009 - TL 908.650).

32. Finance income:

	January 1 - December 31, 2010	January 1 - December 31, 2009
Interest income	**7.865.011**	7.500.923
Bail income from related parties	**941.910**	1.420.584
Foreign exchange gain	**884.553**	121.255
Interest income on term purchase	**598.399**	849.239
	10.289.873	9.892.001

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

33. Finance expense:

	January 1 - December 31, 2010	January 1 - December 31, 2009
Interest expense	**(2.610.785)**	(3.512.987)
Foreign exchange loss	**(199.437)**	(514.106)
Bail expenses	**(147.294)**	(29.545)
Interest expense on term sales	**(714.391)**	(673.085)
Other	**(185.090)**	(477.722)
	(3.856.997)	(5.207.445)

34. Non- current assets held for sale and discontinued operations

None (2009 – None).

35. Tax assets and tax liabilities

As of December 31, 2010 and 2009, prepaid income taxes and corporation taxes currently payable are as follows:

	December 31, 2010	December 31, 2009
Corporation taxes currently payable	**12.027.803**	13.549.338
Less: Prepaid corporate tax	**(9.692.672)**	(11.172.132)
Current income tax liabilities	**2.335.131**	2.377.206

In Turkey, corporate tax rate is 20% (December 31, 2009 - 20%). Corporate tax returns are required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid in full by the end of the fourth month. The tax legislation provides for a provisional tax of 20% (2009 - 20%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

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 December 31, 2010 and 2009 are as follows:

	January 1 - December 31, 2010	January 1 - December 31, 2009
Current corporation tax expense	**(12.027.803)**	(13.549.338)
Deferred tax income	**677.095**	216.146
Taxes on income	**(11.350.708)**	(13.333.192)

Pınar Süt Mamülleri Sanayii A.Ş.
Notes to the Financial Statements at December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

35. Tax assets and tax liabilities (continued)

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

	January 1 - December 31, 2010	January 1 - December 31, 2009
Profit before tax	**71.426.332**	71.154.811
Tax calculated at tax rates applicable to the profit	**(14.285.266)**	(14.230.962)
Non-deductible expenses	**(221.753)**	(769.584)
Tax effect upon the results of investment-in-associates	**2.530.416**	1.768.372
Income not subject to tax	**920.930**	177.887
Other	**(295.035)**	(278.905)
Taxation on income	**(11.350.708)**	(13.333.192)

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% (2009 - 20%).

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/(liabilities) provided at December 31, 2010 and 2009 using the enacted tax rates at the balance sheet dates are as follows:

	December 31, 2010		December 31, 2009	
	Cumulative temporary differences	**Deferred income tax assets/ (liabilities)**	Cumulative temporary differences	Deferred income tax assets/ (liabilities)
Differences of economic useful lives and indexation of property, plant and equipment and intangible assets	**51.345.191**	**(10.254.370)**	51.821.572	(10.364.315)
Revaluation of machinery and equipment	**13.867.007**	**(2.773.402)**	15.928.087	(3.185.617)
Revaluation of buildings	**34.713.453**	**(6.942.691)**	31.513.195	(6.302.639)
Differences from revaluation of buildings	**51.033.205**	**(2.551.659)**	45.838.205	(2.291.910)
Deferred income tax calculated on fair value reserves of available-for-sale investments	**31.170.309**	**(1.390.374)**	15.842.303	(610.570)
Provisions for impairment on machinery and equipment	**(2.093.578)**	**418.716**	(2.218.303)	443.660
Provision for employment termination benefits	**(5.609.212)**	**1.121.842**	(4.318.025)	863.605
Other	**(3.199.041)**	**639.808**	(5.218.810)	1.043.762
Deferred income tax assets		**2.180.366**		2.351.027
Deferred income tax liabilities		**(23.912.496)**		(22.755.051)
Deferred income tax liabilities-net		**(21.732.130)**		(20.404.024)

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

35. Tax assets and tax liabilities (continued)

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

	2010	2009
January 1	**(20.404.024)**	(19.838.677)
Charged to fair value reserve of available-for-sale investments (Note 7.a)	**(779.804)**	(781.493)
Charged to revaluation reserve	**(1.225.397)**	-
Credited to statement of comprehensive income	**677.095**	216.146
December 31	**(21.732.130)**	(20.404.024)

36. Earnings per share

		January 1-December 31, 2010	January 1-December 31, 2010
Profit for the period	A	**60.075.624**	57.821.619
Weighted average number of shares (Note 27)	B	**44.951.051**	44.951.051
Earnings per share with a TL1 face value	**A/B**	**1,3365**	1,2863

