Pınar Süt Mamulleri Sanayii A.Ş.

CONTENTS **PAGE**

Pınar Süt Mamulleri Sanayii A.Ş.

Balance Sheets at 31 December 2011 and 2010

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

	Notes	31 December 2011	31 December 2010
ASSETS			
Current assets		**244.733.776**	**192.370.268**
Cash and cash equivalents	6	4.989.129	17.208.785
Financial assets	7-b	2.814.941	352.500
Trade receivables		102.363.672	68.126.234
- Due from related parties	37	90.021.159	55.419.957
- Other trade receivables	10	12.342.513	12.706.277
Other receivables		65.706.832	52.175.370
- Due from related parties	37	63.097.170	49.708.841
- Other receivables	11	2.609.662	2.466.529
Inventories	13	59.672.254	50.138.989
Other current assets	26	9.186.948	4.368.390
Non-current assets		**380.840.361**	**340.222.449**
Other receivables		11.694.751	11.694.751
- Due from related parties	37	11.694.000	11.694.000
- Other receivables	11	751	751
Financial assets	7-a	46.071.239	53.068.271
Investments in associates accounted for using equity method	16	45.482.093	44.170.404
Property, plant and equipment	18	277.326.705	230.610.002
Intangible assets	19	241.180	219.969
Other non-current assets	26	24.393	459.052
TOTAL ASSETS		**625.574.137**	**532.592.717**

The financial statements at 31 December 2011 and for the year then ended have been approved for issue by Board of Directors of Pınar Süt Mamülleri Sanayii A.Ş. on 15 March 2012.

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

Pınar Süt Mamulleri Sanayii A.Ş.

Balance Sheets at 31 December 2011 and 2010

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

	Notes	31 December 2011	31 December 2010
LIABILITIES			
Current Liabilities		**135.435.419**	**100.323.481**
Financial liabilities	8	20.452.440	1.925.398
Trade payables		106.369.020	92.527.412
- Due to related parties	37	11.078.255	17.757.884
- Other trade payables	10	95.290.765	74.769.528
Other payables		1.263.434	978.808
- Due to related parties	37	1.263.434	978.808
Current income tax liabilities	35	3.722.224	2.335.131
Provisions	22	1.478.270	1.382.942
Other current liabilities	26	2.150.031	1.173.790
Non-current liabilities		**51.175.824**	**47.463.405**
Financial liabilities	8	15.074.179	13.031.867
Trade payables	10	5.419.146	6.837.858
Other payables	11	48.534	48.534
Provisions	22	260.871	203.804
Provision for employment termination benefits	24	6.082.672	5.609.212
Deferred income tax liabilities	35	24.290.422	21.732.130
TOTAL LIABILITIES		**186.611.243**	**147.786.886**
EQUITY		**438.962.894**	**384.805.831**
Share capital	27	44.951.051	44.951.051
Adjustment to share capital	27	16.513.550	16.513.550
Reserves		147.579.044	119.931.824
- Revaluation reserves	18	120.262.072	87.185.620
- Revaluation reserves of investments-in-associates	16	738.172	181.428
- Fair value reserves of available-for-sale investments	7	21.688.300	28.318.434
- Fair value reserves of investments-in-associates	2.3	4.890.500	4.246.342
Currency translation reserve	2.3	519.933	(166.034)
Restricted reserves	27	27.778.175	22.873.461
Distribution to shareholders	2.6.8	(5.537.877)	(5.537.877)
Retained earnings	27	134.238.876	126.164.232
Profit for the year		72.920.142	60.075.624
TOTAL LIABILITIES AND EQUITY		**625.574.137**	**532.592.717**

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

Pınar Süt Mamulleri Sanayii A.Ş.

Statements of Comprehensive Income for the Years Ended at 31 December 2011 And 2010

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

	Notes	1 January - 31 December 2011	1 January - 31 December 2010
Revenue	28	651.106.918	577.076.728
Cost of sales	28	(517.326.553)	(473.247.883)
GROSS PROFIT	**28**	**133.780.365**	**103.828.845**
Research and development expenses	29	(5.574.868)	(4.665.136)
Marketing, selling and distribution expenses	29	(35.301.230)	(28.510.138)
General administrative expenses	29	(24.495.810)	(22.355.885)
Other operating income	31	8.635.995	6.888.844
Other operating expenses	31	(2.766.488)	(2.845.150)
OPERATING PROFIT		**74.277.964**	**52.341.380**
Share of results of investment-in-associates - net	16	7.360.667	12.652.076
Finance income	32	11.828.340	10.289.873
Finance expense	33	(10.151.310)	(3.856.997)
PROFIT BEFORE TAXATION ON INCOME		**83.315.661**	**71.426.332**
Income tax expense	35	(10.395.519)	(11.350.708)
- Taxes on income	35	(14.890.902)	(12.027.803)
- Deferred tax income	35	4.495.383	677.095
PROFIT FOR THE YEAR		**72.920.142**	**60.075.624**
Other Comprehensive Income/ (Expense):			
Increase/ (decrease) in fair value reserve of available-for-sale investments	7-35	(6.997.032)	15.326.211
Currency translation differences	2-16	685.967	(98.821)
Increase in revaluation reserve of investment in associates	16	1.493.201	-
Increase/ (decrease) in fair value reserve of investment in associates	16	644.158	2.302.709
Increase in revaluation reserve	18	43.258.990	10.023.233
Tax expense due to other comprehensive income	18	(7.053.675)	(2.005.201)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**32.031.609**	**25.548.131**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**104.951.751**	**85.623.755**
EARNINGS PER SHARE	**36**	**1,6222**	**1,3365**

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

Pınar Süt Mamulleri Sanayii A.Ş.

Statements of Changes in Equity for the Years Ended at 31 December 2011 and 2010

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

	Share capital	Adjustment to share capital	Revaluation reserve	Revaluation reserves of investments in associates	Fair value reserves of available-for-sale investments
1 January 2010	**44.951.051**	**16.513.550**	**81.339.774**	**185.355**	**13.772.027**
Transfer of prior year income to retained earnings	-	-	-	-	-
Legal reserves	-	-	-	-	-
Dividends paid (Notes 27 and 37.ii.j)	-	-	-	-	-
Depreciation transfer of investments-in-associates - net	-	-	-	(3.927)	-
Fund outflows due to sales of property, plant and equipment - net (Note 18)	-	-	(344.441)	-	-
Depreciation transfer (Note 18)	-	-	(2.607.549)	-	-
Total comprehensive income	-	-	8.797.836	-	14.546.407
31 December 2010	**44.951.051**	**16.513.550**	**87.185.620**	**181.428**	**28.318.434**
Transfer of prior year income to retained earnings	-	-	-	-	-
Legal reserves	-	-	-	-	-
Dividends paid (Notes 27 and 37.ii.j)	-	-	-	-	-
Depreciation transfer of investments-in-associates - net	-	-	-	(936.457)	-
Depreciation transfer (Note 18)	-	-	(2.761.965)	-	-
Total comprehensive income	-	-	35.838.417	1.493.201	(6.630.134)
31 December 2011	**44.951.051**	**16.513.550**	**120.262.072**	**738.172**	**21.688.300**

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

Fair value reserves of investments-in-associates	Currency translation reserve	Restricted reserves	Distribution to shareholders	Retained earnings	Profit for the year	Total equity
1.943.633	**(67.213)**	**17.020.753**	**(5.537.877)**	**122.258.847**	**57.821.619**	**350.201.519**
-	-	-	-	57.821.619	(57.821.619)	-
-	-	5.852.708	-	(5.852.708)	-	-
-	-	-	-	(51.019.443)	-	(51.019.443)
-	-	-	-	3.927	-	-
-	-	-	-	344.441	-	-
-	-	-	-	2.607.549	-	-
2.302.709	(98.821)	-	-	-	60.075.624	85.623.755
4.246.342	**(166.034)**	**22.873.461**	**(5.537.877)**	**126.164.232**	**60.075.624**	**384.805.831**
-	-	-	-	60.075.624	(60.075.624)	-
-	-	4.904.714	-	(4.904.714)	-	-
-	-	-	-	(50.794.688)	-	(50.794.688)
-	-	-	-	936.457	-	-
-	-	-	-	2.761.965	-	-
644.158	685.967	-	-	-	72.920.142	104.951.751
4.890.500	**519.933**	**27.778.175**	**(5.537.877)**	**134.238.876**	**72.920.142**	**438.962.894**

Pınar Süt Mamulleri Sanayii A.Ş.

Statements of Cash Flows for the Years Ended at 31 December 2011 and 2010

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

	Notes	1 January - 31 December 2011	1 January - 31 December 2010
Operating activities:			
Profit before taxation on income		**83.315.661**	**71.426.332**
Adjustments to reconcile net cash generated from operating activities to profit before taxation on income:			
Depreciation and amortisation	18-19	14.780.542	13.269.742
Interest income	32	(7.507.041)	(7.865.011)
Interest expense	33	2.896.358	2.610.785
Provision for employment termination benefits	29	1.431.502	1.861.388
Reversal of impairment on property, plant and equipment	31	(901.446)	-
Management bonus provision	29.c	500.000	500.000
Share of results of investment in associates - net	16	(7.360.667)	(12.652.076)
Inventory profit elimination	16	55.891	4.843
Loss/ (gain) from sales of property, plant and equipment and investment property - net	31	(517.808)	998.876
Dividend income	37	(4.486.945)	(4.604.650)
Provision for impairment of trade receivable	31	-	4.543
Unrealized foreign exchange loss/ (gain)		3.672.406	(839.592)
Net cash before the changes in assets and liabilities:		**85.878.453**	**64.715.180**
Changes in assets and liabilities:			
Decrease in trade receivables	10	1.333.636	2.134.948
Increase in inventory	13	(9.533.265)	(13.165.812)
Decrease/ (increase) in due from related parties	37	(34.601.202)	35.411
Increase in short and long - term other receivables and other current assets		(4.811.400)	(1.206.905)
Decrease/ (increase) in other non-current assets		434.659	(345.002)
Increase in trade payables	10	14.454.842	17.456.159
Increase/ (decrease) in short-term trade payables to related parties	37	(6.679.629)	4.732.423
Increase in other payables to related parties	37	284.626	779.234
Increase/ (decrease) in other payables		1.126.172	(466.770)
Bonus paid	22.a	(497.535)	(684.956)
Employment termination benefit paid	24	(958.042)	(570.201)
Taxes paid	35	(13.503.809)	(12.069.878)
Net cash generated from operating activities		**32.927.506**	**61.343.831**
Investment activities:			
Interest received		7.356.755	7.881.646
Purchases of property, plant and equipment and intangible assets	18-19	(17.651.254)	(22.512.730)
Gain from property, plant and equipment sales		811.042	117.571
Decrease/ (increase) in non-trade due from related parties	37	(13.388.329)	14.066.857
Dividends received	37.ii.d	13.303.358	11.058.454
Net cash used in/ generated from investing activities		**(9.568.428)**	**10.611.798**
Financing activities:			
(Redemption of)/ proceeds from bank borrowings and lease obligations		17.953.876	(4.412.891)
Dividends paid	37	(50.794.688)	(51.019.443)
Interest paid		(2.743.321)	(2.631.528)
Net cash used in financing activities		**(35.584.133)**	**(58.063.862)**
Increase/ (decrease) in cash and cash equivalent - net		**(12.225.055)**	**13.891.767**
Cash and cash equivalents at 1 January		17.208.785	3.317.054
Effect of foreign exchange on cash and cash equivalents		5.399	(36)
Cash and cash equivalents at 31 December	**6**	**4.989.129**	**17.208.785**

