Pınar Süt Annual Report 2012

Yaşar
for a better life

Health, flavor, and innovation for a better life...

Having originally introduced Turkey to UHT milk and packaged milk, Pınar Süt has continued to be an important part of consumers' lives and to author firsts in its sector through the high-quality products that it offers.

As a result of the confidence that consumers have in its name, Pınar Süt has succeeded in becoming the sector's "best-loved" and "most recognized" brand today. That success is an important indication of the value which Pınar Süt adds to consumers' lives.

Pınar Süt continues to add health, flavor, and value to consumers' lives through its innovative products.

All for a better life...

Trade Name
Pınar Süt Mamulleri Sanayii A.Ş.

Contact Information

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Şehit Fethibey Caddesi No: 120 Alsancak - İzmir
Tel: +90 232 482 22 00 Fax: +90 232 484 17 89

Factory - İzmir
Kemalpaşa Asfaltı No: 1 Pınarbaşı - İzmir
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Factory - Eskişehir
Organize Sanayi Bölgesi Mümtaz Zeytinoğlu Bulvarı P.K.: 55 Eskişehir
Tel: +90 222 236 08 89 Fax: +90 222 236 08 90

Trade Registration
İzmir 34821 K-572

Website
www.pinar.com.tr

Authorized Capital
TL 80,000,000.00

Paid-in Capital
TL 44,951,051.25

Without sacrificing "Health", "Flavor", or "Innovation"...

Pınar Süt in Brief

For forty years Pınar Süt has been adhering to the highest standards and increasing its production capacity in order to keep consumers supplied with the milk and dairy products that are essential to good nourishment. Activities that reflect its pioneering identity have positioned it as the leading name in Turkey's dairy industry.

Leader

Pınar Süt is the leading name in Turkey's dairy industry.

Pınar Süt was originally founded in İzmir in 1973 as the Middle East's biggest and Europe's most advanced dairy processing complex. The company gained immediate widespread recognition as a source of health, flavor, and innovation–indeed of life itself. In 1975 Pınar Süt introduced Turkey to the concept of "long-life" UHT milk packaged in aseptic containers.

Pınar Süt's principal business activity is the production and sale of packaged milk, yoghurt, ayran, traditional and modern cheeses, fruit juices, butter, cream, puddings, ketchups, mayonnaise, honey, condiments, jams and jellies, desserts, and powdered products. The company operates out of plants located in İzmir and Eskişehir.

The first brand to introduce and entrench the concept of standardized wholesome milk and dairy products in Turkey, Pınar Süt has made huge contributions not just to the country's livestock and food production but also to the health and wellbeing of its people.

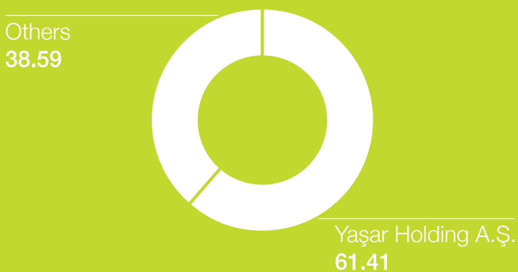
Pınar Süt procures the raw milk it needs from the more than 200 dairy farms with which it works and which are contractually obliged to produce in compliance with EU food quality and safety standards.

Continuously supporting more than 30,000 producers with whom it has established strong and enduring relationships, Pınar Süt also contributes to the progress of dairy production in Turkey.

Besides supplying its home market, Pınar Süt also exports milk and dairy products to other countries as well. The company is advancing sure-footedly towards becoming a regional force.

Pınar Süt is a member of the Yaşar Group, one of Turkey's biggest and most highly respected corporate groups.

Pınar Süt's Shareholder Structure (%)



Shareholder	% Share	Share Amount (TL)
Yaşar Holding A.Ş.	61.41	27,603,901.56
Others	38.59	17,347,149.69
Total	**100.00**	**44,951,051.25**

Pınar Süt shares are traded on the Borsa İstanbul National Exchange under ticker symbol PNSUT.

Pınar Süt's capital is represented by "Class A registered", "Class B registered", and "Class C bearer" shares. Each share entitles its owner (or designated proxy) to one vote at ordinary and extraordinary general meetings of the company.

Pınar Süt's Competitive Advantages

The company that pioneered the organized dairy industry in Turkey and its undisputed leader since the day it was founded, Pınar Süt continued to create value for the national economy in 2012 while also fulfilling all of its responsibilities towards its stakeholders as well.

Superior Brand Value

- The brand that first comes to mind [1]
- The best milk and dairy product brand [2]
- The most sincere milk brand [3]
- One of the top four brands that Turkish consumers feel the closest to [4]
- The best fruit juice brand [5]
- One of the top ten most highly respected brands [6]

Quality Production, Rich Product Portfolio

- Hygienic production conforming to EU norms
- Wholesome, superior-quality products
- Compliance with ISO 9001:2008, ISO 14001, and FSSC 22000 standards
- More than 200 SKU
- Reputation as an innovative pioneer
- R&D experience
- Technical and sectoral knowledge and experience
- An award-winning food industry company [7]
- One of Turkey's 10 "super-brands" [8]

Extensive Distribution & Supplier Network

- Yaşar Birleşik Pazarlama: Turkey's biggest and most extensive frozen and cold chain distribution network
- 155,000 points of sale
- Group-wise synergies
- More than 30,000 raw milk suppliers
- More than 200 contractual dairy farms conforming to EU standards
- Fully-monitored production processes
- Supplier performance evaluations
- Training & consulting services

Shared Values

Since the day it was founded Pınar Süt has:

- Contributed to economic and social well-being
- Created livelihoods and sources of regular income not just for meat and dairy producers but also for a broad segment of society
- Contributed towards meeting the need for wholesome animal-source protein in Turkey
- Led the way forward in creating a sector in which farming and manufacturing are much more efficiently integrated.

[1] GFK 2011
[2] KalDer (TMME Index)
[3] Mediacat&IPSOS
[4] Nielsen 2010
[5] KalDer (TMME Index)
[6] GFK&RepMan 2012
[7] FAO, 2012
[8] Superbrands 2012

A success story that began 40 years ago...

Pınar: The Source of Firsts in Turkey

Imagine a time... When it took courage to be optimistic about the present, much less the future... When the economy had collapsed and every new day brought a new worry... When soaring prices, energy shortages, and black marketeering made life unbearable... When even the most basic foods were unavailable in many places and things like meat, milk, cheese, and butter were "luxuries"... When no one could be sure how they'd wake up the next day or make plans... It was a time such as this that Selçuk Yaşar, imbued with an enterprising and idealistic spirit, introduced Turkey to Pınar, a name that would give birth to a brand-new sector, launch a host of new products, and foster economic growth.

The Yaşar Group believed that it was only in such times of crisis that ventures could succeed in spite of all the risks involved. They recognized that the lack of modern agro-industry in a country whose economy was still heavily dependent on agriculture not only created bottlenecks but also led to the consumption of unwholesome foods. For an industrialist in a developing country not to recognize such a need was unacceptable.

The foundations of the Pınar name, which many years later would become identified with its slogan "Yaşam Pınarım" (Pınar: The source of life), were laid with the establishment of Pınar Süt in 1973. Two years later the company introduced consumers to Turkey's first long-life UHT milk packaged in aseptic containers. Located in the Pınarbaşı district of İzmir (from which it took its name), Pınar's original plant took a major step in the creation of a modern dairy industry by accepting tons of milk produced by some 8,000 local dairy farmers. The introduction of wholesome, long-life UHT milk, the first of its kind in Turkey at the time, was followed almost immediately with the addition of yoghurt, cheese, butter, and milk powder to the product line. Today Pınar is Turkey's biggest milk and dairy products producer, whose procurements of raw milk have expanded far beyond the Aegean into the Marmara, Central Anatolia, and Mediterranean regions and contribute to the livelihoods of Turkish farmers everywhere, while the system which it has created ensures that the same internationally recognized standards of quality apply to all aspects of its production from animal husbandry and milk procurements to the delivery of products to end-users.

Nine years after its introduction of long-life UHT milk packaged in aseptic containers to the market, Pınar authored yet another first with the launch of Turkish Standards Institution-certified

packaged water for the consumer market. At the outset this seemed a hard sell in a country where people were not in the habit of buying and consuming prepackaged water when they could get it for free from taps and public fountains. But burgeoning population, urban sprawl, inadequate infrastructure, and pollution all made access to sources of clean water vitally important. Pınar Süt's sister company Pınar Su commenced production with water harvested from the Şaşal springs in İzmir. In 1996 the company began harvesting water from the Madran springs in Bozdoğan. Today, Pınar Su has expanded its sources to include springs in Sakarya and Isparta. The water which the company harvests is packaged in fully-automated filling plant environments in which a positive interior air pressure is maintained and ambient air is constantly filtered.

The support and encouragement which Pınar Süt gave to dairy farming also led to the growth and development of livestock raising after 1973. The Meat and Fish Authority, a state-owned company, was unable to keep up with demand even in a few big cities much less throughout the whole country. The result was the perpetuation of traditional methods of livestock raising, slaughtering, butchering, and selling, all of which took place under the most unwholesome conditions making it extremely difficult to supply consumers with safe and hygienic meat and meat products. To address these and similar problems, the Yaşar Group set up Turkey's first privately-owned integrated meat-processing plant as well as its first aquaculture facility. Pınar Et, another sister company, produces processed meat, meat products, and frozen meats and meat products in laboratory-equipped plants that conform to the highest standards. Pınar Et was the first meat processor in Turkey to be awarded both ISO 9001 and ISO 9002 certifications. Today the company has a quality assurance system that incorporates US- and EU-recognized hazard analysis and critical control point (HAACP) elements. Pınar Et remains the leader of its sector, of which it controls a 20.7% market share.

Thanks to Pınar's pioneering efforts, a host of products whose wholesomeness would once have been regarded with suspicion or which would have been either difficult to find or else regarded as luxuries have become wholesome, trusted, easily-affordable products that grace our tables. Having transformed milk, water, meat, and fish and their products into organized industries with its Pınar brand, the Yaşar Group continues to lead the way forward as it creates a brighter and healthier future for all.

Pınar Süt's Firsts and Milestones

Pınar Süt was originally founded in İzmir in 1973 as the Middle East's biggest and Europe's most advanced dairy processing complex.

1973
- Pınar Süt is established as the Middle East's biggest dairy processing complex.

1975
- Turkey's first UHT (ultra-high temperature processed) milk and packaged dairy products are introduced to consumers.

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

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

1980
- Pınar Cheddar cheese goes into production.

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

1983
- Pınar Yem is set up to provide high quality feeds to the Pınar Süt's raw milk suppliers.
- Pınar Mayonnaise, Turkey's first domestically-manufactured mayonnaise goes on sale.
- Pınar Beyaz, Turkey's first spreadable cheese, and Pınar Whipped Topping, a powdered product, go into production.
- Triangular cheese goes into production.

1984
- Pınar Süt begins exporting its labaneh, cheese, whipped topping, and mayonnaise products to Kuwait and Germany.

1985
- Pınar Labne (labaneh) is introduced to the Turkish market.
- Turkey's first fully-integrated aquaculture plant.

1990
- Pınar begins producing fruit juices.

1991
- Turkey's first pasteurized day-fresh milk in glass bottles.

1992
- Pınar Süt is awarded the Turkish Standards Institute's "Golden Packaging" award for the introduction of the country's first foil-sealed yoghurt container.
- Form Milk, Turkey's first low-fat milk, and Çikola Süt, chocolate milk made with real, natural chocolate, go on sale.

1993
- Pınar Süt becomes the first food industry company in Turkey to be awarded TS ISO 9002 Quality Management System certification.

