

Assessment of 2010 Activities

The best milk and dairy products brand*

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

The sector's leading brand

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

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

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

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

* According to KalDer Turkish Customer Satisfaction Index

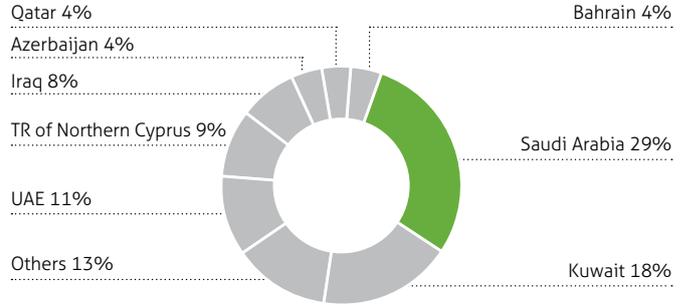


Deploying its technical and sectoral knowledge along with its innovative and pioneering identity, Pınar Süt sought to be one of the top three brands in terms of market share in all the product categories in which it is active.



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

Breakdown of Exports by Destination



29 countries exported to in 2010

8% share of export sales in 2010

Pınar Labaneh

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



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

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

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

(Source: Nielsen.)



Balanced export growth

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

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

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

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

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

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

Efforts to increase market share

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

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

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

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

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

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



the market's leader
with innovative
products

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



Functional Products

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

Milk

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

Yoghurt

- Pinar Natural Yoghurt
- Pinar Natural Yoghurt Semi-Fat
- Pinar Natural Yoghurt Full-Fat
- Pinar Natural Yoghurt Light
- Light Yoghurt

Ayran

- Pinar Ayran, bottled
- Pinar Ayran, plastic cup

Cheeses & Butters

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

Convenience Cheeses

- Sliced Burger Cheese
- Pinar Kido Triangular Cheese
- Full-Fat Triangular Cheese
- Thyme & Olive Flavored Triangular Cheese
- Cheddar Flavored Triangular Cheese
- Semi-Fat Triangular Cheese
- Light Triangular Cheese
- Sliced Toasting Cheese

Traditional Cheeses

- Fresh Kashkaval Cheese
- Full-Fat White Cheese
- Light White Cheese

Butters

- Cupped Butter
- Traditional Butter
- Roll Butter
- Block Butter
- Portioned Butter

Special Cheeses

- String Cheese
- Cheddar Cheese
- Mozzarella Cheese



Fruit Juices

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

Condiments

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

Desserts & Sweets

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

Bulk-Packed Products for the Food Trade

- **Milk**
 - Food Trade Milk (Full-fat & semi-skimmed)
 - Pınar Bag-In-Box Milk (Full-fat & semi-skimmed)
- **Cheeses**
 - Labaneh
 - Pınar Beyaz
 - Pizzarella
 - Sliced Toast Cheese

- **Butters**
 - PVC-cup portions and foil-wrapped
 - Roll Butter
- **Yoghurt**
 - Pınar Natural Yoghurt

- **Ayran**
- **Milk Powder**
 - Skim Milk Powder
 - Full-fat milk Powder
 - Whey powder
 - Prosüt
- **Sauces**
 - Service Mayonnaise
 - Service Ketchup
 - Bucket Mayonnaise
 - Bucket Ketchup



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

30% Eskişehir plant investment capacity increase

Eskişehir Plant

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



New products added to the portfolio

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

New products

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

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

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



Intensive R&D

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

In order to keep better track of worldwide developments and innovations, Pınar Süt R&D regularly takes part in national and international fairs, symposiums, congresses, seminars, supplier meetings, and training programs dealing with such issues as new products, new packaging, raw materials, and food additives.

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

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

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

Because it is its principle to be customer-focused in its activities and to make products that are compatible with customers' needs and demands, Pınar Süt gives great

importance and priority to R&D activities in order to keep a close watch on changes and developments in consumer trends and to follow technological developments both in its sector and throughout the world.

An investment program that conforms to sectoral conditions

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

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

New production lines at the Eskişehir plant

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

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



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



High-performing human resources

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

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

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

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

Last year Pınar Süt provided traineeship positions for 170 high school and university students while also taking part in university campus career days and providing students with information about itself and its sector.

Pınar Süt's "People First" approach and objectives

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



Food & Beverage Group Subsidiaries

Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş.

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

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

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

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

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

Yaşar Birleşik Pazarlama

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

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

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

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

Pınar Foods GmbH

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

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

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