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

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Pınar Süt Mamülleri Sanayii A.Ş. ("the Company") was established in 1973 and the main operations of the Company are the processing, production and sales of milk, dairy products, fruit juice, sauces and powder products. The Company's production facilities are located in İzmir - Pınarbaşı and Eskişehir Organized Industry Zone. The Company sells its products under "Pınar" brand, which is one of the leading brands in food and beverages business in Turkey.

97% (2010: 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% (2010: 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 (2010: 61,19%) (Note 27).

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

Şehit Fethi Bey Caddesi No: 120
Alsancak/ İzmir

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

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

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

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

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

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

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by POAASB as of the date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcements in weekly newsletters including the mandatory disclosures. Within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, enterprises are obliged to present hedging rate of their total foreign exchange liability and total export and import amounts in the notes to the financial statements (Note 38).

Other than land, buildings and land improvements, machinery and equipments, 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.

2.2 Amendments in International Financial Reporting Standards

a) New standards, amendments and interpretations and adopted by the Company:

The Company adopted the following new and amended standards as of 1 January 2011:

- IAS 24 (Revised), "Related party disclosures" supersedes IAS 24, "Related party disclosures", issued in 2003. IAS 24 (revised) is mandatory for annual periods beginning on or after 1 January 2011. This amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It clarifies and simplifies the definition of a related party.

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

c) Standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2011 and not early adopted by the Company:

- Amendment to IAS 19, "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.
- IAS 1 (Amendment), "Financial statement presentation" is effective for annual periods beginning on or after 1 January 2012. The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially recycled to profit or loss. The amendment does not provide information about which accounts or financial statement line item should be included in other comprehensive income.
- IFRS 7 (Amendment), "Financial instruments: Disclosures" is effective for annual periods beginning on or after 1 July 2011. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position.
- IFRS 9, "Financial instruments" is not applicable until 1 January 2015 but is available for early adoption. This standard is the first step in the process to replace IAS 39, "Financial instruments: Recognition and Measurement". IFRS 9 introduces new requirements for classifying and measuring financial assets. "Impairment of financial assets" and IAS 39 hedge accounting provisions relating to the implementation are ongoing.

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

- IFRS 12, "Disclosures of interests in other entities" is effective for annual periods beginning on or after 1 January 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose instruments and other off balance sheet instruments.
- IFRS 13, "Fair value measurement" is effective for annual periods beginning on or after 1 January 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs.

IAS 28 (revised 2011), "Associates and joint ventures", 1 January 2013, includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. The Company is yet to assess the amendment's full impact. The Company is yet to assess the full impact of the amendment.

The above amendments, new standards and interpretations are expected to have no material effect on the financial statements of the Company

d) New standards, amendments and interpretations to existing standards that are not yet effective in 2011 not adopted by the Company:

- IFRS 1 (Amendment), "First time adoption" is effective for annual periods beginning on or after 1 July 2011. Amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation.
- IAS 12 (Amendment), "Income taxes" is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value.
- IFRS 10, "Consolidated financial statements" builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013.
- IFRS 11, "Joint arrangements" is effective for annual periods beginning on or after 1 January 2013. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.
- IAS 27, "Separate financial statements" is effective for annual periods beginning on or after 1 January 2013. This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

2.3 Basis of consolidation

The Company does not have any subsidiary to be consolidated in the financial statements. The investments in associates are accounted for using the equity method. These are undertakings over which the Company has between 20% and 50% of the voting rights, or over which the Company has significant influence but not control. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves of the associated undertakings, such as fair value changes in available-for-sale financial assets, revaluation of property, plant and equipments, depreciation transfer and derecognition of such reserves, is recognised in the statement of changes in equity and the statement of comprehensive income.

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

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

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 31 December 2011and 2010 (Note 16):

	Shareholding%	
	2011	**2010**
Investments-in-associates		
YBP	31,82	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

(*) Pınar Anadolu legally merged with YBP based on the financial statements as of 30 November 2011, where all the assets and liabilities of Pınar Anadolu were acquired by YBP in accordance with Turkish Commercial Code and Corporate Tax Law, 451th article. Merge agreement was register with the decision of Izmir Commercial Court of First Instance on 28 December 2011 and issued Trade Registry Gazette numbered 7971 (Note 16).

Foreign currency translation

i) Transactions and balances

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

ii) Translation of financial statements of foreign associate

Financial statements of associate operating in Germany (Pınar Foods) are prepared according to the legislation of the country in which it operates, and adjusted to the financial reporting standards issued by the CMB. The assets and liabilities of foreign associate are translated into TL from the foreign exchange rates at the balance sheet date. The income and expenses of foreign associate are translated into TL at the average foreign exchange rates. As of 31 December 2011, equivalent of 1 Euro is TL2,4438 (2010: TL2,0491) and for the year then ended the average equivalent of 1 Euro TL2,3229'dir (2010: TL1,9894). 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.

2.4 Offsetting

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

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

2.5 Comparative Information

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Group prepared its balance sheet at 31 December 2011 on a comparative basis with balance sheet at 31 December 2010; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2011 on a comparative basis with financial statements for the period of 1 January - 31 December 2010.

2.6. Summary of Significant Accounting Policies

Significant accounting policies followed in the preparation of the financial statements are summarised below:

2.6.1 Revenue recognition

Revenues are recognised on an accrual basis at the time deliveries are made, services are given and significant risks and rewards are transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped less sales returns, sales discounts and commissions given (Note 28).

Interest income is recognised on a time-proportion basis using the effective interest method. The amount of the provision for trade receivables is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Interest income on loans is recognised using the effective interest rate. Rent income is recognized on an accrual basis. Dividend income is recognised when the Company's right to receive the payment is established.

2.6.2 Inventories

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

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

2.6.3 Property, plant and equipment

As of 31 December 2011, land, land improvements and buildings and machinery and equipment are stated at fair value, based on valuations by external independent valuers namely Elit Gayrimenkul Değerleme A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. Property, plant and equipment except for land, land improvements and buildings and machinery and equipment acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any (Note 18).

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

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

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. At each balance sheet date, residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively.

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

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

Where the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. If the property, plant and equipments that are impaired, are revalued, the impairment is charged to the revaluation reserves to the extent that the amount offsetting previous increases of the same asset charged in the revaluation reserves and all other decreases are recognised in the statement of comprehensive income (Note 18).

Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate (Note 31). On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

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

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

2.6.4 Intangible assets

Intangible assets comprise acquired rights, information systems and software. Intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition. Residual values of intangible assets are deemed as negligible. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use (Notes 2.6.5 and 19).

2.6.5 Impairment of assets

At each reporting date, the Company assesses whether there is an impairment indication for the assets, except for the deferred income tax asset that are stated at revalued amounts as of reporting date. When an indication of impairment exists, the Company estimates the recoverable amounts of such assets. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", if there is an indication of impairment in investment in associates, the carrying amount of the investments is tested in accordance with IAS 36, by comparing its recoverable amount (higher of value-in-use and fair value less cost to sell) with its carrying amount and any additional impairment loss is recognised, if any.

Assets are allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level. The recoverable amount of an intangible assets not yet available for use to be measured annually, irrespective of whether there is any indication that it may be impaired. An impairment loss is recognised for the amount by which the carrying amount of the asset or any cash generating unit of that asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. All impairment losses are accounted for in the statement of comprehensive income. Decreases that offset previous increases of the respective asset are charged against the revaluation reserve; all other decreases are charged to the statement of comprehensive income. Impairment losses can be reversed to the extent that increased carrying amount of an asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years provided that increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period in which the impairment loss was recognised.

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

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

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

2.6.6 Borrowing and borrowing cost

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

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. According to IAS 23 (Revised), borrowing costs of qualifying assets having capitalisation date 1 January 2009 or later, can be capitalised, based on borrowing cost of qualifying asset, directly or as an asset acquisition or with an extent to associate directly with production, these borrowing costs should be capitalised as a part of cost of related asset.

2.6.7 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 and receivables are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, loans and receivables are stated at amortised cost using the effective yield method less any impairment, if any. Short term loans and receivables without a determined interest rate are evaluated with the invoice amount if the effective interest rate is negligible.

b) Available-for-sale investments

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

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

All financial investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investments, and subsequently carried at fair value. The financial assets which the Company has shares less than

20% and are classified as available-for-sale investments are carried at market value when there is quoted market price, they are carried at fair value by using generally accepted valuation techniques, when there is no active market for the financial asset. When there is no quoted market price, and when a reasonable estimate of fair value could not be determined as a result of being other methods inappropriate and unworkable, available-for-sale investments acquired before 1 January 2005 are carried at cost expressed in purchasing power of TL as at 31 December 2004 and available-for-sale investments acquired after 1 January 2005 are carried at cost, less impairment losses, if any (Note 7). Unrealized gains and losses arising from changes in fair value of securities classified as available-for-sale are recognised in the equity, rather than statement of 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 derecognized, the accumulated fair value adjustments in equity are recognized 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 recognized in profit or loss-is removed from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on investments are not reversed through the statement of comprehensive income.