1994
- Pınar Süt receives another TSE "Golden Packaging" award for its 10-liter bag-in-box pack design.
- Having successfully demonstrated its compliance with European standards in terms of production, sales, and after-sales services, Pınar Süt becomes the first dairy products company to receive TS ISO 9001 Quality Management System certification.

1995
- Pınar's "long-life" fruit yoghurts and prepared desserts go into production.
- Turkish consumers are introduced to Pınar light (low-fat) and extra light yoghurts and to low-fat triangular cheese.

1997
- Pınar Süt opens its Eskişehir plant.

1998
- 100%-pure Pınar fruit juices go on sale.

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

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

2001
- UHT milk supplied in aseptic bottles goes into production.

2004
- Pınar introduces its Kafela and Çikola Süt line of products in packaging specially designed to appeal to young people.
- Pınar Süt is awarded TS 13001 HACCP Food Safety System certification.

2005
- Pınar Organik Süt, Turkey's first organic milk is introduced to the market.

2008
- Pınar Süt becomes the first company in Turkey's dairy industry to undertake a Lean 6 Sigma project.
- Pınar Milk for Kids, a milk specially designed for child nutrition, is introduced to the market.

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

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

2011
- Pınar's "Gourmet" series of cheddar- and thyme & olive-flavored cream cheeses and triangular cheeses are introduced to consumers.

2012
- Sütkrem, Turkey's first all-dairy clotted-cream alternative with 50% fewer calories goes on sale.
- Çikolatalı Pınar Beyaz, Turkey's first chocolate-flavored cream cheese, is put on the market.

One of Turkey's leading corporate groups...

7,200

The Yaşar Group provides goods and services through 20 companies, 19 factories and plants, 2 charitable foundations, and about 7,200 employees.

The Yaşar Group

"Durmuş Yaşar Establishment", a shop in İzmir's Şeritçiler Çarşısı district which Durmuş Yaşar opened in 1927 and from which he sold naval stores and paints, went on to become the core of what is today the Yaşar Group, one of Turkey's leading corporate groups.

Well-known brands in different sectors

With 20 companies, 19 factories and plants, 2 charitable foundations, and about 7,200 employees, the Yaşar Group is the owner of brands that rank among the leaders of their respective business lines:

- Food & beverages
- Coatings
- Agricultural production
- Paper,
- Tourism
- Foreign trade
- Energy

The group's principal business lines consist of food & beverages and of coatings. The group's two leading brands are Pınar (food & beverages) and Dyo (coatings). Both enjoy top-level rankings as Turkey's "best-known consumer brands".

Food & Beverages Division

The most beloved flavors
The most wholesome products
The most advanced technology

- Pınar Süt
- Pınar Et
- Pınar Su
- Çamlı Yem Besicilik
- Yaşar Birleşik Pazarlama
- Pınar Foods GmbH
- HDF FZCO

Coatings Division

Technological leadership
Strong brands and distribution network

- Dyo Boya Fabrikaları
- Dyo Matbaa Mürekkepleri
- Kemipex Joint-Stock Co
- S.C. Dyo Balkan SRL
- Mediterranean Trade for Paints Co (MTP Co)

A corporate group that has authored many firsts

Keeping a close watch on developments in technology and maintaining an innovative approach, the Yaşar Group continues to author firsts in the business lines in which it is active.

The Yaşar Group launched Turkey's
- First national paints brand
- First 1,100 bed capacity hotel
- First privately-owned dairy plant conforming to international standards
- First privately-owned composite fertilizer plant
- First privately-owned paper plant
- First bottled mineral water supplied in non-returnable packaging
- First privately-owned integrated meat processing & packing plant

Six companies traded in the Borsa İstanbul

Six of Yaşar Holding's subsidiaries are traded on the Borsa İstanbul: Pınar Süt, Pınar Et, Pınar Su, Dyo Boya, Viking Kağıt, and Altın Yunus Çeşme.

In keeping with its environmental and social awareness approaches

Yaşar Holding strives to minimize the environmental impact of all of its economic and commercial activities. All Yaşar Group companies comply with all laws and regulations related to protecting the environment and to reducing pollution caused by business activities.

The Yaşar Group also involves itself in a variety of corporate social responsibility projects that support education, sport, culture, and art.

Regarding corporate responsibility towards its stakeholders as being synonymous with its economic responsibility towards them, on 12 November 2007, the Yaşar Group joined the United Nations Global Compact (UNGC) Network, a voluntary international corporate citizenship initiative. Yaşar Holding published its second UNGC communication on progress report in March 2011 and its first sustainability report in 2012.

The UNGC progress reports published by the group may be accessed and downloaded from the Yaşar Holding corporate website located at www.yasar.com.tr.

The Yaşar Group's mission

To provide trusted-brand, superior-quality products and services that add value to consumers lives.

Tissue Paper Division

Eco-friendly production Innovative products

Lily

- Viking Kağıt

Trade & Service Division

Committed to superior service

Çeşme altın yunus RESORT & THERMAL HOTEL

- Altın Yunus Çeşme
- Bintur
- Yaşar Dış Ticaret
- YADEX International GmbH
- Desa Enerji

Foundations

A responsible corporate citizen

- Yaşar Education and Culture Foundation
- Selçuk Yaşar Sports and Education Foundation


Inspiring
confidence…

To help future generations grow up healthy and strong...

Chairperson's Message

Pınar Süt's fundamental goal is to offer consumers wholesome and delicious products and to be a source of health, flavor, and innovation for them while never sacrificing quality.

goal

Pınar is committed to leading the way forward to help future generations grow up healthy and strong.

The Turkish economy grew by 2.2% in 2012.

After a strong, 8.8% rate of growth in 2011, it became clear that the Turkish economy was in need of a rebalancing in 2012. With inflation once again in decline, the current balance continued to register improvements all year long as exports grew, domestic demand contracted, and imports fell. As a result of successful measures that were taken in 2012, the current account deficit shrank to USD 49 billion.

In this process, domestic demand made a somewhat smaller contribution to total growth while that of external demand increased. Although the overall rate of economic growth fell to just 2.2% in 2012, it appeared to have a much healthier and more sustainable structure than was the case in 2011. Driven especially by higher food prices, the year-on CPI rise in 2011 reached 10.45%. Thanks to the policies that were adhered to and also to the absence of the previous year's low-based effects, consumer prices increased by a much lower 6.16% in 2012.

It is thought that 2013 will be a better year for the Turkish economy. With all economic authorities in agreement that what is needed is a shift to more consistent and sustainable growth, the Central Bank is expected to continue adhering to monetary policies which support such growth and maintain financial stability.

Public-awareness activities increased in Turkey's milk and dairy products market in 2012.

Efforts to increase public awareness in Turkey about milk and dairy product-related issues gained new momentum in 2012. Information campaigns dealing with obesity and the School Milk Campaign were two of the activities that generated the most public attention and response.

Another important development in 2012 was the introduction of a large number of rules and regulations that are of direct concern to our industry and its sector. Many of these changes had to do with increasing the effectiveness of consumer-protection laws while others were concerned with combating the grey-market trade and with preventing unfair competition.

Last year Pınar Süt decided to open a new plant in Şanlıurfa in southeastern Turkey, thus bringing the number in its portfolio (İzmir and Eskişehir) to three.

At an investment cost of TL 100 million, Pınar Süt Şanlıurfa will be providing employment directly to 250 people and it will be creating value for the region as a whole by affecting the lives of about 5,000 families indirectly through the plant's procurements, sales, shipping, and packaging materials production processes. Investments that we made four decades ago transformed the Aegean region into Turkey's dairy production center. Our goal with this new investment is to spark similar developments in Southeastern Anatolia. The new plant that we're building in Şanlıurfa will have an annual milk-processing capacity of 180 million liters and it will go into production before the end of 2013. When it does, the combined milk-processing capacity of Pınar Süt's three plants will exceed 900 million liters a year, of which Şanlıurfa will be contributing 20%.

The Pınar Süt Şanlıurfa plant will be producing milk, yoghurt, and ayran intended for the domestic market in the first phase. Another goal of this investment is to support the growth and development of the local dairy-farming industry through milk procurements, improvements in veterinary care, artificial insemination programs, and farmer education both in Şanlıurfa and in neighboring provinces and townships. A longer term goal is to give us logistics- and cost-related advantages as we move deeper into export markets, especially in the Middle East.

Pınar Süt continued to boost its market share in 2012.

Last year Pınar Süt increased its share of the long-life milk market to 31.8% on a turnover. We also maintained our market leadership, as measured by turnover, with shares of 17.8% in the flavored children's milk (Kido brand) segment, 53.5% in fortified children's milk, and 41.8% in all forms of spreadable cheese.

In 2012 the Pınar Süt Marketing Group pulled off a highly successful relaunch campaign. Pınar Süt's "Büyüdüm, büyüdüm" campaign, whose message focused on the pride of raising healthy generations of children, was chosen as "the best-liked advertisement". In a survey conducted jointly by Capital and GFK, Pınar Süt also emerged as "the best-liked company" in Turkey's milk and dairy products industry. The 2012 Pınar Labne (labaneh) campaign won the year's Golden Effie award. Pınar Süt's Krem Peynir (cheese spread) campaign further strengthened the company's leadership of that segment by boosting its market share 5.6 points to 23.6%. According to the results of the RepMan Reputation Survey, Pınar not only once again ranked among Turkey's most highly respected brands but it also advanced its position from 8th to 7th place. 2012 was also a successful year from the standpoint of the launching of new products: Sütkrem (a low-fat clotted cream) and Çikolatalı Beyaz (a chocolate-flavored cream cheese) were both introduced to consumers last year.

2012 was also a year in which we carried out a major restructuring of our away-from-home line of products for commercial and institutional customers, which were repositioned under the "Pınar Profesyonel" label.

We are supporting the Price Stabilization Policy.

In 2012 Turkey's National Dairy Council adhered to a price stabilization policy under which members of our sector, Pınar Süt being one of them, entered into procurement contracts whose terms have been formulated, among other things, to protect Turkey's dairy farmers. As of year-end, our company was procuring milk from more than 200 dairy farms and more than 30,000 individual producers.

Our mission is to keep consumers supplied with superior-quality, wholesome products.

Pınar Süt's fundamental goal is to offer consumers wholesome and delicious products and to be a source of health, flavor, and innovation for them while never sacrificing quality. Our company keeps a close watch on evolving consumer trends and it takes a proactive approach in order to incorporate global and sectoral technological developments into its production processes. Similarly and because it is a principle at Pınar Süt to be customer-focused in our approaches and to make products that are appropriate to customers' needs and expectations, Pınar Süt gives great importance and priority to research and development.

In 2012 the Pınar Group focused on developing projects and introducing sectoral innovations that will contribute towards healthier future generations. In line with this effort, the group launched the Pınar Institute last year.

In 2013 Pınar Süt will be working on:

- Achieving growth rates above market averages in all product categories
- Increasing the share which the proceeds from international sales make to its total turnover
- Fulfill the requirements of both OHSAS 18001:2007 Occupational Health and Safety Management System and ISO 50001:2011 Energy Management System certification and be certified for both standards.

As a member of the United Nations Global Compact Network, one of the world's biggest civil initiatives, we constantly strive to do better by all of our stakeholders in the creation of a sustainable future. In line with our sustainability efforts, we are committed to fulfilling our pledge to reduce our carbon footprint by at least 15% between now and 2020.

In 2013 we will continue to actively support communication on all fronts in our ongoing effort to raise consumer awareness and to offer new products in line with consumers' needs.

Pınar Süt is determined to lead the way in helping future generations grow up healthy and strong.