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

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 December 31, 2010 and 2009 are as follows:

i) Balances with related parties:

a) Trade receivables from related parties:

	December 31, 2010	December 31, 2009
YBP (*)	**50.072.210**	49.100.405
Yaşar Dış Ticaret A.Ş. (Yataş) (**)	**5.717.864**	6.769.886
	55.790.074	55.870.291
Less: Unearned finance income from credit sale	**(370.117)**	(254.826)
Provisions for doubtful trade receivables	**-**	(80.048)
	55.419.957	55.535.417

(*) Associate
(**) Financial investments

As of December 31, 2010, the effective weighted average interest rates applied to short term trade receivables from related parties is 6,72% (December 31, 2009 - 6,85%) with 2 months maturity (December 31, 2009 - 2 months).

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

37. Transactions and balances with related parties (continued)

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.

b) Short term other trade receivables from related parties:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**49.295.221**	63.154.722
DYO Boya Fab. A.Ş. ("DYO Boya") (***)	**365.917**	479.405
Viking Kağıt ve Selüloz A.Ş. ("Viking") (***)	**-**	49.186
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yabim") (***)	**40.103**	35.980
Yataş (**)	**-**	34.388
Other	**7.600**	22.017
	49.708.841	63.775.698

(*) Parent
(**) Financial investments
(***) Other related parties

Other receivables from Yaşar Holding amounting to TL 3.500.000 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.

As of December 31, 2010 Company has other non-trade receivables from Yaşar Holding and applied interest rate for these receivables is 0,75% monthly-net (December 31, 2009 - 0,83%).

Other receivables of the Company from related parties consist of receivables related with overdue interest and bail commission charges for the borrowings obtained by Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company.

c) Long-term other receivables from related parties:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**11.694.000**	11.694.000

(*) Parent

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 15,30% yearly (2009 - 15,81%).

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

37. Transactions and balances with related parties (continued)

d) Trade payables to related parties:

	December 31, 2010	December 31, 2009
Yadex Export-Import und Spedition GmbH ("Yadex") (****)	**11.090.437**	4.617.688
Yaşar Holding A.Ş. (*)	**2.112.436**	2.227.828
Hdf FZ Co. ("Hdf") (****)	**1.838.960**	1.685.087
Çamlı Yem (***)	**1.594.319**	2.722.650
Desa Enerji (**)	**889.115**	842.463
Other	**248.313**	948.374
	17.773.580	13.044.090
Less: Unincurred finance cost	**(15.696)**	(18.629)
	17.757.884	13.025.461

(*) Parent
(**) Associate
(***) Financial investments
(****) Other related parties

TL11.090.437 (2009 - TL4.617.688) 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.

The average term of related party payables is 2 months (December 31, 2009 – 2 Months) and the effective interest rate is 6,53% p.a (December 31, 2009 – 6,91% p.a).

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

	December 31, 2010	December 31, 2009
Yaşar Üniversitesi (*)	**757.160**	5.664
Dividend payables	**198.960**	141.733
Other	**22.688**	52.177
	978.808	199.574

(*) Other related company

Pınar Süt Mamülleri Sanayii A.Ş.
Notes to the Financial Statements at December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

37. Transactions and balances with related parties (continued)

ii) Transactions with related parties:

a) Product sales:

	December 31, 2010	December 31, 2009
YBP (*)	**503.785.033**	413.102.066
Yataş (**)	**43.632.952**	46.088.437
Pınar Et (**)	**508.391**	994.188
Other	**986.851**	699.287
	548.913.227	460.883.978

(*) Associates
(*) Financial investment

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

b) Service sales:

	December 31, 2010	December 31, 2009
Çamlı Yem (**)	**283.651**	279.886
Pınar Entegre Et ve Un Sanayi A.Ş. ("Pınar Et") (**)	**131.773**	100.235
YBP (*)	**70.052**	12.033
Other	**176.192**	195.183
	661.668	587.337

(*) Associates
(**) Financial investments

c) Product purchases:

	December 31, 2010	December 31, 2009
Yadex (**)	**16.572.870**	9.577.865
Çamlı Yem (***)	**15.305.694**	15.698.283
Desa Enerji (*)	**7.982.142**	8.175.572
Pınar Anadolu (*)	**2.668.139**	121.989
Hedef Ziraat (**)	**1.880.702**	1.449.622
Other	**140.752**	69.513
	44.550.299	35.092.844