2.6.8 Business combination

However, if the parties involved for the transaction are the entities under common control, here between the Company and Yaşar Group Companies, the provisions stated in IFRS 3 are not applicable for the transaction, and accordingly goodwill or negative goodwill are not be accounted for. The difference between the purchase consideration and the fair value of the net asset acquired was accounted for under equity as "Distribution to shareholders".

2.6.9 Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 36).

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

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

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

2.6.10 Subsequent events

Subsequent events, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorised for issue (Note 40).

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

2.6.11 Provisions, contingent liabilities and contingent assets

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

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

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities (Note 22). Provisions are not recognised for future operating losses.

2.6.12 Accounting policies, errors and change in accounting estimates

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

2.6.13 Related parties

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

2.6.14 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.

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

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

2.6.15 Leases

(1) The Company as the lessee

Finance Leases

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

Operating Leases

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

(2) The Company as the lessor

Operating Leases

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

2.6.16 Taxation on income

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date (Note 35). The adjustments related to prior period tax liabilities are recognised in other operating expenses.

Deferred income tax income or expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In case, when the tax is related to items recognized directly in equity and other comprehensive income, the tax is also recognized in equity and other comprehensive income.

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date (Note 35).

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

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

2.6.17 Provision for employment termination benefits

In accordance with the Turkish Labor Law, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service. Provision is made for the present value of the defined benefit obligation calculated using the projected unit credit method. All actuarial gains and losses are recognised in the statement of comprehensive income (Note 24).

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

2.6.18 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.

2.6.19 Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on shares are recognised as an appropriation of the profit in the period in which they are declared. Dividend income is recognized when the Company's right to receive the payment is established.

2.6.20 Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The derivative financial instruments of the Company consist of foreign currency derivative swap transactions (Note 9).

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

Foreign currency and interest expenses arising from the difference between the fair value of such instrument and the initial recognition is recognized as finance income (Note 32) and finance expenses in the statement of comprehensive income (Note 33).

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

2.6.21 Government grants and incentive

The Company is derived from milk powder incentive given sales of per tones milk powder, in context of processing of raw milk, increasing of raw milk production, registering of raw milk production and stabilization of raw milk prices. Government subsidies are recognised as income in the statement of comprehensive income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis (Note 21).

2.6.22 Critical accounting estimates and judgments

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

a) Income taxes

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

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

As of 31 December 2011, land, land improvements and buildings and machinery and equipment are stated at fair value, based on valuations by external independent valuers. 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 and machinery and equipment were based on the method of cost approach and based on the following valuation techniques and assumptions;

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

- 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, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.
- In the market reference comparison method, current market information was utilised, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for 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 utilised.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.
- Regarding the valuation of the machinery and equipment, technologic conditions, actual depreciation, commercial attributes and industrial positions as well as demounting and assembling costs were taken into account. 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.

As of initial recognition and as of balance sheet date, the Company performs impairment assessment for buildings, land improvements and machinery and equipment of which valuations are based on cost approach, accordance with the IAS 36 "Impairment of Assets", and no impairment indicator is identified.

NOTE 3 - BUSINESS COMBINATIONS

None (2010: None).

NOTE 4 - JOINT VENTURES

None (2010: None).

NOTE 5 - SEGMENT REPORTING

Please see Note 2.6.14.

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Cash in hand	28.326	20.334
Banks	4.960.803	17.188.451
- Time deposits	3.300.000	17.077.000
- Local currency	3.300.000	17.077.000
- Demand deposit	1.660.803	111.451
- Local currency	1.636.059	111.451
- Foreign currency	24.744	-
	4.989.129	**17.208.785**

As of 31 December 2011, time deposits are denominated in TL amounted to TL3.300.000 (2010: TL17.077.000) and all mature in less than one month (2010: less than one month) with the effective weighted average interest rates of 11,40% per annum ("p.a") (2010: 8,21% p.a). As of 31 December 2011, the Company has foreign deposits at amount of USD13.100 equivalent of TL24.744 (2010:None)

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

NOTE 7 - FINANCIAL ASSETS

a) Available-for-sale investments:

	31 December 2011		31 December 2010	
	TL	%	TL	%
Pınar Entegre Et ve Un Sanayi A.Ş. ("Pınar Et")	30.638.848	12,58	37.071.915	12,58
Çamlı Yem Besicilik San. ve Tic. A.Ş. ("Çamlı Yem")	11.284.144	5,47	10.059.689	5,47
Pınar Su San. ve Tic. A.Ş. ("Pınar Su")	3.725.515	8,77	5.397.520	8,77
Yataş	346.278	1,76	459.780	1,76
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	57.093	1,33	60.006	1,33
Other	19.361	-	19.361	-
	46.071.239		**53.068.271**	

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

NOTE 7 - FINANCIAL ASSETS (Continued)

Pınar Et and Pınar Su are stated at quoted market prices as they are listed on ISE; Yataş, Bintur and Çamlı Yem are stated at their fair values which are determined based on the discounted cash flows as of 31 December 2011 and 2010 by using the market interest rates and the risk premium specific to unlisted companies within the related sectors. The discount and growth rates used in discounted cash flow models as at 31 December 2011 and 2010 are as follows:

	Discount rate		Growth Rate	
	2011	**2010**	**2011**	**2010**
Bintur	11,06%	11,70%	1%	1%
Yataş	9,07%	9,68%	0%	0%
Çamlı Yem	10,40%	11,01%	2%	2%

The movements of available-for-sale investments in 2011 and 2010 were as follows:

	2011	**2010**
1 January	**53.068.271**	**37.742.060**
Pınar Et fair value (loss)/ gain	(6.433.067)	12.975.171
Pınar Su fair value loss	(1.672.005)	(269.338)
Yataş fair value (loss)/ gain	(113.502)	90.089
Bintur fair value loss	(2.913)	(2.386)
Çamlı Yem fair value gain	1.224.455	2.532.675
31 December	**46.071.239**	**53.068.271**

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

NOTE 7 - FINANCIAL ASSETS (Continued)

Movements of fair value reserve of available-for-sale investments in 2011 and 2010 are as follows:

	2011	2010
1 January	**28.318.434**	**13.772.027**
Change in fair value of Pınar Et	(6.433.067)	12.975.171
Change in fair value of Pınar Su	(1.672.005)	(269.338)
Fair value (loss)/ gain of Yataş	(113.502)	90.089
Change in fair value of Bintur	(2.913)	(2.386)
Change in fair value of Çamlı Yem	1.224.455	2.532.675
Deferred income tax on fair value reserve of available-for-sale investments (Note 35)	366.898	(779.804)
31 December	**21.688.300**	**28.318.434**

b) Short-term financial assets

As of 31 December 2011, other financial assets amounting to TL2.814.941 (2010: TL352.500) consist of receivables from derivative financial instruments, and have been disclosed in Note 8.

NOTE 8 - FINANCIAL LIABILITIES

	31 December 2011	31 December 2010
Short-term bank borrowings	19.733.728	651.907
Short-term portion of long-term bank borrowings	718.712	1.273.491
Short-term derivative financial assets	(2.814.941)	(352.500)
Short-term financial liabilities and other financial assets - net	**17.637.499**	**1.572.898**
Long-term bank borrowings	15.074.179	13.031.867
Long-term financial liabilities and other financial assets	**15.074.179**	**13.031.867**
Total financial liabilities, other financial assets and other financial liabilities - net	**32.711.678**	**14.604.765**

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

NOTE 8 - FINANCIAL LIABILITIES (Continued)

a) Bank borrowings and other financial liabilities:

	Effective weighted average interest rate p.a. %		Original currency		TL equivalent	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Short-term bank borrowings:						
TL borrowings (*)	-	-	-	651.907	-	651.907
EUR borrowings (**)	5,70	-	8.075.018	-	19.733.728	-
Short-term portion of long-term bank borrowings:						
Short-term portion of long-term EUR borrowings (**)	6,02	5,57	294.096	344.192	718.712	705.283
Short-term portion of long-term CHF borrowings (***)	-	2,27	-	345.667	-	568.208
Total short-term borrowings					**20.452.440**	**1.925.398**
Derivative financial assets:						
Cross currency swaps	-	-	(2.814.941)	(352.500)	(2.814.941)	(352.500)
Total short-term bank borrowings and derivative financial assets					**17.637.499**	**1.572.898**
Long-term bank borrowings:						
EUR borrowings (**)	7,29	6,65	6.168.336	6.359.800	15.074.179	13.031.867
Total long-term bank borrowings					**15.074.179**	**13.031.867**

(*) As of 31 December 2011, the company doesn't have any TL denominated short-term bank borrowings (2010: TL denominated borrowings without interest).

(**) EUR denominated bank borrowings are comprised of short term borrowings with 5,70% p.a. fixed interest rate that are amounting to EUR8.075.018 equivalent of TL19.733.728 (2010:None), borrowing with semi-annually floating rates according to Euribor+5,60% p.a. that is amounting to EUR6.113.739 equivalent of TL14.940.755 (2010: EUR6.104.439 equivalent of TL12.508.606) and borrowings with 5,18% p.a. fixed interest rate that are amounting to EUR348.693 equivalent of TL852.136 (2010: EUR599.553 equivalent of TL1.228.545 with 5,07% p.a. fixed interest rate)

(***) As of 31.12.2011 the company doesn't have any CHF denominated bank borrowings (2010: 2,27% p.a. with fixed interest rate).

Based on the loan agreement undersigned on 27 September 2006 between the Company and Morgan Stanley International Limited, the Company received a borrowing amounting to EUR6.000.000 with a maturity date of 27 September 2013 and with an interest rate of Euribor + 5,60% p.a. Yaşar Holding, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş., DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş. have undersigned this loan agreement as the guarantors of this borrowing obtained. With respect to a long term borrowing of EUR6.000.000, the Company signed a cross currency swap agreement with Morgan Stanley & Co. International Limited together with the undersigned International Swaps and Derivatives Association ("ISDA") master agreements, related appendices and corresponding swap confirmation documents. In line with this agreement, the Company swapped the borrowing amounting to EUR6.000.000 with the interest rate of Euribor + 5,60% p.a., with a currency swap amounting to TL11.694.000, using the interest rate of TL swap curve +8,50% p.a. The gain or loss relating to the cross currency swaps is recognized in the statement of comprehensive income in finance income (Note 32) and finance expenses (Note 33). The notional principal amount of the cross currency swap amounts to TL26.356.800 as at 31 December 2011 (2010: TL23.988.600).