In closing, I take this opportunity to thank, personally and on behalf of the Board of Directors, our valuable team for the performance that we achieved in 2012.

2013 marks Pınar Süt's 40th year in business. I have complete faith that, with the support of our customers, shareholders, and business partners, we will celebrate many more anniversaries as a distinguished brand and that we will also help many other generations grow up healthy and strong. For inspiring that faith, I extend my sincerest appreciation to you all.

İdil Yiğitbaşı
Chairperson of the Board of Directors

At an investment cost of TL 100 million, Pınar Süt Şanlıurfa will be providing employment directly to 250 people and it will be creating value for the region as a whole by affecting the lives of about 5,000 families indirectly through the plant's procurements, sales, shipping, and packaging materials production processes.

Board of Directors, Senior Management, Audit Committee

İdil Yiğitbaşı
Chairperson

Yılmaz Gökoğlu
Deputy Chairperson

Turhan Talu
Independent Director

Ali Yiğit Tavas
Independent Director

Mehmet Aktaş
Director

Hakkı Hikmet Altan
Director

Hasan Girenes
Director

The Board of Directors and Terms of Office

Name	Title	Term of Office
İdil Yiğitbaşı	Chairperson	15 May 2012 - One year
Yılmaz Gökoğlu	Deputy Chairperson	15 May 2012 - One year
Turhan Talu	Independent Director	15 May 2012 - One year
Ali Yiğit Tavas	Independent Director	15 May 2012 - One year
Mehmet Aktaş	Director	15 May 2012 - One year
Hakkı Hikmet Altan	Director	15 May 2012 - One year
Hasan Girenes	Director	15 May 2012 - One year

Limits of Authority:
Both the chairperson and the members of the Board of Directors possess all of the authorities set forth in the applicable articles of the Turkish Commercial Code as well as in articles 11 and 12 of the company's articles of association.

Senior Management

Name	Position
Ergun Akyol	Vice President
Gürkan Hekimoğlu	General Manager
Erhan Savcıgil	R&D and Technology Coordinator
Mustafa Şahin Dal	Financial Affairs and Budget Control Director
Muzaffer Bekar	Finance Director
Serdar Türkmen	İzmir Plant Director
Mehmet Erdi Eren	Eskişehir Plant Director

Effective 4 June 2012, the company's general manager Ergun Akyol was appointed deputy chairperson and Gürkan Hekimoğlu, Eskişehir Plant Director, was made general manager in his place. As of the same date, the position of Technology Coordinator was created at the company and Erhan Savcıgil, İzmir Plant Director, was appointed to fill it while production managers Erdi Eren and Serdar Türkmen were appointed to head the Eskişehir and İzmir plants respectively.

The Audit Committee and Terms of Office

Name	Appointed	Term of Office
Kamil Deveci	15 May 2012	One year
Onur Öztürk	15 May 2012	One year

Limits of Authority:
Under article 15 of the company's articles of association, the duties, authorities, and accountabilities of auditors are governed by the applicable articles of the Turkish Commercial Code.

* Background information about members of the Board of Directors and senior managers is provided on page 51 of this report.


Working for something better

School Milk Campaign vitality…

65%

Plain milk accounts for 65% of overall milk market turnover.

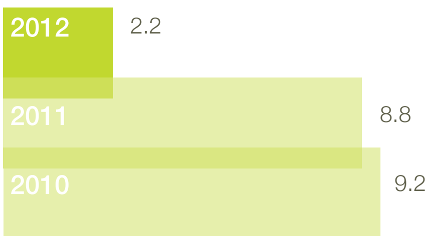
The Turkish Economy and the Dairy Industry in 2012

The designation of UHT milk for use in the School Milk Campaign that was inaugurated for the first time in Turkey in 2012 represents a significant development for the Turkish dairy industry.

2.2%

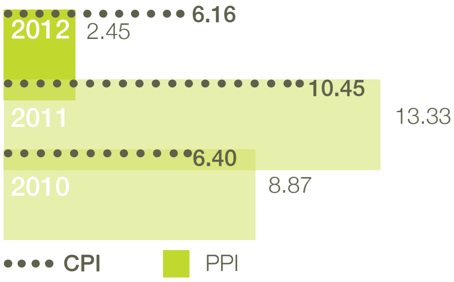
The Turkish economy grew by 2.2% in 2012.

GDP Growth Rate - Fixed Prices (%)



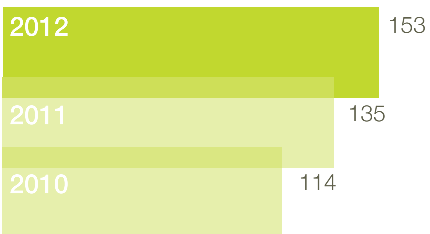
The Turkish economy grew by 2.2% in 2012.
After growing by 8.8% year-on in 2011, the Turkish economy grew by only 2.2% in 2012.

Inflation (%)

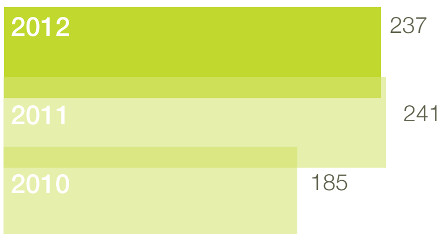


Inflation appears to be in decline.
In the twelve months to end-2012, the consumer price index (CPI, 2003 = 100) increased by 6.16%. During the same period, the producer price index (PPI) plummeted from 13.33% to just 2.45%.

Exports (USD billion)



Imports (USD billion)



Increases in exports impacted favorably on economic indicators.
Turkey's total exports increased by 13.1% in value in 2012 and reached USD 153 billion while imports were down slightly by 1.8% year-on and amounted to USD 237 billion. The country's terms of trade (TOT) ratio, which was 56.0% at end-2011 rose to 64.5% as of end-2012.

Source: TurkStat, CBT, Undersecretariat of Treasury

In 2012

Global milk consumption

According to the Tetra Pak Dairy Index published in May 2012, the world's total milk consumption amounted to 72.5 billion liters in 2011. Tetra Pak projects a worldwide consumption figure of 80 billion liters in 2014.

The Dairy Industry

World Markets

The worldwide market for milk and dairy products (including non-packaged milk) reached some 300 million liters and accounted for 18% of all beverage consumption. Packaged milks made up a 63% share of all milk-based beverages while milk powders and unregulated milks had market shares of 12% and 25% respectively. The packaged milk market was split 41%/59% between UHT and pasteurized milk. Between 2008 and 2011, the market for UHT milk grew by an annualized compound rate of 5% while the pasteurized milk market grew by a much slower 2% year-on. It is projected that these growth rates will be 6% and 2% respectively between 2011 and 2014.

Worldwide per capita consumption of dairy products corresponded to 44 liters. This figure is likely to reach 47 liters by 2015.

Emerging and developing markets are expected to account for about a 60% share of total world production by 2020 with developed economies' share falling to around 40%.

A worldwide increase in health awareness at the individual level strengthens the demand for natural, less-processed foods. At the same time, low-/non-fat products and vitamin-/mineral-fortified products are also becoming increasingly more popular while the demand for so-called "functional" products which support bone health, brain health, heart health, and the immune system or which improve physical appearance is also growing. There is a significant increase in consumer segmentation in all categories but especially in products that are intended for children.

In recent years there has been greater attention to fair-trade issues and to "green" products in Europe and elsewhere. Such trends are fueling launches of fortified products even by market leaders. In an associated development, packaging that is eco-friendly, biodegradable, and/or recyclable is also gaining increasing importance.

Per Capita Milk Consumption (lt)

Northern Europe	99
North America	66
Southern Europe	57
Middle East	52
South American	49
Central Europe	47
Russia	42
Oceania & Australia	37
Southern & Southeast Asia	30
Worldwide	33
Turkey	24
Africa	13
China	6

Source: Tetra Pak

65%

Plain milk accounts for 65% of total market turnover.

UHT milk accounts for a 45.8% share of the total Turkish milk market as measured on a tonnage basis. Of that amount, the overwhelming majority (93.0%) is plain milk.

8%

The yoghurt market's turnover increased by 8%.

The Turkish Market

According to Ipsos KMG, a survey-based marketing research firm, UHT milk accounts for a 45.8% share of the total Turkish milk market as measured on a tonnage basis. Of that, the overwhelming majority (93.0%) consists of plain milk followed by flavored milks (4.5%) with fortified milks (1%), light milks (0.9%), and organic milks (0.2%) commanding only very small market shares.

Average prices in 2012 were higher than they were in 2011. That, together with a spate of adverse media attention, caused some UHT plain milk consumers to have recourse to lower-priced store brands and to pasteurized and even unregulated milk. This change in consumer preferences manifested itself as something of a decline in UHT milk sales. Again according to Ipsos KMG, sales of unregulated milk and pasteurized milk were 2.6 tons and 0.8 tons higher in 2012 than they were in 2011 while UHT milk sales were down by 3.5 tons. The three categories' market shares by volume last year were 52%, 2.2%, and 45.8% respectively.

The losses in UHT milk tonnage and turnover were mitigated somewhat during the year by action taken by both the government and a number of NGOs to refute adverse media reports about such milk. Probably the most important development in this direction was the decision that the milk which would be used in the national School Milk Campaign launched in 2012 would be UHT milk.

Producers also undertook communication investments that focused on the importance of milk as an effective way of overcoming diet protein deficiencies in Turkey. Such activities also helped support the demand for UHT milk.

Market developments by product category

Milks

Plain milk: Plain milk contributed 65% of the total market's turnover in 2012. Plain milk prices were up by 12.9% last year, which fueled about a 16.5% decline in sales on a tonnage basis and a 5.5% drop in total turnover. (Nielsen, 2012)

Light milk: Light milk accounted for a 2.1% of the market's total turnover. Although sales in this category were down on a tonnage basis, on a turnover basis they were up by 4%.

Fortified milk for children: Fortified children's milk accounted for a 3.2% share of market turnover in which total tonnage was down but turnover was up.

Fortified milk for adults: Sales in this category were down by 9% on a tonnage basis but increased by 2% on a turnover basis.

Flavored milk: Sales in the flavored milk category increased by 6.6% in 2012, though this was a relatively slower rate than what was witnessed the year before. On a turnover basis such sales accounted for 11.9% of the total market, which amounted to about 30 million liters worth about TL 133 million.

Pasteurized milk: Pasteurized milk sales contributed 12% of the market's turnover. This corresponded to 50.3 million liters (up by 45.3% year-on) worth TL 135.3 million (similarly up by 71.4%). (Nielsen, 2012)

Organic milk: Organic milk accounted for a 1% share of the market's total turnover

Total sales in the cheese category amounted to 462,000 tons worth TL 4.5 billion in 2012.

Cheeses

Total sales in the cheese category amounted to 462,000 tons worth TL 4.5 billion in 2012. Packaged cheeses increased by 14% year-on while sales of the non-packaged sort were down by 3%. Packaged cheeses accounted for a 32% share of the total market last year, of which 50% consisted of white cheese, 33% of fresh kashkaval, and 10% of spreadable cheeses. (Ipsos HTP-2012)

Yoghurts & ayrans

Although it grew smaller on a tonnage basis, the yoghurt market's total turnover increased by 8% in 2012. Sales of homogenized yoghurt were up by 3% on a tonnage basis while those of cream-top yoghurt fell by 11% on the same measure, with their total market share dropping by 3 points from 26% to 23%. The fruit yoghurt market, which contributed a 3% share, shrank by 8% year-on.

Intensive price competition increased the market shares of lower-priced brands. The same competition also manifested itself in greater packaging and weight diversity and in stronger growth in the "home-made yoghurt " segment.