(*) Associates
(**) Other related companies
(***) Financial investment

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.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

37. Transactions and balances with related parties (continued)

d) Service purchases:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**7.242.891**	6.042.257
YBP (**)	**2.260.363**	767.358
Yataş (***)	**1.322.983**	1.296.411
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur") (***)	**322.321**	234.114
Hdf (****)	**-**	3.629.193
Other	**470.819**	204.064
	11.619.377	12.173.397

(*) Parent
(**) Associates
(***) Financial investments
(****) Other related companies

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.

e) Finance expense:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**70.863**	69.147
Çamlı Yem (****)	**53.634**	375.373
YBP (**)	**40.130**	27.943
DYO Boya (***)	**17.140**	27.943
Viking (***)	**17.140**	27.943
Pınar Su San. ve Tic. A.Ş. ("Pınar Su") (****)	**17.140**	27.943
Other	**19.191**	27.943
	235.238	**584.235**

(*) Parent
(**) Associates
(***) Other related companies
(****) Financial investments

f) Finance income:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**6.154.782**	4.885.183
YBP (**)	**91.145**	333.848
DYO Boya (***)	**84.164**	434.216
Viking (***)	**46.745**	108.599
Other	**54.400**	151.252
	6.431.236	5.913.098

(*) Parent
(**) Associates
(***) Other related companies

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

37. Transactions and balances with related parties (continued)

The part of financial income includes interest income of borrowings obtained from various financial institutions and transferred to the related parties with the same terms and conditions and interest income of trade and non-trade receivables.

The finance income includes 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 as further explained in Note 33 to the financial statements. The commission rates of bail and financing used in the associated intercompany charges is 0,5% p.a. per each (2009 - 0,75% p.a. per each).

g) Key management compensation:

The compensation paid or payable to key management are shown below:

	December 31, 2010	December 31, 2009
Salaries	**1.618.985**	1.734.940
Bonus and profit-sharing	**500.000**	1.325.000
Other long-term benefits	**23.070**	19.384
	2.142.055	3.079.324

h) Dividends paid:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**31.216.198**	4.107.519
Publicly-held	**19.363.237**	2.547.481
Other	**440.008**	57.729
	51.019.443	6.712.729

(*) Parent

ı) Dividends received:

	December 31, 2010	December 31, 2009
YBP (**)	**6.137.887**	4.317.063
Pınar Et (*)	**3.979.779**	778.510
Pınar Su (*)	**403.974**	100.881
Pınar Anadolu (**)	**315.917**	442.694
Çamlı Yem (*)	**220.897**	240.790
Bintur (*)	**-**	1.625
	11.058.454	5.881.563

(*) Financial investments
(**) Associates

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

37. Transactions and balances with related parties (continued)

j) Purchases of property, plant and equipment:

	December 31, 2010	December 31, 2009
YBP (*)	**70.284**	1.059
Dyo Boya (**)	**38.480**	-
Pınar Et (***)	**28.089**	2.508
Yataş (***)	**8.087**	-
Other	**55.156**	949
	200.096	4.516

(*) Associates
(**) Other related company
(***) Financial investments

k) Donations:

	December 31, 2010	December 31, 2009
Yaşar Üniversitesi (*)	**750.000**	350.000
Yaşar Eğitim Vakfı (*)	**30.900**	558.650
	780.900	908.650

(*) Other related companies

l) Bails given to related parties:

As of December 31, 2010, the Company jointly guarantees with Yaşar Holding A.Ş, the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR 95.059.000 and USD 275.000.000 (equivalent of TL 619.935.397) (2009 – EUR 280.289.000 equivalent of TL 605.508.327).

m) Other incomes from related parties:

	December 31, 2010	December 31, 2009
YBP (*)	**767.284**	747.267
Çamlı Yem (**)	**583.647**	591.479
Other	**43.903**	49.278
	1.394.834	1.388.024

(*) Associates
(**) Financial investment

Other income from YBP and Çamlı Yem are related to the rental income.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

37. Transactions and balances with related parties (continued)

n) Sales of investment property:

	December 31, 2010	December 31, 2009
Çamlı Yem (**)	-	2.000.000
	-	2.000.000

(**) Financial investment

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, and 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.

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 recognized. 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).