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

NOTE 8 - FINANCIAL LIABILITIES (Continued)

The loan agreement signed with Morgan Stanley International Limited is subject to covenant clauses, whereby Yaşar Holding, is required to meet certain key performance indicators. Considering the non- compliance with the certain key performance indicators for 2011, Yaşar Holding obtained a waiver from Morgan Stanley International Limited on 23 December 2011 stating that the Company will continue to make its payments in line with the original redemption schedule, which is in 2013, and conditions as stated in the loan agreement.

Guarantees given for Group's financial liabilities and other financial liabilities are explained in Note 22.

The redemption schedule of long-term bank borrowings at 31 December 2011 and 2010 is as follows:

	31 December 2011	31 December 2010
2012	-	358.827
2013	14.937.053	12.558.061
2014	137.126	114.979
	15.074.179	**13.031.867**

As of 31 December 2011 and 2010, the carrying amounts of the bank borrowings with floating and fixed rates, which were classified in terms of periods remaining to contractual repricing dates, are as follows:

	3 month to 1 year	Total
- 31 December 2011:		
Bank borrowings with floating rates	12.125.814	12.125.814
Bank borrowings with fixed rates	-	20.585.864
Total	**12.125.814**	**32.711.678**
- 31 December 2010:		
Bank borrowings with floating rates	12.156.106	12.156.105
Bank borrowings with fixed rates	-	1.796.753
Bank borrowings without interest	-	651.907
Total	**12.156.106**	**14.604.765**

According to the interest rate sensitivity analysis performed at 31 December 2011, if interest rates on bank borrowings had been 1% higher while all other variables being constant, net profit for the year would be TL37.879 (2010: TL30.210) lower as a result of additional interest expense that would be incurred on bank borrowings with floating rates.

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

NOTE 8 - FINANCIAL LIABILITIES (Continued)

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

	Carrying Amounts		Fair Values	
	31 December 2011	31 December 2010	31 December 2011	31 December 2010
Bank borrowings	**32.711.678**	**14.604.765**	**32.156.759**	**14.311.458**

The fair values are based on cash flows discounted using the rates based on the borrowing rates of 5,23% p.a. and 16,58% p.a. for EUR and TL denominated bank borrowings as of 31 December 2011, respectively (2010: 5,13% p.a., 4,86% p.a. and 14,40% p.a. for EUR, CHF and TL denominated bank borrowings, respectively).

NOTE 9 - OTHER FINANCIAL LIABILITIES

Please see Note 8 (2010: None).

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

	31 December 2011	31 December 2010
a) Short-term trade receivables:		
Customer current accounts	1.314.218	5.014.004
Cheques and notes receivable	7.932.687	7.084.050
Other	3.641.664	1.183.850
	12.888.569	**13.281.904**
Less: Provision for impairment of receivables	(462.724)	(462.724)
Unearned finance income	(83.332)	(112.903)
	12.342.513	**12.706.277**

The effective weighted average interest rate on TL denominated trade receivables is 11,00% p.a. as of 31 December 2011 (2010: 7,09% p.a.) and maturing within 2 months (2010: 2 months).

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

The agings of trade receivables as of 31 December 2011 and 2010 are as follows;

	31 December 2011	31 December 2010
Overdue	76.151	352.663
0-30 days	7.197.665	3.999.464
31-60 days	5.033.146	4.694.094
61-90 days	35.551	3.397.063
91 days and over	-	262.993
	12.342.513	**12.706.277**

The Company does not expect any collection risk regarding its trade receivables overdue but not impaired amounting to TL76.151 as of 31 December 2011 (2010: TL352.663) considering its past experience and subsequent collections (Note 38.a).

The aging of overdue receivables as of 31 December 2011 and 2010 are as follows:

0-3 months overdue	**76.151**	**352.663**

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

	2011	2010
1 January	**462.724**	**458.181**
Charge to the statement of comprehensive income (Note 31.b)	-	4.543
31 December	**462.724**	**462.724**

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

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2011	31 December 2010
b) Short-term trade payables		
Supplier current accounts	94.332.700	75.027.030
Cheques	1.417.740	-
	95.750.440	75.027.030
Less: Unincurred finance cost	(459.675)	(257.502)
	95.290.765	**74.769.528**

As of 31 December 2011 and 2010, the effective weighted average interest rates for TL, USD and EUR denominated on short-term trade payables are as follows:

	31 December 2011	31 December 2010
TL denominated trade payables	11,00%	7,09%
USD denominated trade payables	0,36%	0,23%
EUR denominated trade payables	1,04%	0,71%

Trade payables mature within two months (2010: two months).

	31 December 2011	31 December 2010
c) Long-term trade payables		
Supplier current accounts	5.419.146	6.837.858
	5.419.146	**6.837.858**

Long-term trade payables are comprised of payables regarding property, plant and equipment purchases that are amounting to EUR2.217.508 as of 31 December 2011 (2010: EUR3.337.006). The effective weighted average interest rate for long-term trade payables is 6,07% p.a. (2010: 6,02% p.a.).

Long-term trade payables are recognised initially at property, plant and equipment purchase dates and initially measured at respective acquisition costs, net of any transaction costs incurred. In subsequent periods, long-term trade payables are measured at amortised cost using the effective yield method.

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

The redemption schedules of long-term trade payables at 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
2012	-	2.221.639
2013	2.843.066	2.456.203
2014	1.554.335	1.303.293
2015	1.021.745	856.723
	5.419.146	**6.837.858**

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

	31 December 2011	31 December 2010
a) Other short-term receivables:		
Value Added Tax ("VAT") receivable	2.266.454	2.236.364
Receivables from insurance companies	225.262	225.262
Deposits and guarantees given	9.180	1.180
Other	108.766	3.723
	2.609.662	**2.466.529**
b) Other long-term receivables:		
Deposits and guarantees given	**751**	**751**
c) Other long-term payables:		
Deposits and guarantees received	**48.534**	**48.534**

NOTE 12 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2010: None).

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

NOTE 13 - INVENTORY

	31 December 2011	31 December 2010
Raw materials	23.285.184	19.642.862
- Raw materials	20.433.836	16.172.906
- Raw materials in transit	2.851.348	3.469.956
Work-in-progress	10.897.843	10.601.374
Finished goods	21.726.697	16.377.384
Merchandise stocks	436.780	309.896
Spare parts and palettes	3.325.750	3.207.473
	59.672.254	**50.138.989**

The costs of inventories recognised as expense and included in cost of sales amounted to TL462.476.307 (2010: TL425.810.827) (Note 30). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell as of 31 December 2011.

NOTE 14 - BIOLOGICAL ASSETS

None (2010: None).

NOTE 15 - CONSTRUCTION CONTRACT RECEIVABLES

None (2010: None).

NOTE 16 - INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD

Investments-in-associates:

	31 December 2011		31 December 2010	
	TL	%	TL	%
YBP	36.169.941	31,82	36.837.502	31,95
Desa Enerji	5.614.644	30,52	3.848.200	30,52
Pınar Foods	3.697.508	44,94	2.790.087	44,94
Pınar Anadolu (*)	-	-	694.615	20,00
	45.482.093		**44.170.404**	

(*) Please see Note 2.3.

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

Movement in investments-in-associates during the years are as follows:

	2011	2010
1 January	**44.170.404**	**35.773.087**
Share of profit before taxation of investments-in-associates - net	9.200.834	15.815.095
Share of income taxation on investments-in-associates	(1.840.167)	(3.163.019)
Increase in fair value reserves of associates - net	644.158	2.302.709
Increase in revaluation reserves of investments-in-associates - net	1.493.201	-
Dividend income from investments-in-associates (Note 37.ii.d)	(8.816.413)	(6.453.804)
Currency translation reserve	685.967	(98.821)
Inventory profit elimination	(55.891)	(4.843)
31 December	**45.482.093**	**44.170.404**

Movement of revaluation reserves of investments-in-associates during the years are as follows:

	2011	2010
1 January	**181.428**	**185.355**
Change in revaluation reserves - net (Desa Enerji)	520.473	(3.042)
Change in revaluation reserves - net (YBP)	36.271	(885)
31 December	**738.172**	**181.428**

The financial information of the investments-in-associates accounted by equity method are as follows:

	31 December 2011		
	Assets	**Liabilities**	**Profit for the year**
- YBP	344.096.708	229.684.187	20.944.618
- Desa Enerji	21.536.172	3.139.566	1.017.269
- Pınar Foods	9.704.011	1.476.356	858.076

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

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

	31 December 2010		
	Assets	Liabilities	Profit for the year
- YBP	297.470.094	181.608.562	34.268.829
- Desa Enerji	14.369.252	1.760.472	3.994.245
- Pınar Foods	6.895.836	687.368	522.603
- Pınar Anadolu	5.961.165	2.488.098	1.246.423

NOTE 17 - INVESTMENT PROPERTY

None (2010: None).

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and accumulated depreciation between 1January and 31 December 2011 were as follows:

	1 January 2011 Opening	Additions	Disposals	Transfers	Revaluation	Reversal of impairment (Note 31.a)	31 December 2011 Closing
Cost or valuation							
Land	60.609.913	294.923	-	-	8.208.164	-	69.113.000
Land improvements and buildings	96.269.683	528.588	-	1.688.677	4.821.282	-	103.308.230
Machinery and equipment	205.793.832	7.101.044	(3.160.535)	897.699	30.229.544	901.446	241.763.030
Motor vehicles	5.420.051	37.749	(106.807)	-	-	-	5.350.993
Leasehold improvements	2.223.121	-	-	-	-	-	2.223.121
Furniture and fixtures	37.652.472	6.508.340	(595.669)	246.615	-	-	43.811.758
Construction in progress	2.324.910	3.044.301	-	(2.832.991)	-	-	2.536.220
	410.293.982	**17.514.945**	**(3.863.011)**	**-**	**43.258.990**	**901.446**	**468.106.352**
Accumulated depreciation							
Land improvements and buildings	(34.367.909)	(2.891.369)	-	-	-	-	(37.259.278)
Machinery and equipment	(111.077.019)	(9.128.744)	2.997.030	-	-	-	(117.208.733)
Motor vehicles	(4.956.689)	(140.654)	99.064	-	-	-	(4.998.279)
Leasehold improvements	(1.501.361)	(112.147)	-	-	-	-	(1.613.508)
Furniture and fixtures	(27.781.002)	(2.392.530)	473.683	-	-	-	(29.699.849)
	(179.683.980)	**(14.665.444)**	**3.569.777**	**-**	**-**	**-**	**(190.779.647)**
Net book value	**230.610.002**						**277.326.705**

Main additions in 2011 are due to investments to production line in Eskişehir plant.