The ayran market increased by 10% on a tonnage basis in 2012. Bottled ayran sales, accounting for 60% of the total, were up by 16%; at 37%, the share of individual-portion packaged ayran products was down by 3% year-on.

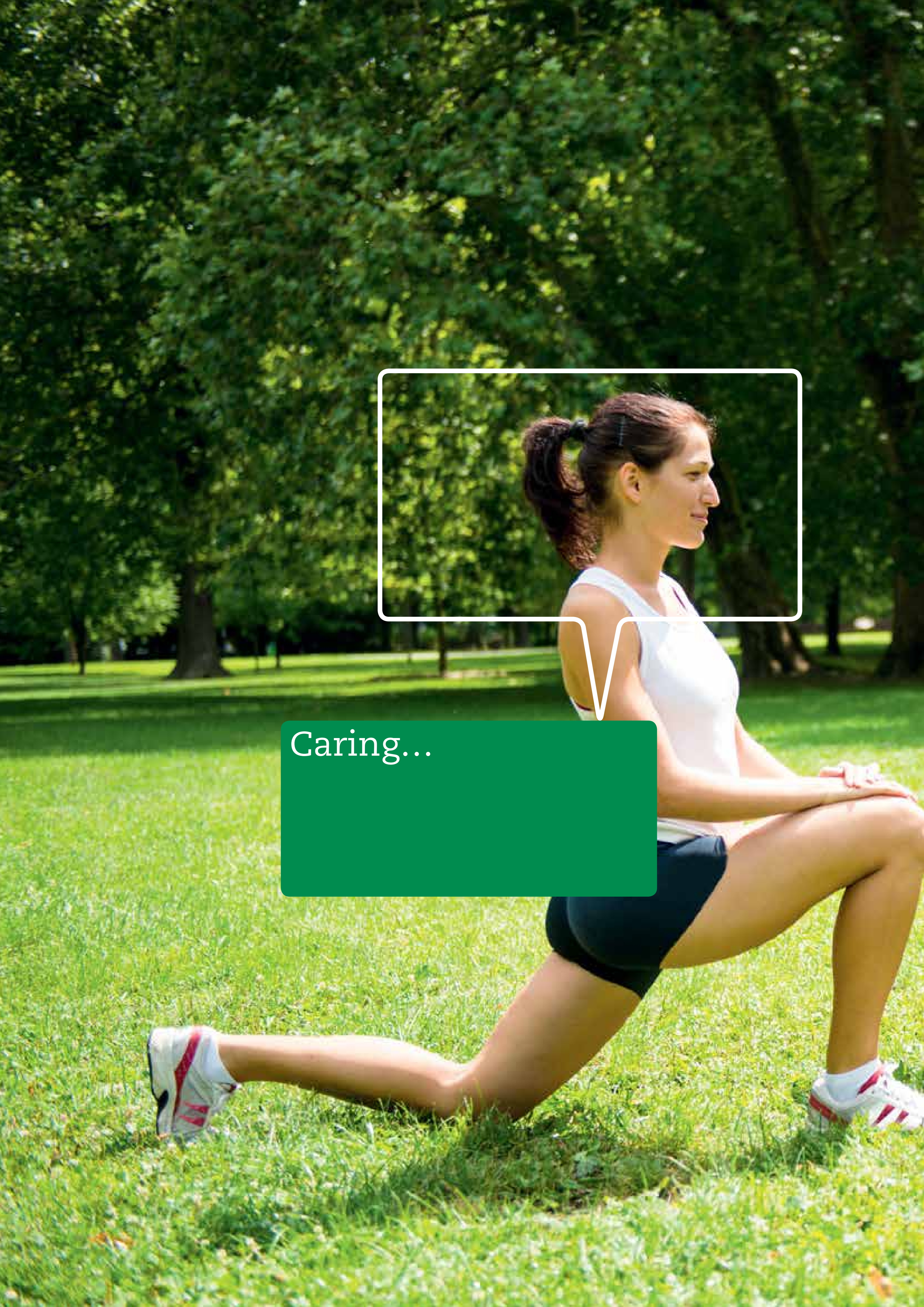
Condiments

Ketchup sales in 2012 weighed in at 19,836 tons and amounted to TL 84 million in value. Although this represents a year-on decline in tonnage, turnover was nevertheless up. The small-package segment has begun to gain importance, a process which is being driven by the entry of new players.

In a somewhat similar manner, mayonnaise sales amounted to 10,667 tons worth TL 83 million. They too were down on a tonnage but up on a turnover basis.

Fruit juices

The fruit juice market shrank by 5% on a tonnage basis but grew by 9% on a turnover basis in 2012. Total fruit juice sales last year amounted to 525,727 liters worth TL 1,173,075 in value.


Caring…

For all of our stakeholders...

27.7%

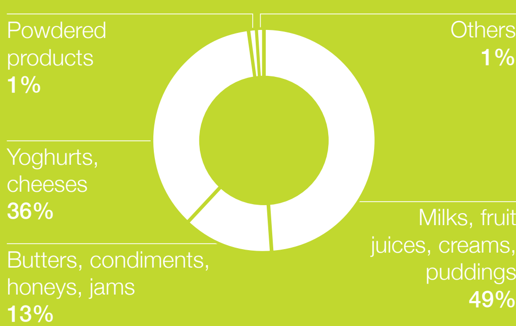
Share of total market turnover in the branded products segment

Pınar Süt in 2012

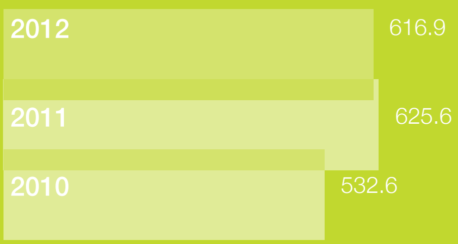
2012 was a year in which Pınar Süt continued to grow consistently and sustainably. Well-defined and insightfully-implemented strategies last year boosted Pınar Süt's share of the branded products segment's total market turnover. (Nielsen 2012)

Pınar Süt once again occupied the market's leading position with turnover shares of 30.2% in long-life plain milk, 64.5% in light milk, 53.5% in fortified children's milk, and 41.8% in spreadable cheeses. (Nielsen 2012)

Breakdown of Gross Sales

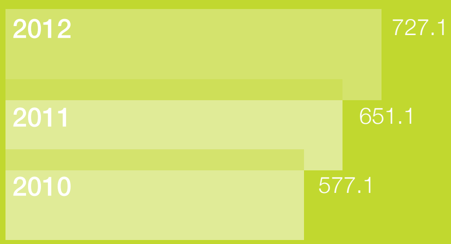


Total Assets (TL million)



Pınar Süt total assets amounted to TL 616.9 million in value as of end-2012.

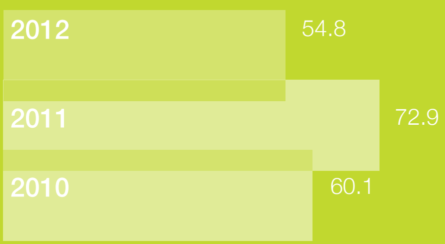
Net Sales (TL million)



During the same twelve-month period, the company's net sales increased by 11.7% and reached TL 727.1 million.

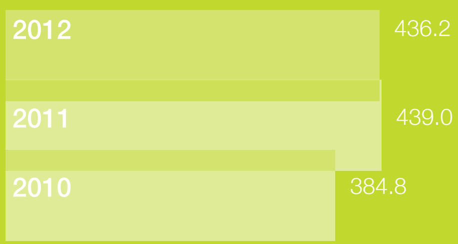
Pınar Süt's gross profit increased by 8.37% year-on in 2012 and reached TL 145.0 million.

Net Profit (TL million)



Although net current profit was somewhat lower owing to marketing, sales, and distribution costs that were higher in 2012 than they were in 2011, it still weighed in at solid TL 54.8 million.

Shareholders' Equity (TL million)



At TL 436.2 million, Pınar Süt's total shareholders' equity remained unchanged in 2012.

11.7%

Net sales were up by 11.7% in 2012.

Gross Sales (TL)

Product	2012	2011	% change
Milks, fruit juices, creams, puddings	482,916,628	435,107,100	10.99
Butters, condiments, honeys, jams	123,570,600	107,391,937	15.07
Yoghurts, cheeses	353,620,212	298,665,733	18.40
Powdered products	14,234,562	13,430,390	5.99
Others	13,686,372	22,612,976	(39.48)
Total	**988,028,375**	**877,208,136**	**12.63**

30.2%

Pınar Süt was the leader with a 30.2% share of turnover in the plain milk category.

Conducted all year long in 2012, Pınar Süt's effective communication activities, campaigns focusing on consumers' needs, and new product launches enhanced the company's brand potency and strengthened its leading position in nearly every market segment and category.

Market Shares

Total Long-Life (UHT) Milk	Long-Life (UHT) Light Milk	Organic Milk	Fortified Milk for Adults	Fortified Milk for Children
31.8%	65%	87%	85%	53.5%
Leader	Leader	Leader	Leader	Leader

Butter	Spreadable Cheese	Fresh Cheese	Labaneh	Cream Cheese
17%	42%	82%	56%	24%
Second	Leader	Leader	Leader	Leader

Source: Nielsen

2012 developments by product category

Milks*

Plain milk: Pınar Süt is the market leader with a 30.2% share of its turnover.

Light milk: Pınar Süt successfully defended its leading position with a 64.5% share of the segment's turnover.

Fortified milk for children: Despite increasingly sharper competition in this segment, Pınar Süt successfully defended its market share with its "Pınar Kids" and "Pınar Toddler" products and it remained the leader with 54% of total turnover.

Flavored milk: With the help of its ongoing investments in this category in 2012, the company booked a 6.6% rate of year-on growth on a turnover basis. "Pınar Kido" controlled a 17.7% share of market turnover.

Denge Süt: Pınar Süt's "Denge" ["Balance"] line is the unchallenged leader of this specialized market segment, controlling an 85% share of its total turnover.

Organic milk: Pınar Süt's sales of organic milk decreased by 4.9% year-on to 3.5 million liters but nevertheless increased by 9.8% on a turnover basis, which reached TL 15 million in value.

* Source: Nielsen 2012

Cheeses

Pınar Süt's share of the spreadable cheeses market's turnover increased by 2.6% year-on and reached 41.8%. Pınar Süt successfully maintained its leading position in this category.

At year-end 2012, Pınar Süt was the leader of the labaneh market with a 55.8% share of its total turnover.

In the cheese spread category, Pınar Süt experienced a 5.6 percentage point year-on increase in its share of turnover, which reached 23.6%. Pınar Süt remains the leader in the cheese spread category.

Last year Pınar Süt diversified its lineup of spreadable cheese products with the addition, in October, of Pınar White with Chocolate, a chocolate-flavored cream cheese that went on sale as "the cream cheese that makes kids who love chocolate love breakfast".

Another innovative new product introduced to the Turkish market in 2012 was Sütkrem, a clotted-cream alternative for the weight-conscious. Sütkrem tastes like clotted cream but with 50% fewer calories than the regular kind, it immediately proved to be highly popular among consumers.

organic

Pınar Süt is the only dairy company capable of supplying organic yoghurts to the entire national market.

Having originally launched an organic yoghurt product in 2011, Pınar Süt followed up its success last year with the launch of new products that contributed to increased tonnage and boosted the share of the organic products segment in the total portfolio.

54.5%

Pınar Süt was also the market leader in the sliced cheeses segment.

In the triangular cheese category, Pınar Süt controls a turnover share of 22.9%.

In the cream cheese category, Pınar Süt's share of total turnover increased by half a point year-on to 6.2%. In March 2012, Pınar Süt introduced an organic cream cheese to the market.