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

38. Financial instruments and financial risk management (continued)

The following table analyses the Company's credit risk as of December 31, 2010 and 2009:

	Receivables					
December 31, 2010	**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)	**55.419.957**	**12.706.277**	**49.708.841**	**2.467.280**	**17.188.451**	
- The part of maximum credit risk covered with guarantees	-	-	-	-	-	-
A. Net book value of financial assets not due or not impaired (3)	54.210.381	12.353.614	49.330.160	2.467.280	17.188.451	
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						
Net book value	1.209.576	352.663	378.681	-	-	-
- The part covered by guarantees	-	-	-	-	-	-
D. Net book value of assets impaired						
- Past due amount (gross book value)	-	462.724	-	-	-	-
- Impairment amount (-)	-	(462.724)	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables of the Company are 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.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

38. Financial instruments and financial risk management (continued)

	Receivables					
December 31, 2009	**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						
Net book value	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	-	-	-	-	-	-

(1) Trade receivables of the Company are 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.

b) Liquidity risk:

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

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

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

38. Financial instruments and financial risk management (continued)

	December 31, 2010				
	Carrying amount	**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	**14.957.265**	**17.386.685**	**2.986.542**	**423.410**	**13.976.733**
Trade payables	**99.365.270**	**99.456.235**	**77.580.994**	**15.219.616**	**6.655.625**
Other payables	**1.027.342**	**1.027.342**	**277.342**	**750.000**	**-**
	115.349.877	**117.870.262**	**80.844.878**	**16.393.026**	**20.632.358**
Derivative financial instruments					
Financial (assets)/liabilities (Note 8)	**(352.500)**	**2.317.906**	**477.525**	**490.864**	**1.349.517**

(*) 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.

	December 31, 2009				
	Carrying amount	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

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 manage foreign exchange risk.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

38. Financial instruments and financial risk management (continued)

	Schedule for Foreign Currency Position							
	December 31, 2010				December 31, 2009			
	TL equivalent	USD	EUR	Other (TL equivalent)	TL equivalent	USD	EUR	Other (TL equivalent)
1. Trade Receivables	5.246.857	2.995.720	66.973	478.239	6.272.078	4.125.571	27.869	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	6.951	2.137	1.780	-	11.395	1.628	4.140	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	70.486	17	4.481	61.277	-	-	-	-
4. Current Assets (1+2+3)	5.324.294	2.997.874	73.234	539.516	6.283.473	4.127.199	32.009	-
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	444.381	41.550	63.340	250.354	-	-	-	-
8. Non-Current Assets (5+6+7)	444.381	41.550	63.340	250.354	-	-	-	-
9. Total Assets (4+8)	5.768.675	3.039.424	136.574	789.870	6.283.473	4.127.199	32.009	-
10. Trade Payables	(21.419.687)	(5.735.787)	(6.125.694)	-	(17.561.027)	(3.789.504)	(5.487.743)	-
11. Financial Liabilities	(1.273.492)	-	(344.192)	(568.208)	(1.258.566)	-	(350.704)	(500.940)
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	(22.693.179)	(5.735.787)	(6.469.886)	(568.208)	(18.819.593)	(3.789.504)	(5.838.447)	(500.940)
14. Trade Payables	(6.576.500)	-	(3.209.458)	-	(5.602.039)	-	(2.593.176)	
15. Financial Liabilities	(13.031.867)	-	(6.359.800)	-	(14.754.180)	-	(6.597.806)	(500.940)
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	(19.608.367)	-	(9.569.258)	-	(20.356.219)	-	(9.190.982)	(500.940)
18. Total Liabilities (13+17)	(42.301.546)	(5.735.787)	(16.039.144)	(568.208)	(39.175.812)	(3.789.504)	(15.029.429)	(1.001.880)
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)	(36.532.871)	(2.696.363)	(15.902.570)	221.662	(32.892.339)	337.695	(14.997.420)	(1.001.880)
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (IFRS 7.B23) (=1+2a+3+5+6a-10-11-12a-14-15-16a)	(36.977.252)	(2.737.913)	(15.965.910)	(28.692)	(32.892.339)	337.695	(14.997.420)	(1.001.880)
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	12.508.606	-	6.104.439	-	13.185.886	-	6.103.729	-
23. Export	43.632.952	25.852.858	492.885	3.883.613	46.088.437	29.713.000	-	-
24. Import	35.983.244	-	18.079.539	-	22.330.529	-	10.381.545	-