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2010 Opening	Additions	Disposals	Revaluation	Transfers	31 December 2010 Closing
Cost or valuation						
Land	55.389.975	24.938	-	5.195.000	-	60.609.913
Land improvements and buildings	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
Leasehold improvements	2.223.121	-	-	-	-	2.223.121
Furniture 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**
Accumulated depreciation						
Land improvements and buildings	(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)
Leasehold improvements	(1.382.647)	(118.714)	-	-	-	(1.501.361)
Furniture 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**

There are no mortgages or other collaterals placed on property, plant and equipment as of 31 December 2011 (2010: None)

Current year's depreciation and amortisation charges were allocated to cost of goods sold by TL11.967.674 (2010: TL10.144.831), to the cost of inventories by TL537.794 (2010: TL503.235), to general administrative expenses by TL827.868 (2010: TL926.530) (Note 29), to selling and marketing expenses by TL1.128.687 (2010: TL1.412.289) (Note 29), to research and development expenses by TL318.519 (2010: TL282.857) (Note 29).

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipments as of 31 December 2011 and 2010 were as follows:

	2011	2010
1 January	**87.185.620**	**81.339.774**
Depreciation transfer upon revaluation reserve	(3.452.456)	(3.259.436)
Deferred income tax calculated on depreciation transferred to retained earnings	690.491	651.887
Disposal from revaluation reserve due to sales of property, plant and equipment - net	-	(344.441)
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements	13.029.446	10.023.233
Increase in revaluation reserve arising from revaluation of machinery and equipment	30.229.544	-
Deferred income tax calculated on revaluation reserve (Note 35)	(7.420.573)	(1.225.397)
31 December	**120.262.072**	**87.185.620**

The carrying amounts of each class of property, plant and equipments that would have been recognised if the assets have been carried under the cost model at 31 December 2011 and 2010 are as follows:

	Land	Land improvements and buildings	Machinery and equipment
31 December 2011:			
Cost	9.871.630	42.480.195	186.110.805
Less: Accumulated depreciation		(14.100.150)	(104.026.621)
Net book value	**9.871.630**	**28.380.045**	**82.084.184**
31 December 2010:			
Cost	9.576.708	40.223.533	180.371.151
Less: Accumulated depreciation	-	(13.032.938)	(99.523.170)
Net book value	**9.576.708**	**27.190.595**	**80.847.981**

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

NOTE 19 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the years ended 31 December 2011 and 2010 were as follows:

	1 January 2011 Opening	Additions	31 December 2011 Closing
Costs:			
Rights	9.354.170	136.309	9.490.479
Accumulated amortisation	(9.134.201)	(115.098)	(9.249.299)
Net book value	**219.969**		**241.180**

	1 January 2010 Opening	Additions	31 December 2010 Closing
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**

NOTE 20 - GOODWILL

None (2010: None).

NOTE 21 - GOVERNMENT GRANTS

During 2011, in accordance with bulletin of Ministry of Agriculture and Rural Affairs, numbered 2011/40, regarding the utilisation of milk powder within export goods, the Company was provided TL3.080.923 government incentive. The relevant incentive amount was reflected to the statement of comprehensive income by netting off against the cost of sales (2010: TL2.187.080). Also in scope of Turquality Project implemented in 2010 and 2011 by Undersecreteriat of Foreign Trade to support brandization of products made in Turkey in foreign markets and to settle the image of Turkish goods, the Company was provided TL795.336 (2010: 674.940 TL) government incentive. The incentive amount is deducted from selling and marketing expenses.

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

NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	31 December 2011	31 December 2010
a) Short-term provisions:		
Management bonus accruals	1.142.510	1.140.045
Provision for seniority incentive bonus	203.350	120.474
Provision for litigations	76.000	76.000
Other	56.410	46.423
	1.478.270	**1.382.942**

Movement of management bonus accruals during the year is as follows:

	2011	2010
1 January	**1.140.045**	**1.325.001**
Payment of management bonus	(497.535)	(684.956)
Provision for management bonus (Note 29.c)	500.000	500.000
31 December	**1.142.510**	**1.140.045**

b) Long-term provisions:

Provisions for seniority incentive bonus	**260.871**	**203.804**

c) Guarantees Given:

Bails	688.069.700	619.935.397
Letters of guarantee	7.896.340	6.292.532
Guarantee notes	2.500.000	4.500.000
Other (Note 23.b)	32.894	32.487.567
	698.498.934	**663.215.496**

As of December 2011 and 2010, guarantees given are mainly related with joint guarantees provided by the Company along with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayii A.Ş. ve Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. for repayment of borrowings obtained by Yaşar Group companies from international capital markets amounting to EUR69.000.000 and USD275.000.000, equivalent of TL688.069.700 (2010: EUR95.059.000 and USD275.000.000, equivalent of 619.935.397).

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2011 and 2010 were as follows:

	31 December 2011			31 December 2010		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
CPM provided by the Company:						
A. Total amount of CPM given for the Company's own legal personality	TL	10.396.340	10.396.340	TL	10.792.532	10.792.532
B. Total amount of CPM given on behalf of fully consolidated companies		-	-	-	-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties		-	-	-	-	-
D. Total amount of other CPM			688.102.594			652.422.964
i. Total amount of CPM given on behalf of the majority shareholder						
		472.225.000			542.352.497	
	USD	250.000.000	472.225.000	USD	250.000.000	386.500.000
		-	-	EUR	76.059.000	155.852.497
ii. Total amount of CPM given to behalf of other group companies which are not in scope of B and C			215.877.594			110.070.467
	USD	25.000.000	47.222.500	USD	25.000.000	38.650.000
	EUR	69.000.000	168.622.200	EUR	19.000.000	38.932.900
	TL	32.894	32.894	TL	32.487.567	32.487.567
iii. Total amount of CPM given on behalf of third parties which are not in scope of C		-	-		-	-
TOTAL			**698.498.934**			**663.215.496**
The ratio of total amount of other CPM to Equity			157%			170%

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

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

	31 December 2011	31 December 2010
d) Guarantees received:		
Bails	42.233.713	19.123.195
Letters of guarantee	6.580.803	2.462.410
Guarantee cheques	1.087.911	747.023
Mortgages	200.000	-
Guarantee notes	165.102	157.504
	50.267.529	**22.490.132**

As of 31 December 2011, bails received are related with joint guarantees provided to the Company by Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş. and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. for repayment of borrowings obtained by the Company from international capital markets amounting to EUR6.000.000 (2010: EUR6.000.000) and guarantee provided by Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. for repayment of borrowings obtained by the Company amounting to EUR8.000.000 (2010: None).

Foreign currency denominated guarantees given at 31 December 2011 are as follows:

Guarantees Received	EUR	14.830.229
	USD	103.717

Foreign currency denominated guarantees given at 31 December 2010 are as follows:

Guarantees Received	EUR	6.642.090
	USD	145.267

e) Contingent liabilities

As a result of negotiations with the Ayazağa Municipality Housing Department, it was identified that the plots in İstanbul - Ayazağa, the site of the Company's land, buildings and land improvements, are located within a workspace that Municipality have not completed the master plans. As of 31 December 2011, the fair value of the aforementioned properties located on the plots amounts to TL13.975.000. If a new plan comes into force, Ayazağa Municipality may reduce the legal area on the title deeds of those properties. In consideration of the time consuming process, it is not possible to make a reliable estimate of any possible reduction over those plots. The Company management assumes that the impact of such reduction will be immaterial to the financial statements.

f) Major litigations

Based on the result of the tax inspection by Ministry of Finance, İzmir Hasan Tahsin Tax Office initiated a legal action against the Company and charged tax penalties amounting to TL3.835.663 comprising of TL1.723.468 VAT penalty and TL2.112.195 tax loss penalty for the transactions in fiscal years inbetween 2006 and 2011. The Company applied to İzmir Tax Court for cancellation of those tax penalties. As of 31 December 2011, the lawsuit is still pending. The Company management and legal counselor of the Company believe that the likelihood of losing the cases is considered to be remote. As a result, no provision was accounted for in the financial statements as of 31 December 2011.

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

NOTE 23 - COMMITMENTS

a) Purchase commitments

As of 31 December 2011, the Company has purchase commitments of 2.552 tons of concentrated fruit juice equivalent of TL8.468.276 and packaging materials amounting to EUR4.239.525equivalent of TL10.360.551 (2010: 2.307 tons of concentrated fruit juice equivalent of TL5.103.635, 1.049 tons of tomato sauce equivalent of TL2.203.451 and packaging material amounting to EUR5.615.687equivalent of TL11.507.103).

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 TL32.894 as of 31 December 2011 (2010: TL32.487.567).

NOTE 24 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 December 2011	31 December 2010
Provision for employment termination benefits	6.082.672	5.609.212
	6.082.672	**5.609.212**

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

The amount payable consists of one month's salary limited to a maximum of TL2.731.85 for each year of service as of 31 December 2011. (2010: TL2.517.01). The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL2.805.04 which is effective from 1 January 2012 (2010: TL2.623.23) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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

	31 December 2011	31 December 2010
Discount rate (%)	4,66	4,66
Probability of retirement (%)	96,74	96,67

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

NOTE 24 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	2011	2010
1 January	**5.609.212**	**4.318.025**
Interest costs	261.389	201.220
Actuarial losses	700.664	721.787
Paid during the year	(958.042)	(570.201)
Annual charge	469.449	938.381
31 December	**6.082.672**	**5.609.212**

The total of interest costs, actuarial losses and current service cost for the year amounting to TL1.431.502 (2010: TL1.861.388) was included in general administrative expenses (Note 29.c).

NOTE 25 - PENSION PLANS

None (2010: None).