In the kashkaval cheese category, Pınar Süt's share of total turnover fell by 0.7 points year-on to 5.3% in 2012.

In the sliced cheese category, Pınar Süt boosted its turnover share by 1.8 points to 54.5%. The company remains the leader of the pre-sliced cheeses market.

Yoghurts & ayrans

New products added to the line of organic yoghurts that was introduced to the market in 2011 helped increase tonnages in this segment while also boosting the share of organic products in the overall portfolio. An effort was also made to reach new consumer groups by replacing the 800-gram organic yoghurt container with a 1,000-gram one and by introducing a 100-gram four-pack organic full-fat yoghurt and a 750-gram organic light yoghurt.

Pınar Süt is the only dairy company in Turkey capable of supplying organic yoghurts to the entire national market. Advertisements and advertorials appearing in magazines that appeal to mothers and families drew attention to the benefits of organic products. During the launch of its 100-gram four-pack products, Pınar Süt conducted workshops designed to attract mothers and their children in support of the campaign. Besides focusing on the benefits of organics, these workshops also provided information about using organic yoghurts as an ingredient in food preparation.

The packaging of the products in the light yoghurt portfolio was renovated in 2012. New materials were used and new designs were created so as to more effectively attract shoppers' attention to their place on store shelves. Information noting that the product contains 96% less fat and has 35% fewer calories was prominently incorporated into the packaging design so as to appeal to weight-conscious consumers. These changes boosted light yoghurts' market share at a rate that was higher than overall market growth.

In the ayrans category, in-store tastings were conducted all year long. Promotional activities related to cream cheeses and fruit juices were staged at beaches during the summer. Soudjouk and ayran tastings were organized at business centers. Light ayran was put on the market in both bottles and individual-portion sized containers.

Pınar Süt defended its 17.2% share of the butters market in 2012.

21%

Pınar Süt registered a 21% rate of year-on growth in the fruit juices category in 2012.

Condiments

In the ketchups and mayonnaises category in 2012, Pınar Süt reached the highest market shares that it has experienced in the last three years. This performance appears to have been aided by the introduction of advantageously-priced twin-packs and by more effective distribution. Pınar Süt registered year-on growth rates of 1% and 7% respectively in ketchups and mayonnaises and it remains one of the top three brands in both products.

In the ketchups market, Pınar Süt's share of total turnover increased by half a point year-on to 13.5% while in the mayonnaises market its market share grew by 1.3 points and reached 17.6%.

The visibility of Pınar-brand condiments in stores was enhanced by means of stand placements and season-related campaigns and discounts. In December, a special "New Year's Package" of Pınar mustard, ketchup, and mayonnaise was put on the market.

Powdered products

In the powdered products category, below-the-line advertising was used to promote products that were newly launched in 2011. Products' in-store visibility was increased by means of tastings that were organized in the run-up to Mother's Day, a pudding-related press release that coincided with Ramadan, and season-related campaigns and discounts.

Fruit juices

In the fruit juices category, Pınar Süt's sales increased by 5% on a tonnage basis and reached 24,400,000 liters. This corresponds to a 21% year-on increase in turnover, which reached TL 54,702 million. Last year Pınar Süt increased its share of this market's turnover by half a point to 4.7%.

19.8%

Pınar Süt's exports increased by 19.8% on a USD basis in 2012.

Exports (USD million)

Share of Exports in Total Sales (%)

22%

In 2012, Pınar Süt on its own accounted for 22% of all of Turkey's milk and dairy product exports.

A name gaining steadily greater strength and recognition in international markets

Recognizing that it cannot become a global player without first being a regional brand, Pınar Süt engages in a wide range of activities which strengthen its brand image and increase its visibility in other countries starting with those closest to its home market.

Pınar Süt's exports have been steadily gaining momentum since the 1980s. In 2012, Pınar Süt on its own accounted for 22% of all of Turkey's milk and dairy product exports.

Pınar Süt exports goods to more than 40 destinations, principally to Middle Eastern and Gulf countries but also to its neighbors, to the Turkic republics of Central Asia, to Far Eastern countries, to the United States, and to EU countries. In 2012 Switzerland, Hong Kong, and Afghanistan were added to the roster of countries which Pınar Süt sells and ships its products too.

Gulf and Middle Eastern countries, where the company has had a presence as an exporter for three decades, are the main buyers of Pınar Süt's products. Pınar Labaneh in particular is the leader in its product category with an overall 45% market share in these countries ranging between 35% in Saudi Arabia and the United Arab Emirates and 50% in Kuwait. Another Pınar product that has proven to be very popular in these countries is "Breakfast Cream", a dairy product resembling clotted cream that was specially created to appeal to local consumer tastes.

Pınar also exports UHT milk, white cheese, cream cheese, double cream, fruit juices, yoghurt, and ayran to these countries.

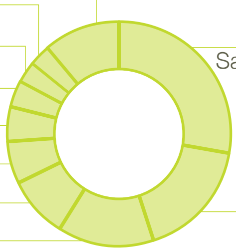
Pınar brand-related promotional and marketing activities were also increased in foreign markets. Pınar Süt, the first Turkish milk and dairy product brand to enter the EU market, was also promoted in those countries in 2012.

In 2012 Pınar Süt exported a total of 14,701 tons of goods on which it secured export earnings worth USD 39.9 million.

Market-share-boosting campaigns and their results

In the plain-milk category: a communication campaign that was conducted in October and November 2012 focused on the message "Previous generations grew up healthy and strong with Pınar Süt: Now it's the Next Generation's turn". This TV, radio, internet, and outdoor campaign was widely acclaimed

Breakdown of Exports by Destination (%)



among consumers, who manifested significant enhancements in their awareness of such Pınar brand-image values as "trusted", "approachable", "nourishing", "tasty", and "appealing".

In the light milk category, marketing was intensified beginning in April in order to benefit from heightened consumer weight-consciousness in the run-up to the summer season. In order to enhance this product category's visibility: internet communication was used in April through June; live broadcasts and online chats with dieticians on Facebook were used in March through May; an interactive "My Calorie Counter" module was added to the Facebook page in May; below-the-line advertising was used in May and June.

For the "Pınar Kids" and "Pınar Toddler" product line: a "Story Of Three Generations" TV campaign that was conducted from late-January to end-February was also supported by means of magazine adverts; "My Mother's Diary" was added to the Facebook page beginning in January; the support of an outside specialist was solicited for the first time in this product line in order to increase category awareness–a pediatrician who was recruited for the Facebook-conducted campaign took part in online video chats and live demonstrations and responded to consumers questions; in a "Mum's Happy When Baby's Happy" digital campaign that was conducted in May through July, pictures of eight babies with the cutest smiles were selected and were used on the backs of Pınar children's milk packaging; in November and December, point-of-sale activities were conducted on 10 national TV channels and in Turkey's four biggest cities.

In the flavored milk category, communication activities were conducted all year long for the "Kido" brand in order to strengthen its position: in the 2012 advert for the "Kido Çikomiks" product that was launched in November 2011, five children selected from among those who took part in the "Kido's looking for advertising stars" campaign mounted in 2011 and the advert was broadcast in January and February; in parallel with year-long campaigns, a large number of interactive games and apps for children appeared on the kido.com.tr website including "Çikomiks Factory", "Mysterious Cavern", "Mysterious Journey", "Karaoke with Gökçe", and "Magic Notes".

In the flavored milk for adults category: "Çikola" was introduced to consumers in August following flavor improvements; the product began appearing on shelves in its newly redesigned packaging in December.

For Pınar's "Denge Süt" product: a "Dengeli Hayat" ["Balanced Life"] Facebook page was launched in February in order both to communicate with consumers and to increase product awareness.

For Pınar Labaneh, a Pınar Süt cheese group product that has become very popular among consumers: A "The Taste of Fame" campaign was conducted first in December 2011 to January 2012 and again in June 2012 using outdoor, newspapers, and internet as media as well as TV; the number of Pınar Labaneh's Facebook followers reached 82,000; the campaign successfully boosted turnover-based market share by two points to 58%.

Turquality Project

Pınar Süt was one of the first and most important fast-moving consumer goods (FMCG) brands to join the Turquality Project,* a government-supported project conducted by the Undersecretariat for Foreign Trade. As a result of its successful efforts, Pınar was included in the second 5-year phase of the project in 2012.

* 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".

2013

The Şanlıurfa plant investment is slated to become operational in 2013.

Pınar Süt has decided to build a third plant in keeping with the strategic plans which it has formulated in line with its growth policies.

29.7

Pınar Süt's investment outlays in 2012 totaled TL 29.7 million in value.

For Pınar Cream Cheese in February and March: A "The cream cheese that makes you love breakfast" campaign was conducted; above-the-line advertising was used; supermarket drawings were conducted in which puppets and gifts based on the "Pınar Brain" character were given away as prizes. These communication activities raised Pınar Süt's cream cheese category market share from 76% to 82%.

For the "Pınar White with Chocolate", Turkey's first chocolate-flavored cream cheese that went on the market in October, communication began in December in the form of a "The cream cheese that makes kids who love chocolate love breakfast" campaign through school-centered activities that reached 200,000 children of kindergarten and primary school age and their mothers.

For Pınar Cheese Spread: A "Gimme Gimme" campaign was conducted in April and May using TV, radio, outdoor, and internet as media while 100,000 people were reached through tastings organized at business centers, breakfast venues, waterside venues, commuter ferries, and universities. Pınar Cheese Spread sales increased by 30% during the campaign.

For Pınar fruit juices, a product line for which there has been no communication for quite some time: communication support was provided through a mainly outdoor- and radio-based campaign in 2012 in order to put Pınar fruit juices back on consumers' agendas; the "That's the Real Flavor" campaign also introduced Pınar fruit juices through attention-getting taste trials.

Production capacity invigorated by new investment

Innovation and change are important elements of Pınar Süt's corporate culture. The company adheres to an investment program which constantly builds upon its existing technology and knowledge bases and transforms the strengths they nourish into competitive advantages and which is compatible with changing sectoral conditions.

Pınar Süt has decided to build a third plant in keeping with strategic plans which it has formulated in line with its growth policies. The foundations for the plant, which is to be located in Şanlıurfa, will be laid in 2013. Pınar Süt's existing ability to deliver goods to every part of Turkey will be further strengthened by the logistical advantages arising from this investment in the country's southeast. This investment also has a number of other missions such as increasing local employment opportunities and achieving broader penetration of the Pınar brand in a region whose proximity to Iraq and Gulf countries–substantial markets for the company–will be an added plus. The Şanlıurfa plant investment is slated for completion by end-2013.

The total value of all investments undertaken by Pınar Süt in 2012 amounted to TL 29,695,797, of which TL 4,725,081 was for building, underground, and land improvements; TL 22,558,747 for machinery & plant; TL 775,655 for vehicles' TL 1,500,677 for fixtures; and TL 135,637 for rights. TL 19,473,367 worth of all investments in 2012 were covered by the company's investment incentives certificate (nr 97128 dated 30 June 2010).

Regarding both output- and value-creation as its primary responsibility and adhering to the most efficient of production models in order to achieve this, Pınar Süt will continue to undertake investments which increase production effectiveness in the future as well.

Awards & recognitions

- According to a survey conducted by the RepMan Reputation Survey Center, which ranks companies and sectors on the basis of their perceived reputations, Pınar numbered among Turkey's ten most highly respected brands.

- The Turkish National Customer Satisfaction Index (TMME) as calculated by the Turkish Quality Association (KalDer) increased by 0.2 points in the second quarter of 2012 (as compared with the first) and reached 76.7. According to KalDer's findings, Pınar-brand fruit juices ranked first in their sector.