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

38. Financial instruments and financial risk management (continued)

	Sensitivity analysis for foreign currency risk	
	Profit/Loss	
December 31, 2010	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change of USD by 10% against TL		
1- Asset/Liability denominated in USD - net	**(416.858)**	**416.858**
2- The part hedged for USD risk (-)		
3- USD Effect - net (1+2)	**(416.858)**	**416.858**
Change of EUR by 10% against TL		
4- Asset/Liability denominated in EUR - net	**(3.258.596)**	**3.258.596**
5- The part hedged for EUR risk (-)	**1.250.861**	**(1.250.861)**
6- EUR Effect - net (4+5)	**(2.007.735)**	**2.007.735**
Change of Other Currencies by average 10% against TL		
7- Assets/Liabilities denominated in other foreign currencies - net	**22.166**	**(22.166)**
8- The part hedged for other foreign currency risk (-)		
9- Other Foreign Currency Effect - net (7+8)	**22.166**	**(22.166)**
Total (3+6+9)	**(2.402.427)**	**2.402.427**

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

38. Financial instruments and financial risk management (continued)

	Sensitivity analysis for foreign currency risk	
	Profit/Loss	
December 31, 2009	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

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

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	
	December 31, 2010	December 31, 2009
Financial instruments with fixed interest rates		
Financial assets	**149.425.855**	152.228.949
Financial liabilities	**103.055.277**	86.073.277
Financial instruments with floating interest rates		
Financial liabilities	**12.294.600**	12.176.849

According to the interest rate sensitivity analysis performed as at December 31, 2010, if interest rates had been 1% higher while all other variables being constant, net income for the year would be TL 30.210 lower (2009 – TL 30.534) 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 Company regularly reviews the market prices in the terms of risk management.

The current risks are properly monitored by Board of Directors regularly and meat prices are closely monitored.

d) Capital risk management:

The Company's objectives when managing capital to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

38. Financial instruments and financial risk management (continued)

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.

	December 31, 2010	December 31, 2009
Financial liabilities	**14.957.265**	20.047.436
Derivative financial assets	**(352.500)**	(1.009.037)
Trade payables	**99.365.270**	77.953.087
Other payables	**1.027.342**	249.603
Less: Cash and cash equivalents (Note 6)	**(17.208.785)**	(3.317.054)
Net debt	**97.788.592**	93.924.035
Total equity	**384.805.831**	350.201.519
Debt/equity ratio	**25%**	27%

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 2010 are mainly increase in equity related to operational funds and paid financial debts partially. The Company management regularly monitors the debt/equity ratio.

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 37) 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 December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

39. Financial instruments (Fair value and financial risk management disclosures) (continued)

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

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.

40. Subsequent events

As of January 18, 2011, the lease period (10 years) of the meat and milk integrated facility of Pınar Anadolu Gıda San. ve Tic. A.Ş. located in the province of Yozgat has expired. The subject facility's dairy products are continued to be produced in Eskişehir Factory of the Company.

41. Other Matters that may have a material effect on, or be explained for the clear understanding of the financial statements

None (2009 – None).

Information for Investors

Stock Exchange

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

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 will take place on 13 May 2011 at 14:30 hours at the following address: Kemalpaşa Asfaltı No.1 Pınarbaşı İzmir.

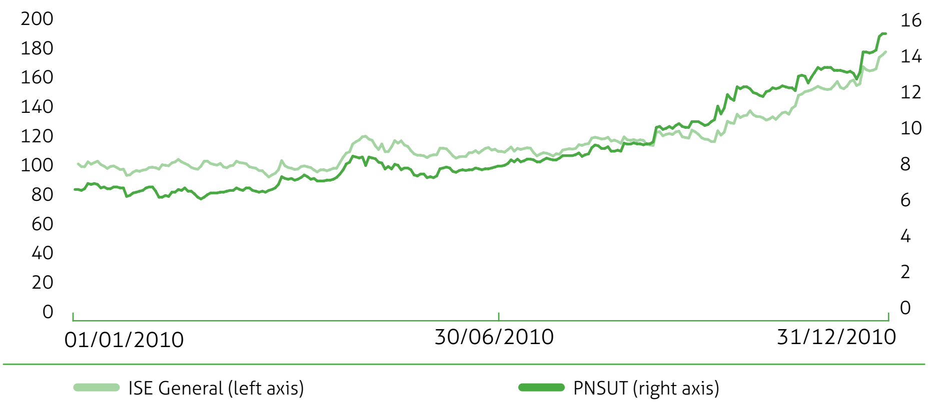
Dividend Policy

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: yatirimciiliskileri@pinarsut.com.tr

Pınar Süt Share Performance in 2010 (in comparison with the ISE General Index)



* Adjusted share prices

In the production of this report; Freelife paper, which is made of waste paper and has internationally acclaimed certificate of recycling, was used.

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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
www.pinar.com.tr