NOTE 26 - OTHER ASSETS AND LIABILITIES

	31 December 2011	31 December 2010
a) Other current assets:		
Order advances given (*)	3.479.496	69.206
Tax and funds deductible	2.810.814	1.712.240
Prepaid expenses	2.066.973	1.499.922
Income accrual	762.882	991.855
Other	66.783	95.167
	9.186.948	**4.368.390**

(*) As of 31 December 2011 order advances given are comprised of advances given to fruit concentrate suppliers.

b) Other non-current assets:

Prepaid expenses	24.393	24.527
Advances for property, plant and equipment purchases	-	434.525
	24.393	**459.052**

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

NOTE 26 - OTHER ASSETS AND LIABILITIES (Continued)

	31 December 2011	31 December 2010
c) Other current liabilities:		
Witholding taxes and fund payable	1.999.337	1.050.377
Payable to personnel	113.309	86.034
Other	37.385	37.379
	2.150.031	**1.173.790**

NOTE 27 - EQUITY

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of TL 1. The Company's historical authorised registered capital at 31 December 2011 and 2010 is as follows:

	31 December 2011	31 December 2010
Registered share capital (historical values)	80.000.000	80.000.000
Authorised registered share capital with a nominal value	44.951.051	44.951.051

The compositions of the Company's share capital at 31 December 2011and 2010 were as follows:

	31 December 2011		31 December 2010	
	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 (2010: TL16.513.550) represents the remaining amount after net-off the accumulated losses of 2003 from the difference between restated (inflation adjusted) share capital and historical cost of share capital (before inflation adjustment).

As of 31 December 2011, there are 44.951.051 (2010: 44.951.051) units of shares each with a face value of TL1 (2010: TL1) each.

NOTE 27 - EQUITY (Continued)

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, three from those nominated by shareholders bearing B type shares, and one from those nominated by shareholders bearing C type shares. Executive director can be appointed upon the decision of the Board of Directors. 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:

The legal reserves consist of first and second reserves, appropriated in accordance with the TCC. The TCC stipulates that the first legal reserve is appropriated out of statutory profits, after statutory carry forward tax losses deducted, 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 and at the rate of 9% p.a. of all cash distribution in excess of 5% of the paid-in-share capital in case of full distribution of respective profit as dividend. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in-capital.

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. At 31 December 2011, the restricted reserves of the Company amount to TL27.778.175 (2010: TL22.873.461). The unrestricted reserves of the Company, amounting to TL38.416.250 (2010: TL38.139.677), is classified in the retained earnings.

In accordance with the Communiqué No: XI-29 and related announcements of CMB "Share Capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences (e.g. the differences raises from 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 "Inflation 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 calculated based on the CMB Financial Reporting Standards.

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

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

NOTE 27 - EQUITY (Continued)

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

Based on the CMB Decree No. 02/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits. 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.

Based on the decision of General Assembly meeting on 13 May 2011, the Company has distributed 50.794.688 TL of the distributable net profit for the year ended 31 December 2010 amounting to TL51.019.443 as dividend. In context of this dividend distribution decision, the Company separated TL4.904.714 from 2010 profit (2010: TL: 5.852.708) as "Restricted Reserve".

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

	31 December 2011	31 December 2010
Extraordinary reserves	56.314.968	56.038.395
Retained earnings (exclude inflation adjustments)	5.604.521	5.602.056
Profit for the year	72.500.720	56.475.977
	134.420.209	**118.116.428**

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

NOTE 28 - SALES AND COST OF SALES

	1 January - 31 December 2011	1 January - 31 December 2010
Domestic sales	807.811.754	713.534.078
Export sales	55.295.546	43.670.966
Merchandise goods sales	14.100.837	14.872.034
Gross Sales	877.208.137	772.077.078
Less: Discounts	(210.758.882)	(184.077.996)
Returns	(15.342.337)	(10.922.354)
Net sales	**651.106.918**	**577.076.728**
Cost of goods sold	(503.147.269)	(458.316.916)
Cost of merchandise goods sold	(14.179.284)	(14.930.967)
Cost of sales	**(517.326.553)**	**(473.247.883)**
Gross Profit	**133.780.365**	**103.828.845**

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

	1 January - 31 December 2011	1 January - 31 December 2010
a) Research and development expenses:		
Staff costs	2.497.676	2.175.681
Material costs	1.694.079	1.380.895
Outsourced services	638.526	562.196
Depreciation and amortisation	318.519	282.857
Other	426.068	263.507
	5.574.868	**4.665.136**

b) Marketing, selling and distribution expenses:

Advertisement	19.042.315	15.057.275
Transportation	5.637.774	4.017.508
Staff costs	3.416.931	2.489.088
Outsourced services	3.061.344	2.766.021
Depreciation and amortisation	1.128.687	1.412.289
Rent	966.618	877.035
Other	2.047.561	1.890.922
	35.301.230	**28.510.138**

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

	1 January - 31 December 2011	1 January - 31 December 2010
c) General administrative expenses:		
Consultancy charges	8.346.245	7.564.041
Staff costs	7.634.290	6.509.065
Employment termination benefits	1.431.502	1.861.388
Taxes (Corporate Tax excluded)	951.219	670.780
Outsourced services	849.575	844.421
Depreciation and amortisation	827.868	926.530
Repair and maintenance	740.961	691.948
Utilities	679.068	549.952
Rent	615.998	596.201
Management bonus	500.000	500.000
Communication	305.327	266.620
Travel	231.206	222.719
Insurance	81.642	102.277
Other	1.300.909	1.049.943
	24.495.810	**22.355.885**
Total operating expenses	**65.371.908**	**55.531.159**

NOTE 30 - EXPENSE BY NATURE

	1 January - 31 December 2011	1 January - 31 December 2010
Direct material costs	462.476.307	425.810.827
Staff costs	33.960.909	28.412.104
Advertisement	19.042.315	15.057.275
Utilities	16.876.210	14.394.719
Depreciation and amortisation	14.745.983	12.987.784
Consultancy charges	8.459.785	7.771.223
Repair and maintenance	8.381.284	7.027.218
Outsourced services	6.379.035	5.732.597
Rent	2.615.856	2.280.366
Employment termination benefits	1.431.502	1.861.388
Taxes, dues and fees	1.015.624	730.944
Insurance	113.086	152.433
Other	7.200.565	6.560.164
	582.698.461	**528.779.042**

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

NOTE 31 - OTHER OPERATING INCOME/ EXPENSES

	1 January - 31 December 2011	1 January - 31 December 2010
a) Other operating income:		
Dividend income (Note 37.ii.d)	4.486.945	4.604.650
Rent income	1.472.861	1.396.255
Income from sales of scrap	1.071.737	553.457
Reversal of impairment of property, plant and equipment	901.446	-
Income from sales of property, plant and equipment	517.808	-
Other	185.198	334.482
	8.635.995	**6.888.844**
b) Other operating expense:		
Donations	(1.271.129)	(866.998)
Auxiliary material and scrap sales	(818.250)	(193.902)
Rent Expense	(154.915)	(154.915)
Overdue charges upon unpaid taxes	(3.990)	(331.511)
Loss from sales of property, plant and equipment	-	(998.876)
Provision for doubtful receivables	-	(4.543)
Other	(518.204)	(294.405)
	(2.766.488)	**(2.845.150)**

NOTE 32 - FINANCE INCOME

	1 January - 31 December 2011	1 January - 31 December 2010
Interest income	7.507.041	7.865.011
Foreign exchange gain	2.119.279	884.553
Bail income from related parties	1.231.778	941.910
Interest income on term purchases	970.242	598.399
	11.828.340	**10.289.873**

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

NOTE 33 - FINANCE EXPENSES

	1 January - 31 December 2011	1 January - 31 December 2010
Interest expense	(2.896.358)	(2.610.785)
Foreign exchange loss	(5.450.688)	(199.437)
Interest expense on term sales	(1.157.429)	(714.391)
Bail expense from related parties	(282.274)	(147.294)
Other	(364.561)	(185.090)
	(10.151.310)	**(3.856.997)**

NOTE 34 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2010: None).

NOTE 35 - TAX ASSETS AND TAX LIABILITIES

As of 31 December 2011 and 2010, corporation taxes currently payable are as follows:

	31 December 2011	31 December 2010
Corporation taxes currently payable	14.890.902	12.027.803
Less: Prepaid corporate tax	(11.168.678)	(9.692.672)
Current income tax liabilities	**3.722.224**	**2.335.131**

Corporation tax is payable at a rate of 20% for 2011. (2010: 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances. No further tax is payable unless the profit is distributed.

Dividends paid ton on-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to witholding tax. Otherwise, dividends paid are subject to witholding tax at the rate of 15% (2010: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur witholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2010: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2010: 17th) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

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

Tax returns are open for 5 years from the beginning of the year that follows the date of filling, during when the tax authorities have the right to examine tax returns and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to offset future taxable income for 5 years.

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

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

According to Turkish Corporate Income Tax Law numbered 5520, effective from 21 June 2006, a 75% portion of the gains derived from the sales 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 considerations have to be collected up until the end of the second calendar year following the year the sale was realised.

75% of the profits from sale of preferential right certificates and share premiums generated from sale of shares at a price exceeding face values of those shares during incorporations or capital increases of joint stock companies are exempt from corporate tax.

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

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

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.

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised in a disguised manner through transfer pricing completely or partially, will be assessed as distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalised and paid.

Taxation on income in the statement of comprehensive income for the years ended 31 December 2011 and 2010 are as follows:

	1 January - 31 December 2011	**1 January - 31 December 2010**
Current corporation tax expense	(14.890.902)	(12.027.803)
Deferred tax income	4.495.383	677.095
Taxation on income	**(10.395.519)**	**(11.350.708)**

The reconciliation of tax expense is as follows;

	1 January - 31 December 2011	**1 January - 31 December 2010**
Profit before tax	**83.315.661**	**71.426.332**
Tax calculated at tax rates applicable to the profit	(16.663.132)	(14.285.266)
Expenses not deductible for tax purposes	(321.507)	(221.753)
Tax effect upon the results of investments-in-associates	1.472.133	2.530.416
Income not subject to tax	198.796	20.150
Income tax due to dividends received from available-for-sale investments	897.389	920.930
Recognition of deferred income tax asset on investment incentive	3.639.263	-
Other	381.539	(315.185)
Total taxation on income	**(10.395.519)**	**(11.350.708)**

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

NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

Deferred income taxes

The company recognises deferred income tax assets and liabilities based upon temporary differences arising between its financial statements are 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% (2010: 20%).