- Conducted jointly by KalDer and KA Research Limited, TMME is a quarterly economic indicator that measures customer satisfaction with goods and services purchased in Turkey. According to the index's 2012 Q3 results, Pınar was one of the top two brands in the milk and dairy products category.

- In the 2012 "Most Sincere Brands Survey" conducted by Ipsos for MediaCat, Pınar repeated its previous year's success by ranking first in the milk and dairy products category.

- According to company tracking reports issued by GfK Türkiye, Turkey's leading market research agency, Pınar's 39% score makes it the food sector brand that first comes to people's minds. Pınar also received the highest marks on such measures as "Trusted" (56%), "Quality" (57%), "Feel close to" (49%), "Modern" (48%), "Expert" (55%), "Tasty products" (53%).

- According to a survey of the Turkish business world's most admired companies conducted jointly by Capital, a business and economics magazine, and GfK Türkiye, Pınar Süt ranks first in the milk and dairy products sector.

- Only four of the superbrands identified in 2011 by the Superbrands Council and Nielsen were able to retain that status in 2012. While most of the newcomers to the 2012 list were in the food & beverages category, Pınar was one of only a handful of brands that successfully defended its top-ten standing for two years in a row.

- On the "Agricultural Cooperatives: Key to Feeding the World" World Food Day (16 October) forum organized by the Food Employers' Association of Turkey (TÜGİS), the Food and Agriculture Organization of the United Nations (FAO) recognized Pınar Süt for its contributions to the food industry.

- Pınar Süt's Eskişehir plant received the "Cleanest Industry" award from the Ministry of Environment and Urban Planning.

- Pınar-brand plain milk took first place MediaCat Felis awards in the "Best Use of Television Media" and "Best (5-15 Age Group) Children's Target Audience" categories for its use of scrollers on the Kanal D TV channel's "Sweet Dreams" children's program in February-June 2012.

- Pınar's "Crazy Juice" series received the Ay Yıldızları award for packaging excellence in 2012.

- According to the 2011 Brand Value report published by BrandFinance, Pınar Süt ranked 30th among the top 100 brands.

- Pınar Süt is one of the top five "Corporate Tax Champions" regularly recognized by the İzmir Chamber of Commerce and İzmir Department of Taxation.

- In 2012 Pınar Süt was the recipient of the Aegean Region Chamber of Industry (EBSO) awards in the "Best Domestic Sales Performance By An Original Brand" and "Best International Sales Performance By An Original Brand" categories. The company was also the second-highest taxpayer among the chamber's membership. Among EBSO members involved in the dairy industry, Pınar Süt took first prize as the firm carrying out the most investment, the firm with the most exports, the firm providing the most employment, and the firm with the highest output.

- The "Respect For People" and "Most Applied-To Company" awards that were handed out by kariyer.net, an internet human resources platform that recognizes, acknowledges, and publicizes successful human resources practices, were accepted by Yaşar Holding on behalf of all group companies.

Corporate governance rating

In 2012

According to a corporate governance compliance report issued by SAHA Corporate Governance and Credit Rating Services, Pınar Süt scored 8.34 points out of a possible 10 in a report published in November 2011. In SAHA's follow-up report dated 23 November 2012, Pınar Süt's rating was raised to 8.87.

1st

According to a survey of the Turkish business world's most admired companies conducted jointly by Capital, a business and economics magazine, and GfK Türkiye, Pınar Süt ranks first in the milk and dairy products sector.

For our customers and consumers...

The Pınar Süt product portfolio

Functional Products

- Toddler & Follow-On Milk (plain)
- Pınar Kids Follow-On Milk
- Pınar Kids Follow-On Milk (Honey-flavored)

“Denge” Product Line
- Calcium + Vitamin A, D & E Milk
- Lactose-free Milk

Milk

Boxed Milk
- Long-Life Milk
- Organic Milk
- Organic Light Milk
- Pasteurized Day-Fresh Milk
- Pınar Kido Milk (Strawberry, Banana, Cocoa, Biscuit, Chocolate & Strawberry, Chocolate & Wafer Mash)
- Pınar Adult Flavored Milk for Adults (Chocolate, Coffee)
- Bottled Milk
- Light Milk
  - 50% Light Milk
  - 0.1% Light Milk

Yoghurt

- Pınar Natural Yoghurt
- Pınar Natural Half-fat Yoghurt
- Pınar Natural Full-Fat Yoghurt
- Pınar Natural Light Yoghurt
- Organic Yoghurt
- Pınar Skimmed Pan Yoghurt

Ayran

- Pınar Şişe Ayran (bottled)
- Pınar Bardak Ayran (individual portion)
- Pınar Light Ayran

Cheeses & Butters

Spreadable Cheeses
- Cheese Spread
- Thyme & Olive Cheese Spread
- Cheddar Cheese Spread
- Pınar Cream Cheese
- Pınar Light Cream Cheese
- Pınar White with Chocolate
- Pınar Labaneh
- Pınar Light Labaneh

Convenience Cheeses
- Sliced Burger Cheese
- Pınar Kido Triangular Cheese
- Full-Fat Triangular Cheese
- Thyme & Olive Triangular Cheese
- Cheddar Triangular Cheese
- Half-fat Triangular Cheese
- Light Triangular Cheese
- Toasting Cheese Slices

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

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

Specialty Cheeses
- String Cheese
- Cheddar Cheese
- Mozzarella Cheese

Fruit Juices

Fruit Nectars
- Sour Cherry Nectar
- Peach Nectar
- Mixed Mediterranean Fruit Nectar
- Apricot Nectar
- Orange Nectar
- Sour Cherry & Apple Nectar

100% Pure Fruit Juices
- Pınar 100% Pure Orange Juice
- Pınar 100% Pure Apple Juice
- Pınar 100% Pure Peach & Apple Juice
- Pınar 100% Pure Apricot & Apple Juice

Fruit Drinks
- Pınar Tropical
- Pınar Orange & Peach
- Pınar Orange, Carrot & Lemon
- Pınar Orange, Pear & Apple
- Pınar Pear & Pineapple

Condiments

Sweet Sauces
- Pınar Chocolate Sauce

Ketchups (regular & spicy)

Mayonnaises
- Jar Mayonnaise
- Light Mayonnaise

Mustards

Pınar Whole Cream

Pınar Sütkrem (Clotted Cream)

Desserts & Sweets

Convenience Desserts
- Kido Puddings (cocoa, banana)
- Puddings (cocoa, banana, vanilla, bitter chocolate, chocolate & hazelnut flavored, supangle)
- Chantilly Cream

Bulk-Packed Products for the Food Trade

Milk
- Food Trade Milk full-fat & half-fat)
- Pınar Bag-In-Box Milk (full-fat & half-fat)

Cheeses
- Pınar Labaneh
- Pınar Cream Cheese
- Pizzarella
- Toasting Cheese Slices

Butters
- PVC-Tub & Foil-Wrapped Portions
- Roll Butter

Yoghurt
- Pınar Natural Yoghurt

Ayran

Dehydrated Milk for the Food Trade
- Dehydrated Skim Milk
- Dehydrated Full-Fat Milk
- Dehydrated Whey

Condiments
- Food Trade Mayonnaise
- Food Trade Ketchup
- Bucket Mayonnaise
- Bucket Ketchup

21

Pınar Süt put 13 new products in 21 different forms of packaging on the market in 2012.

Continuing to take an innovative approach in its sector and to pay heed to consumers' needs, Pınar Süt added new products to its portfolio and introduced them to the market in 2012.

New products introduced to the market in 2012:

Continuing to take an innovative approach in its sector and to pay heed to consumers' needs, Pınar Süt added new products to its portfolio and introduced them to the market in 2012.

- Pınar Sour Cherry & Apple Nectar
- Pınar 100% Pure Peach & Apple Juice
- Pınar 100% Pure Apricot & Apple Juice
- Pınar Light Ayran (0.7% fat) 1 lt
- Pınar Light Ayran (0.7% fat) 200 ml
- Pınar Orange, Pear & Apple Mixed Fruit Drink
- Pınar Pear & Pineapple Fruit Drink
- Pınar Tropical Mixed Fruit Drink
- Pınar Organic White Cheese 400 gr
- Pınar White with Chocolate 200 gr
- Pınar White with Chocolate 20 gr
- Pınar Sütkrem 160 gr
- Pınar Organic Yoghurt 100-gr 4-pack
- Pınar Yoghurt 18 kg
- Pınar White Cheese 4,250 gr
- Pınar Light Labaneh 2,750 gr
- Pınar Pan Yoghurt 2,000 gr
- Pınar Pan Yoghurt 5,000 gr
- Pınar Organic Yoghurt 1,000 gr
- Pınar Organic Yoghurt 750 gr
- Pınar Organic Light Yoghurt 750 gr

Product packaging and closure modifications

Because it is one of the core criteria informing consumers' purchasing choices, packaging needs to address a host of issues ranging from product & brand identity and visual appeal to weight & volume perceptions and from quality to convenience and hygiene. In 2012 a number of functional and visual changes were made in product packaging and closures both to increase the attractiveness of Pınar products standing on shelves and to more fully satisfy consumers' expectations.

Alternative suppliers

In order to create cost advantages and supplier convenience, sources of 250-gr butter tub lids, 16-pack triangular cheese cardboard inserts, fresh kashkaval bottom-foils, and promotional products that could serve as alternatives to the existing national and international sole suppliers of such materials were investigated and identified.

Visual improvements

Changes designed to make products visually more attractive were made in the packaging of 200-gr Pınar Cream Cheese and Pınar Labaneh, in 10/15 gr butter top-foils, in 250-gr butter tubs, in light yoghurts, and in 250-gr/500-gr traditional butters.

Cost savings

Packaging cost savings were achieved by replacing existing 1,500-gr yoghurt tubs with ecolight containers, by reducing the packaging weight of the 2,250-gr yoghurt buckets, by reducing the thickness of the shrink-wrap used in Tetrapak multipacks from 65 microns to 40 microns, and by using barcode labels in 1/5 Tetrapak multipacks.

Shipping container modifications

Inside walls were slimmed and other improvements were made in the shipping containers for S-shaped bottles and food-trade bottles, 200-gr Pınar Cream Cheese and Labaneh for the domestic market, 1/1 UHT milk, and 460-gr Chocolate Sauce trays. In response to chain store customers' requests, containers were altered in size to conform to the 800 mm x 1,200 mm Euro pallet standard.

Other changes

A changeover was made to Tetra Prism packaging in fruit juices as well as to a new wider form of cap which is being used for the first time in Turkey on Pınar fruit juice bottles.

Straws whose colors are keyed to product type are now being used on Pınar Kido Milk cartons.

The transparent material used for ayran PET bottles has started to be replaced with an off-white material.

The PVC used in 118- and 160-mm yoghurt container lids has been replaced with PET.

Complaints that the 800-gr Food Trade Ketchup bottles were releasing their contents too fast were resolved by reducing the diameter of the hole in the cap.

Innovative R&D

Our company keeps a close watch both on evolving consumer trends and on global and sectoral technological developments. Because it is a principle at Pınar Süt to be customer-focused and to make products that are appropriate to customers' needs and expectations, Pınar Süt gives great importance and priority to research and development.

Paralleling growth in the beverages category, Pınar Süt is developing products which incorporate different combinations of fruits and flavors.

In the last quarter of the year, Pınar Süt introduced the Turkish market to its very first product combining the flavors of chocolate and cheese: "Pınar Chocolate Cream Cheese" is a delicious flavor alternative that is proving especially popular with children.

Another innovative product introduced last year is "Pınar Sütkrem", Turkey's first all-dairy spreadable clotted-cream alternative that is healthier because it has only half as much fat and calories as the real thing.

In order to contribute to Pınar Süt's R&D vision and to keep a close watch on and analyze innovations and trends, the company takes part in national and international fairs, congresses, seminars, and the like. Examples of products that are spotted at such events are examined and benchmarked for possible use by the company itself.

In 2012 Pınar Süt took part both in Paris SIAL, the world's biggest and most comprehensive food industry exhibition, and in Health Ingredients Europe, the world's leading ingredients exhibition for health, natural, and nutrition plus wellness solutions.

Pınar Süt has begun using product portfolio management software that allows the company to take a more systematic approach when dealing with product development issues while also shortening the time needed to develop new products.

Pınar Süt quality approach and management systems

In keeping with its mission of supplying consumers with products that are the source of health, flavor, and innovation, Pınar Süt shapes its strategies and business plans in line with consumers' wishes and thus has introduced many firsts to Turkey's food industry. The products and services which are developed in the course of the company's R&D efforts to address consumers' needs and expectations are produced and supplied to national and international markets under the Pınar guarantee of safety and quality.

Pınar Süt installs and deploys management systems capable of supporting constant development in order to make safe and superior-quality products which satisfy both customers' expectations and regulatory requirements and which focus on customer satisfaction. The company employs an effective process model in the conduct of its activities and it reviews and assesses the effectiveness of its management systems and processes at regular intervals.

Pınar Süt's business processes and activities are subject to TS EN ISO 14001:2004 Environmental Management System, ISO 22000 Food Safety Management System, ISO 9001:2008 Quality Management System, and FSSC 22000:PAS 220 Food Safety Management System certifications.

These international standards define the risks which may affect food quality and safety at every stage of production until products reach their final consumer. Taken as a whole, these standards provide the framework for a quality management system that makes it possible to take measures wherever risks concentrate, to constantly monitor performance, and to intervene whenever necessary so that food is produced and reaches the consumer safely.

Under the heading of total quality management, use is continuously made of corporate development and efficiency-enhancement self-assessment methodologies such as Lean Six Sigma and the EFQM Excellence Model.

Pınar Süt seeks to ensure the sustainability of its production quality in all of its goods while adhering to the rules of occupational health

Pınar Süt's business processes and activities are subject to TS EN ISO 14001:2004 Environmental Management System, ISO 22000 Food Safety Management System, ISO 9001:2008 Quality Management System, and FSSC 22000:PAS 220 Food Safety Management System certification.

1,200

Turkey's biggest and strongest sales and distribution network, Yaşar Birleşik Pazarlama employs a fleet of more than 1,200 vehicles in the conduct of its operations.

87% of Pınar Süt's sales are made through Yaşar Birleşik Pazarlama, Yaşar Holding's sales and distribution company.

& safety and contributing to social wellbeing without causing environmental harm. The company is currently working on projects that will lead to its being awarded additional certifications in the areas both of occupational health and safety and of energy management systems.

Developments in operational improvements and cost optimization

Having created many firsts in Turkey as a company which defines, advances, and transforms the sector in which it operates, Pınar Süt places innovation at the heart of its corporate culture.

OCI (introduced in 1999) and Lean Six Sigma (introduced in 2007) practices create significant benefits at Pınar Süt by enabling the company to effectively manage its costs.

Operational Cost Improvement System

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

When they were originally introduced in the 1990s, OCI projects were dealt with individually. As IT infrastructure continued to make progress and with the changeover to SAP, a more systematic management of these projects began in 2003.

Lean Six Sigma projects

The common goal of all Lean Six Sigma projects is to effectively manage a company's overall risks in an increasingly more globalized world. It does this by giving a company a flexible structure that is better capable of responding to customers' demands and by achieving operational excellence in it processes. A corollary benefit of Lean Six Sigma is that it also enhances the company's brand value. Pınar Süt has been successfully carrying out Lean Six Sigma projects since 2008. These projects involve developing and implementing strategies which will create value for the company and all of its stakeholders, defend and strengthen the company's business line leadership, and thus facilitate the company's sustainable, profitable growth.

Under Lean Six Sigma, operational process-related requests and improvements are managed within the framework of a well-defined system. This involves first defining quantifiable quality criteria for each process under consideration. Appropriate action is taken as required to improve the input processes which impact these criteria. This creates a self-consistent structure whereby, over time, error rates may be reduced, efficiency may be increased, and customer satisfaction may be sustained by responding to customers' changing expectations more quickly.

Lean Six Sigma projects at Pınar Süt are run by personnel who have achieved "Master Black Belt" status and who are strategically placed throughout the company. These are Pınar Süt employees who have acquired project management, statistical, coaching, and training knowledge and skills in the performance of their jobs.

Information technology infrastructure

A number of major changes were made in Pınar Süt's information technology (IT) infrastructure in 2012 in order to improve business continuity, data security, and cost effectiveness. These changes significantly boosted performance and contributed to business productivity. Another change last year involved incorporating new product development processes into the existing SAP system. By providing a common work platform, this has improved data consistency and process monitoring.

Projects

- Terminal Server hardware and service upgrade project
- Server virtualization hardware and software upgrade and consolidation
- Application virtualization project
- Data Center infrastructure modifications
- Disaster Center infrastructure modifications
- Video conferencing infrastructure modifications
- Exchange email service upgrade project
- Project to duplicate the WAN infrastructure connecting the Pınarbaşı and Eskişehir plants via fiber optic lines through two separate operators
- SAP version upgrade

New product development process automation

The goal of this project is to install a system that will allow interdepartmental coordination in the development of new products through the use of data stored in the enterprise resource planning (ERP) system. The objective is to provide a common work platform that will ensure data consistency, improve speed, and allow centralized reporting through process automation.

Distribution

87% of Pınar Süt's sales are made through Yaşar Birleşik Pazarlama, the Yaşar Holding sales and distribution company. Direct sales to commercial customers account for a 3% share of the total while the remaining 10% of sales are made abroad.

Yaşar Birleşik Pazarlama

Turkey's biggest sales and distribution network

Yaşar Birleşik Pazarlama is a sales and distribution company that operates as a member of the Yaşar Group Food & Beverages Division. Turkey's biggest and strongest sales and distribution network, the company employs a fleet of more than 1,200 vehicles to keep consumers continuously and regularly supplied with products under the fastest and most hygienic conditions possible.

Yaşar Birleşik Pazarlama is responsible for distributing all the Pınar-labeled goods which are produced by the Yaşar Group Food & Beverages Division and which consist of more than 500 different varieties in 16 different product categories, requiring a wide range of different temperatures, and having shelf-lives ranging from three days to a year. All these products are delivered through a national network of dealerships and regional offices capable of reaching more than 150,000 sales outlets.

With its customer-focused sales specialists and experienced dealers numbering more than a hundred, the company continues to build on its performance through its productivity-based mass distribution and channel management strategies year after year.

A fleet of vehicles expanded with additions made in 2011 and projects undertaken to increase productivity make Yaşar Birleşik Pazarlama the cold chain service provider that customers have the most confidence in. They also allow it to achieve significant gains in terms of customer satisfaction and profitability.

Pınar Communication Center

Adhering to a customer-focused business approach, Pınar Süt carefully examines and gives importance to requests and suggestions received from consumers.

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

Satisfaction surveys are regularly conducted among consumers who contact the center in order to systematically quantify the Pınar Communication Center's service levels. A poll conducted among consumers who contacted the Pınar Communication Center in 2012 indicated that 92% of them were satisfied with the service they had received.

87%

87% of Pınar Süt's sales are made through Yaşar Birleşik Pazarlama, Yaşar Holding's sales and distribution company.

92%

A poll conducted among consumers who contacted the Pınar Communication Center in 2012 indicated that 92% of them were satisfied with the service they had received.

For our suppliers...

30,000

Pınar Süt works with more than 30,000 raw milk suppliers.

In order to ensure that it has an uninterrupted supply of only the best-quality raw milk, Pınar Süt works with more than 200 dairy farms which are as committed to Pınar quality as the company is itself and which are contractually obligated to produce to EU norms.

550

Pınar Süt procures raw milk at more than 550 different locations.

Making use of the most modern technology available, Pınar Süt produces the milk and dairy products that are essential to good nourishment and it supplies them to consumers. The company contributes to the growth and development of the Turkish dairy industry by ensuring that more than 30,000 producers are continuously supported and that their labor and efforts are properly rewarded.

Pınar Süt procures the raw milk it needs from more than 200 dairy farms with which it works and which are contractually obliged to produce in compliance with EU quality standards.

The farmers who supply Pınar Süt with raw milk are provided with training seminars on issues ranging from the care and feeding of livestock to milking hygiene. In addition, Pınar Üretici Gazetesi, a newspaper containing information about animal diseases and dairy farming as well as news from Pınar Süt is published four times a year and distributed throughout the country free of charge.

Dairy farmers are provided with all the technical advice they may need on all issues related to dairy farming. Samples of the animal feed which farmers use are taken and analyzed to determine their suitability and nutritional value and to be sure that their dairy cattle are being fed correctly so as to keep the animals healthy and productive. Farmers are provided with service in such areas as agricultural economics and preparing farm-related feasibility studies, business plans, and projects.

Pınar Süt procures raw milk at more than 550 designated villages, cooperatives, farms, and similar locations.

For our employees...

Pınar Süt believes that people are the wellspring of its success.

957

Pınar Süt had 957 people on its payroll as of end-2012.

Recognizing that its growth and development are rooted in the bedrock of its human resources, Pınar Süt formulates and manages its human resources policies in line with its basic business policies and strategies so as to ensure that the company always has the effective, productive, and loyal personnel that it needs.

Pınar Süt has been participating in the Yaşar Holding Management Trainee Pool since that project's inception in 1996. The fifth round of the program, which began in 2010 and ended in 2012, was conducted with the aims of identifying young people with managerial talent, educating and expanding their vision, tracking their career progression, and providing them with projects and activities that will tap into their potential. The career development of those who are selected for participation in the program is supported through training, mentoring, and project activities.

Aware that high levels of employee motivation and loyalty create significant advantages for a company's achieving success more quickly, Pınar Süt solicits feedback from its personnel through the employee opinion surveys that it conducts every year. Action committees formed from personnel at every level consider the results of these surveys and they then formulate action plans that will contribute towards further improving employee satisfaction and motivation.

Pınar Süt believes that the training which it provides to its human resources represents the most important investment which it can make as a company. In line with this conviction, Pınar Süt provided its personnel with a total of 10,288 hours of training in 2012. Average training time per employee was 10.3 hours last year. Three main categories of training took place: Personal Development, Vocational Development, and Management Skill Development.

Training at Pınar Süt last year focused especially on Lean Six Sigma issues, how to design experiments, the Hazard Analysis & Critical Control Point system, hygiene, first aid, forklift and heavy equipment use, occupational health & safety, and fire safety.

Newly-recruited Pınar Süt employees were provided with orientation training as part of standard Yaşar Holding human resources practices in order to familiarize them with the corporate culture of Yaşar Group companies.

Pınar Süt takes part in university campus career days in order to have access to potential employees and it provides students with traineeship opportunities. Last year Pınar Süt provided traineeship positions for 122 university and 53 lycee students.

The "People First" principle is the focal point of Pınar Süt's attitude towards human resources. In line with this approach the company seeks to:

- engage in competency-based selection and placement practices whose aim is to put the right person in the right job and, as a result of which, the company is able to train its own managers by giving priority to the in-house promotion of people who create value
- through the deployment of a performance evaluation system, ensure that company and individual objectives coincide so as to enhance overall corporate performance
- reward individual success and encourage even better efforts by evaluating employee performance on the basis of the degree to which goals have been achieved
- formulate annual training & development plans by identifying compulsory and optional training components and implementing them accordingly
- give importance to employees' physical and mental wellbeing and provide support training on health-related issues.