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2011 and 2010 using the enacted tax rates at the balance sheet dates are as follows:

	31 December 2011		31 December 2010	
	Cumulative temporary differences	**Deferred income tax assets/ (liabilities)**	**Cumulative temporary differences**	**Deferred income tax assets/ (liabilities)**
Revaluation of property, plant and equipment	139.614.265	(18.992.409)	99.613.665	(12.267.752)
Depreciation difference arising from differences in useful lives of property, plant and equipment	39.155.807	(7.831.161)	35.690.928	(7.138.186)
Restatement difference on property, plant and equipment and intangible assets	10.586.647	(2.117.329)	14.787.722	(2.957.544)
Deferred tax based on available-for-sale investments	24.170.891	(963.869)	31.170.309	(1.330.767)
Restatement difference on intangible assets	854.621	(170.924)	866.541	(173.308)
Unused tax credits (*)	(18.196.313)	3.639.263	-	-
Provision for employment termination benefits	(6.082.672)	1.216.534	(5.609.212)	1.121.842
Provision for impairment on machinery and equipment	(1.075.916)	215.183	(2.093.578)	418.716
Other	(3.571.450)	714.290	(2.974.345)	594.869
Deferred tax assets		5.785.270		2.135.427
Deferred tax liabilities		(30.075.692)		(23.867.557)
Deferred tax liabilities - net		**(24.290.422)**		**(21.732.130)**

(*) The Company has investment incentive certificate relating with modernization investments in Eskişehir facility. As of 31 December 2011, the Company foresees to utilize investment incentive amounted to TL3.639.263 for next years.

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

Movements in deferred tax liabilities can be analysed as follows:

	2011	2010
1 January	**(21.732.130)**	**(20.404.024)**
Charged to fair value reserve of available-for-sale investments	366.898	(779.804)
Deferred tax on revaluation reserve	(7.420.573)	(1.225.397)
Credited to statement of comprehensive income	4.495.383	677.095
31 December	**(24.290.422)**	**(21.732.130)**

NOTE 36 - EARNINGS PER SHARE

		1 January - 31 December 2011	1 January - 31 December 2010
Profit for the period	A	72.920.142	60.075.624
Weighted average number of shares (Note 27)	B	44.951.051	44.951.051
Earnings per share with a TL1 face value	**A/B**	**1,6222**	**1,3365**

There are no differences between basic and diluted earnings per share. As of 31 December 2011, Board of Directors did not account any dividend.

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

NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2011 and 2010 are as follows:

i) Balances with related parties:

	31 December 2011	31 December 2010
a) Trade receivables from related parties- current:		
YBP	84.784.212	50.072.210
Yataş	6.037.845	5.717.864
	90.822.057	**55.790.074**
Less: Unearned finance income	(800.898)	(370.117)
	90.021.159	**55.419.957**

The effective weighted average interest rates applied to related party trade receivables are 11% p.a. as of 31 December 2011 (2010: 6,73% p.a). Trade receivables due from related parties mature within two months (2010: two months).

As of 31 December 2011, trade receivables of TL2.366.227 (2010: TL1.209.576), over which no provision for impairment is provided of overdue receivables and maturity is about one month. (2010: one month) (Note 38.a).

	31 December 2011	31 December 2010
b) Non-trade receivables from related parties-current:		
Yaşar Holding	62.534.321	49.295.221
DYO Boya Fab. A.Ş. ("DYO Boya")	505.481	365.917
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yabim")	42.934	40.103
Other	14.434	7.600
	63.097.170	**49.708.841**

As of 31 December 2011 non-trade receivables from Yaşar Holding amounting to TL20.164.848 (2010: TL462.106) consist of EUR denominated loans and respective interest accruals (2010: interest accruals of EUR denominated loan) 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 EUR denominated loans is 5,70% p.a. (2010:None).

As of 31 December 2011, the Company has short-term receivables from Yaşar Holding amounting to TL42.369.473 TL (31 December 2010: TL48.833.115), which are non-trade. The effective weighted average interest rate applied to those receivables is 12,00% p.a. (2010: 9,00% p.a.). The maturity of these non-trade receivables from Yaşar Holding is between three and twelve months.

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

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

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

	31 December 2011	31 December 2010
Yaşar Holding	**11.694.000**	**11.694.000**

The Company's long-term receivables from Yaşar Holding consist of loans obtained from various banks, financial institutions by the Company, and were transferred to Yaşar Holding with the same conditions. The maturity of such loans is in 2013, and the effective weighted average interest rate is 14,29% p.a. (2010: 15,30% p.a.). The fair value of these long-term receivables is TL11.666.844 (2010: TL12.078.242) and interest rate used in the fair value calculation is 16,58% p.a. (2010:14,40% p.a.).

d) Trade payables to related parties - current:

Yadex Export-Import und Spedition GmbH ("Yadex")	3.692.596	11.090.437
Yaşar Holding A.Ş.	2.225.147	2.112.436
Çamlı Yem	2.032.454	1.594.319
Desa Enerji	1.096.156	889.115
Hdf FZ Co. ("Hdf")	835.769	1.838.960
Other	1.223.702	248.586
	11.105.824	**17.773.853**
Less: Unincurred finance cost	(27.569)	(15.969)
	11.078.255	**17.757.884**

TL3.692.596 (2010: TL11.090.437) of due to related parties is the payable to Yadex arising from import transactions and promotion charges respectively, conducted by these companies on behalf of the Company. Trade payables to Çamlı Yem mainly consist of trade payable due to purchase of cattle feed that are sold to raw milk suppliers.

As of 31 December 2011, the effective weighted average interest rate applied to those payables is 11% (2010: 7,09%) and maturity is 2 months (2010: one month).

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

Yaşar Üniversitesi	1.007.156	757.160
Payable to shareholders	253.439	198.960
Other	2.839	22.688
	1.263.434	**978.808**

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

ii) Transaction with related parties:

	1 January - 31 December 2011	1 January - 31 December 2010
a) Product sales:		
YBP	567.598.438	503.785.033
Yataş	55.295.546	43.670.966
Pınar Et	480.420	507.952
Other	924.180	987.291
	624.298.584	**548.951.242**

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

	1 January - 31 December 2011	1 January - 31 December 2010
b) Service sales:		
Çamlı Yem	250.169	283.651
YBP	19.441	70.052
Pınar Et	8.440	79.186
Other	108.534	228.779
	386.584	**661.668**
c) Finance income:		
Yaşar Holding A.Ş.	5.595.671	6.154.782
DYO Boya	125.937	84.164
YBP	86.409	91.145
Viking	35.425	46.745
Other	30.100	54.400
	5.873.542	**6.431.236**

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. As it is explained in Note 22, the majority of finance income consists of bail commission charges amounting to TL1.231.778 (2010: TL941.910), 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 to the financial statements. The commission rates of bail and financing used in the associated intercompany charges is 0,50% p.a. (2010: 0,50% p.a.).

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

	1 January - 31 December 2011	1 January - 31 December 2010
d) Dividends received:		
YBP (*)	8.579.246	6.137.887
Pınar Et	4.197.849	3.979.779
Pınar Su	258.095	403.974
Pınar Anadolu (*)	237.167	315.917
Çamlı Yem	29.032	220.897
Bintur	1.969	-
	13.303.358	**11.058.454**

(*) Investment-in-associate (Note 16).

e) Other incomes from related parties:

YBP	793.427	767.284
Çamlı Yem	741.733	583.647
Other	31.357	43.903
	1.566.517	**1.394.834**

Other income from YBP and Çamlı Yem is related to the rent of cars and building in the current period.

f) Product purchases:

Çamlı Yem	13.947.374	15.305.694
Yadex	11.480.363	16.572.870
Desa Enerji	9.090.879	7.982.142
Hedef Ziraat	1.975.117	1.880.702
Pınar Anadolu	69.005	2.668.139
Other	155.285	140.752
	36.718.023	**44.550.299**

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.

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

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

	1 January - 31 December 2011	1 January - 31 December 2010
g) Service purchases:		
Yaşar Holding	7.897.704	7.242.891
YBP	3.829.901	2.260.363
Yataş	1.664.446	1.322.983
Bintur	430.312	322.321
Other	220.472	470.819
	14.042.835	**11.619.377**

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

	1 January - 31 December 2011	1 January - 31 December 2010
h) Purchases of property, plant and equipment:		
Pınar Anadolu	68.941	-
Dyo Matbaa	46.575	-
Other	106.148	1.784
	221.664	**1.784**
i) Finance expenses:		
YBP	149.203	40.130
Çamlı Yem	112.877	53.634
Yaşar Holding	79.871	70.863
DYO Boya	20.336	17.140
Viking	20.336	17.140
Pınar Et	20.336	17.140
Other	155.438	19.191
	558.397	**235.238**

The finance expense mainly consists of interest costs and bail commission charges, which is related with the transferred loans and borrowings obtained by the Company from international capital markets and various financial institutions with the guarantee of Yaşar Group Companies (Note 22). The commission rates of bail and financing used in the associated intercompany charges is 0,50% p.a. (2010:0,50% p.a.).

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

	1 January - 31 December 2011	1 January - 31 December 2010
j) Dividends paid:		
Yaşar Holding	31.078.681	31.216.198
Publicly held	19.277.936	19.363.237
Other	438.071	440.008
	50.794.688	**51.019.443**
k) Sales of investment property:		
YBP	45.715	70.284
Pınar Et	16.062	28.089
Dyo Boya	-	38.480
Yataş	-	8.087
Other	51.575	55.156
	113.352	**200.096**
l) Donations:		
Yaşar University	1.000.000	750.000
Yaşar Education Fund	175.000	30.900
	1.175.000	**780.900**

m) Key management compensation:

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

Salaries and other short term employee benefits	1.694.545	1.607.246
Management bonus	500.000	500.000
Termination benefits	38.535	-
Post-employment benefits	51.252	11.739
Other long-term benefits	20.245	23.070
	2.304.577	**2.142.055**

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

n) Bails given to related parties:

The Company jointly guarantees with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş. ve Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş., the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR69.000.000 and USD275.000.000 (equivalent of TL688.069.700) (2010: EUR95.059.000 and USD275.00.000, equivalent of TL619.935.397) (Note 22).

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow, fair value interest rate risk), capital risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredicatiblity 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 risks (especially arising from meat price fluctuations).

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

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

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risks arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Majority of the Company's sales in 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 condition trade receivables are monitored by the Company Management and necessary provisions for impairment is recognised. The Company management believes that credit risk arises from receivables is well managed. The Company management believes that there is no risk for non-trade receivables from related parties since they are mainly comprised of receivables from shareholders (Note 37.i.b). The credit risk analysis of the Company as of 31 December 2011 and 2010 are as follows:

31 December 2011

	Receivables					
	Trade Receivables (1)		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits	Other
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**90.021.159**	**12.342.513**	**63.097.170**	**2.610.413**	**4.960.803**	**-**
- The part of maximum credit risk covered with guarantees	-	-	-	-	-	-
A. Net book value of financial assets not due or not impaired (3)	87.654.932	12.266.362	62.675.298	2.610.413	4.960.803	-
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)	2.366.227	76.151	421.872	-	-	-
- 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	-	-	-	-	-	-

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

31 December 2010

	Receivables					
	Trade Receivables (1)		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits	Other
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**55.419.957**	**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 (4)	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 mainly consist of receivables resulting from sales of milk and milk products.
(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.
(3) None.

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

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

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

31 December 2011		**Receivables**	
	Related Parties	**Third Parties**	**Total**
Past due 1-30 days	2.366.227	76.151	2.442.378
Past due 1-3 months	-	-	-
Past due 3-12 months	421.872	-	421.872
The part of credit risk covered with guarantees	-	-	-
	2.788.099(*)	**76.151(**)**	**2.864.250**

31 December 2010		**Receivables**	
	Related Parties	**Third Parties**	**Total**
Past due 1-30 days	1.209.576	352.663	1.562.239
Past due 1-3 months	-	-	-
Past due 3-12 months s	378.681	-	378.681
The part of credit risk covered with guarantees	-	-	-
	1.588.257	**352.663**	**1.940.920**

(*) A total amount of TL1.340.966 of the overdue but not impaired receivables from related parties has been collected as of the approval date of the financial statements.

(**) A total amount of TL 75.372 the overdue but not impaired receivables from third parties has been collected as of the approval date of the financial statements.

b) Liquidity risk:

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

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

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

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

	31 December 2011				
	Carrying Value	Total Cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contractual maturity dates:					
Non-Derivative Financial Liabilities					
Financial liabilities	35.526.619	38.234.724	548.218	21.524.807	16.161.699
Trade payables	111.788.166	112.275.410	103.263.089	3.593.175	5.419.146
Other payables	1.311.968	1.311.968	1.007.156	2.839	301.973
	148.626.753	**151.822.102**	**104.818.463**	**25.120.821**	**21.882.818**
Derivative financial instruments					
Financial (assets) / liabilities (Note 8) (*)	**(2.814.941)**	**(1.759.433)**	**301.101**	**304.410**	**(2.364.944)**

(*) 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.

	31 December 2010				
	Carrying Value	Total Cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contractual maturity dates:					
Non-Derivative Financial Liabilities					
Financial liabilities	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	15.037.383	6.837.858
Other payables	1.027.342	1.027.342	277.342	750.000	-
	115.349.877	**117.870.262**	**80.844.878**	**16.210.793**	**20.814.591**
Derivative financial instruments					
Financial (assets) / liabilities (Note 8)	**(352.500)**	**2.317.906**	**477.525**	**490.864**	**1.349.517**

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

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 mentioned. When necessary derivative financial instruments (swap contracts) are used as a tool to hedge foreign exchange risk.

	Foreign Currency Position							
	31 December 2011				31 December 2010			
	TL Equivalent	USD	EUR	Other (TL Equivalent)	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Receivables	5.834.615	2.661.157	61.082	658.683	5.246.856	2.995.720	66.973	478.239
2a. Monetary Financial Assets (Cash &Bank accounts included)	29.042	13.732	1.270	-	6.951	2.137	1.780	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	19.904.883	1.765	8.091.046	128.651	70.486	17	4.481	61.278
4. Current Assets (1+2+3)	**25.768.540**	**2.676.654**	**8.153.398**	**787.334**	**5.324.293**	**2.997.874**	**73.234**	**539.517**
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	444.380	41.550	63.340	250.354
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**	**444.380**	**41.550**	**63.340**	**250.354**
9. Total Assets (4+8)	**25.768.540**	**2.676.654**	**8.153.398**	**787.334**	**5.768.673**	**3.039.424**	**136.574**	789.871
10. Trade Payables	(16.289.609)	(6.353.376)	(1.754.938)	-	(21.419.686)	(5.735.787)	(6.125.694)	-
11. Financial Liabilities	(20.452.440)	-	(8.369.114)	-	(1.273.491)	-	(344.192)	(568.208)
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**(36.742.049)**	**(6.353.376)**	**(10.124.052)**	**-**	**(22.693.177)**	**(5.735.787)**	**(6.469.886)**	**(568.208)**
14. Trade Payables	(5.419.146)	-	(2.217.508)	-	(6.837.859)	-	(3.337.006)	-
15. Financial Liabilities	(15.074.179)	-	(6.168.336)	-	(13.031.867)	-	(6.359.800)	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**(20.493.325)**	**-**	**(8.385.844)**	**-**	**(19.869.726)**	**-**	**(9.696.806)**	**-**
18. Total Liabilities (13+17)	**(57.235.374)**	**(6.353.376)**	**(18.509.896)**	**-**	**(42.562.903)**	**(5.735.787)**	**(16.166.692)**	**(568.208)**
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)	**(31.466.834)**	**(3.676.722)**	**(10.356.498)**	**787.334**	**(36.794.230)**	**(2.696.363)**	**(16.030.118)**	**221.663**
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (IFRS 7.B23) (=1+2a+3+5+6a-10-11-12a-14-15-16a)	**(31.466.834)**	**(3.676.722)**	**(10.356.498)**	**787.334**	**(37.238.610)**	**(2.737.913)**	**(16.093.458)**	**(28.691)**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
23. Hedged amount for Foreign Currency Assets	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
24. Hedged amount for Foreign Currency Liability	**14.940.755**	**-**	**6.113.739**	**-**	**12.508.606**	**-**	**6.104.439**	**-**
25. Export	**55.295.546**	**29.712.325**	**775.001**	**3.850.122**	**43.670.966**	**25.852.858**	**492.885**	**3.883.613**
26. Import	**35.956.912**	**-**	**15.442.466**	**-**	**35.983.244**	**-**	**18.079.539**	**-**

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

31 December 2011	Sensitivity Analysis for Foreign Currency Risk			
	Profit/ Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL				
1- Asset/ Liability denominated in USD - net	(694.496)	694.496		
2- The part hedged for USD risk (-)	-	-		
3- USD Effect - net (1+2)	**(694.496)**	**694.496**		
Change of EUR by 10% against TL				
4- Asset/ Liability denominated in EUR - net	(2.530.921)	2.530.921		
5- The part hedged for EUR risk (-)	1.494.076	(1.494.076)		
6- EUR Effect - net (4+5)	**(1.036.845)**	**1.036.845**		
Change of Other Currencies by average 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	78.733	(78.733)		
8- The part hedged for other foreign currency risk (-)				
9- Other Foreign Currency Effect - net (7+8)	**78.733**	**(78.733)**		
TOTAL (3+6+9)	**(1.652.608)**	**1.652.608**		

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

31 December 2010	**Sensitivity Analysis for Foreign Currency Risk**			
	Profit/Loss		**Equity**	
	Appreciation of Foreign currency	**Depreciation of Foreign currency**	**Appreciation of Foreign currency**	**Depreciation of Foreign currency**
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	(423.281)	423.281		
2- The part hedged for USD risk (-)	-	-		
3- USD Effect - net (1+2)	**(423.281)**	**423.281**		
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR - net	(3.297.711)	3.297.711		
5- The part hedged for EUR risk (-)	1.250.861	(1.250.861)		
6- EUR Effect - net (4+5)	**(2.046.850)**	**2.046.850**		
Change of other currencies by average 10% against TL:				
7- Assets/ Liabilities denominated in other foreign currencies - net	(2.869)	2.869		
8- The part hedged for other foreign currency risk (-)				
9- Other Foreign Currency Effect - net (7+8)	**(2.869)**	**2.869**		
TOTAL (3+6+9)	**(2.473.000)**	**2.473.000**		

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

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

ii) Interest rate risk

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

	Interest Rate Position	
	31 December 2011	**31 December 2010**
Financial instruments with fixed interest rate		
Financial assets	184.754.384	149.205.140
Financial liabilities	133.685.998	103.055.277
Financial instruments with floating interest rate		
Financial liabilities	12.125.814	12.156.105

According to the interest rate sensitivity analysis performed as at 31 December 2011, if interest rates had been 1% higher while all other variables being constant, net income for the year would be TL37.879 lower (2010: TL30.210) as a result of additional interest expense that would be incurred on financial instruments with floating rates.

iii) Price risk

Main operational risk of the Company is raw milk price risk.

The profitability of the Company's operations and the cash flows generated by those operations are affected by changes in the raw material prices and market competition that are closely monitored by the Company management and precautions for cost efficiency are taken. The Company does not anticipate that prices of raw milk and other raw materials will change significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline or increase in the prices of raw milk and other stocks and raw materials.

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

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

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

d) Capital Risk Management:

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

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

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

	31 December 2011	31 December 2010
Financial liabilities	35.526.619	14.957.265
Derivative financial assets	(2.814.941)	(352.500)
Trade payables	111.788.166	99.365.270
Other payables to related parties	1.311.968	1.027.342
Less: Cash and cash equivalents (Note 6)	(4.989.129)	(17.208.785)
Net debt	**140.822.683**	**97.788.592**
Total equity	**438.962.894**	**384.805.831**
Net-debt/ equity ratio	**32%**	**25%**

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 2011 are mainly increase in equity related to operational funds and paid financial debts partially. The Company management regularly monitors the debt/ equity ratio.

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

Classification of financial assets

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.

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

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

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

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value. The fair values of certain financial assets carried at costs, including cash and due from banks, receivables and other financial assets are considered to approximate their respective carrying values due to their short-term nature. Available-for-sale investments are carried at their fair values. The fair values of available-for-sale investments which do not have quoted market prices in active markets, are determined by using general accepted valuation techniques or stated at cost, less a provision for impairment, if any, by assuming the carrying values do not differ materially from their fair values.

Financial liabilities

Fair values of bank borrowings are disclosed in Note 8.

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

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2011

(Convenience Translation into English of Financial Statements Originally Issued in Turkish)

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

NOTE 40 - SUBSEQUENT EVENTS

None (2010: None).

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

None (2010: None).

NOTE 42 - EXPLANATION FOR CONVENIENCE TRANSLATION INTO ENGLISH

As of 31 December 2011, the CMB Financial Reporting Standards differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.