10,288

Pınar Süt employees were provided with a total of 10,288 hours of training in 2012.


Making life more enjoyable...

For the environment and the community

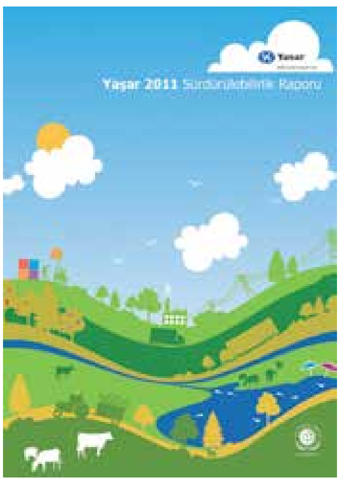
CO_2

Pınar Süt's İzmir and Eskişehir plants are committed to reducing their carbon footprints by at least 15% between now and 2020.

In the pursuit of growth, Pınar Süt takes pains to reduce the environmental impact of its activities and to work closely with local communities in the conduct of its operations.

Pınar Süt continues to contribute to the community of which it is a member even as it conducts its business according to the principles of profitability and productivity. Recognizing that sustainability is a "three-dimensional" concept which touches upon social as well as economic and environmental issues, Pınar Süt addresses the concept of sustainability in all of its aspects and it determines its goals and strategies accordingly.

In line with the United Nations Global Compact (UNGC) that its parent company Yaşar Holding subscribed to in 2007, Pınar Süt has also committed itself to regularly providing its stakeholders with information about its stance and progress with respect to the issues of human resources, manpower, and combating corruption. Through activities conducted under the "Corporate Reputation" project that was launched in 2010, Pınar Süt also emphasizes its intention to be more systematic in its efforts to achieve a balance among economic, environmental, and social issues.



In the pursuit of growth, Pınar Süt takes pains to reduce the environmental impact of its activities and to work closely with local communities in the conduct of its operations. In the case of our other stakeholders, including but not limited to our suppliers, we develop strategies that will strengthen our communication channels so as to remain on course as they accompany us on our journey to sustainability.

Pınar Süt rates its suppliers not just on the basis of core commercial and operational indicators but also taking into account the sustainability and risks inherent in their performance. To this end, the company has developed a project to include its suppliers in a sustainability tracking system in which suppliers are treated as an essential constituent of management processes.

However much efforts to reduce environmental impact may seem to be elements of cost in the short term, in the longer term they have a beneficial effect on costs because they engender savings. Furthermore, systematically reporting on and publicizing efforts to make contributions to society that go beyond creating economic value and employment opportunities enhances the reputation and value Yaşar Holding's brands.

Calculating the carbon footprint

Research carried out around the world has shown that the amounts of CO_2 being released into the world's atmosphere have been increasing steadily and significantly since the 1970s, that our planet's atmosphere has been changed by this, and that our world is growing steadily warmer as a result–possibly by as much as 0.8-2.0 °C since the mid-20th century.

Such changes have made the concept of "greenhouse gas" a part of our everyday lives. The United Nations Framework Convention on Climate Change that was signed in 1992 has the avowed objective of "stabilizing greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic interference with the climate system". In order to head off or to deal with the potential direct and indirect consequences of such effects, projects were initiated on many different fronts looking for ways to increase energy efficiency in manufacturing and distribution processes and to make use of more appropriate (that is, less carbon-emitting) sources of energy.

As a first step in this direction, teams were formed to carry out projects in order to determine the "carbon footprint" of Pınar Süt, which is to say the total amount of greenhouse gas emissions generated by the company. These teams have received ISO 14064-1 ("Principles and requirements at the organization level for quantification and reporting of greenhouse gas emissions and removals") and TS EN 150001 ("Energy management systems") training.

The second stage of the project involves determining the carbon footprints of Pınar Süt's İzmir and Eskişehir operations. A consultancy for this stage was hired and work began. In 2012, the carbon footprints of both plants were individually calculated on the basis of their 2011 emission figures and a commitment was made to reduce these footprint values by at least 15% between the present and 2020. Training is now being conducted at Pınar Süt by Carbon Team Leaders so that these calculations may be carried out every year.

Using eco-friendly materials and technologies

All activities at Pınar Süt production facilities are carried out in compliance with the requirements of TS EN ISO 14001 Environmental Management System specifications. To this end, Pınar Süt's primary goals are: to comply with environmental laws and regulations in general and with the specific (local) environmental regulations to which it may be subject; to use natural resources efficiently; to reduce environmentally harmful waste by keeping it under control and/or to render such waste harmless; to take all necessary measures to prevent pollution.

Based on its compliance with legal norms in 2012, Pınar Süt's Eskişehir plant has been awarded an "air emission permit" that is valid for a five-year period beginning on 16 March 2012.

At the beginning of each year, Pınar Süt formulates environmental action plans and programs aimed at further improving its performance in resource use reduction. The effectiveness of these activities is monitored throughout the year. To date, the following progress has been achieved:

- An economizer investment reduced the carbon emissions generated by steam boilers and resulted in energy savings.
- The replacement of ammonia with ice water as a refrigerant in cold storage refrigeration systems resulted in energy savings.
- The use of illumination panels and high-efficiency lighting fixtures in newly-constructed units resulted in energy savings.
- The replacement of high power consumption electrical motors with EFF1 high-efficiency units resulted in energy savings.
- Boiler and burner system modifications resulted in fuel savings.
- Recent investments in new-generation UHT systems and machinery whose higher energy efficiency, eco-friendliness, and low carbon emission values increased energy efficiency.
- The use of waste heat from condensers to heat yoghurt incubation rooms resulted in electricity savings.
- Improvements in waste water treatment processes reduced chemical agent costs.
- Earthquake sensors were installed at transformer stations to protect the energy supply in emergencies.
- Contracts have been signed with two firms which will be investigating and reporting on the feasibility of generating power from organic waste at the company's two plants.

As a requirement of the company's environment management system, an environmental impact inventory was conducted at all units. Based on these inventories, the extent of environmental impact was determined and environmental impact logs were created. A newly-installed supplier rating system also allows Pınar Süt to assess the effectiveness of its suppliers' own environment management systems.

In a competition organized by the Turkish Ministry of Environment and Urban Planning, Pınar Süt's Eskişehir plant received the "Cleanest Industry" award as one of the top three contenders.

91%

Survey results indicated a high (91%) level of logistical services satisfaction among dealers.

Reductions in energy consumption

In 2012 Pınar Süt undertook a number of projects to reduce the amount of energy that it consumed.

Work has begun on installing an illumination system that takes advantage of natural daylight in the manufacturing sections of the Pınar Süt Eskişehir plant. Electricity is also being conserved by replacing existing fixtures with more efficient ones.

At the Pınar Süt İzmir plant, work has begun on replacing existing manufacturing-section and exterior illumination systems with LED-based systems which use less electricity and are more energy-efficient.

In 2012 employees began receiving training on energy efficiency and related issues prior to Pınar Süt's being audited for TS ISO 50001:2011 Energy Management System certification.

Production line efficiency

The efficiency of the production lines in operation at all of Pınar Süt's production centers is measured on a daily basis. These measurements are consolidated and permanently recorded at regular intervals. The consolidated records are reviewed and assessed at meetings which are attended by representatives of all departments concerned and they are also subject to testing and analysis on an individual production line basis. Immediate and long-term action plans are formulated in order to eliminate any factors that may cause production losses and also to improve existing efficiency values.

Individual targets for each production unit based on the cumulative results of the most recent three years are set annually for every production line. Performance measurements are assessed in light of predetermined benchmarks and criteria and the findings are reported to the appropriate units.

At 61.40%, the 59.94% line performance target which had been set at Pınar Süt's İzmir plant in 2012 was surpassed by nearly a percentage point and a half.

Reducing the environmental impact of company products through packaging waste management

The environmental impact resulting from product raw materials and manufacturing processes is carefully monitored and ongoing efforts are made to minimize it.

An industrial waste management plan is currently being formulated so as to improve the management and control of waste generated at production facilities. This plan incorporates such information as the types and quantities of waste and where and how the waste is disposed of.

Organic waste from a facility's production activities and its domestic waste are temporarily stored at the facility in a holding area that fully complies with the requirements of laws and regulations. The waste is then disposed of at locations which have been designated by local authorities and which are licensed by the Ministry of Environment and Urban Planning.

Similarly, all waste of a hazardous nature that is generated by a facility's production and maintenance activities is also temporarily stored at the facility in a holding area that fully complies with the requirements of laws and regulations. In the next stage, such waste is carried away aboard the vehicles of licensed firms and is disposed of or recycled, also by licensed firms, as may be appropriate. Information about the hazardous waste generated by facilities is reported annually to the Ministry of Environment and Urban Planning.

All waste water generated by plants is sent to waste water treatment facilities where it is treated by means of appropriate methods and discharged into the receiving environment in compliance with legally recognized discharge standards. Samples of treated water are taken after discharge and they are analyzed at the company's environmental management laboratories in order to monitor the effectiveness of treatment plants and to be sure that effluents comply with mandatory standards.

Product packaging is designed and executed with the issues of reusability and recoverability in mind. Packaging material choices are informed by the principle that packaging should avoid causing environmental harm at every stage from initial design and manufacture to final use and disposal.

In the case of packaging made from recyclable materials, Pınar Süt only works with firms that are licensed to collect and recycle all packaging waste materials.

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

Improvements in shipping management

Efforts made in 2010 and 2011 to improve Pınar Süt's nationwide sales and distribution activities gained additional momentum in 2012. Such efforts are grounded in the company's desire to enhance both the efficiency of and customers' satisfaction with its logistical processes while also lending its support to Green Logistics concepts.

Yaşar Foods Group companies' logistical processes are informed by the principle of "economies of scale", for which purpose the Foods Group Transport Project was launched in 2010. Under this project, a new route optimization model was introduced which has achieved savings in logistical costs by shortening the aggregate distance traveled by all delivery vehicles moving between cities. Besides lowering logistical costs, this optimization also contributes significantly to environmental sustainability by reducing carbon emissions.

Efforts continued to be made in 2012 to encourage the logistical services providers with which Yaşar Foods Group companies work to rejuvenate their vehicle fleets with lorries conforming to the much more eco-friendly Euro IV and Euro V engine standards. The average age of the fleet, which was 4 years in 2011, was down to 3.5 years in 2012.

Yaşar Foods Group companies together booked about 40,000 separate shipments throughout the country in 2012. Of this total, 72% took place aboard optimized-route lorries, an average that corresponds to 92% and 48% respectively in the case of non-perishable and perishable product shipments.

A Dealer Logistical Services Satisfaction Survey is conducted every month to determine the degree to which customers (which is to say dealers) are satisfied with the company's logistical services and to improve service quality. The aggregate results of last year's surveys indicated a high (91%) level of logistical services satisfaction among dealers. The service quality and performance of firms to which the company outsources its logistical services are also measured on a monthly basis within the framework of the Lean Six Sigma program.

Social responsibility

Recognizing that sustainability has a social dimension as well, Pınar Süt has been making significant contributions to education, sport, and art and to the protection of the cultural heritage ever since the day it was founded.

Pınar Süt conducts its corporate social responsibility activities on a regular and consistent basis. Confident that its products nourish children's mental and physical development, Pınar Süt seeks also to contribute towards children's personal and intellectual development as well by supporting culture, art, and sport. The Pınar Art Competition, the Pınar Children's Theater, and sponsorship of the Pınar Karşıyaka Basketball Team are recognized as outstanding examples of meaningful and sustainable social responsibility projects being undertaken in our country.

Pınar Children's Theater in its 25th year

In the course of twenty-five years, the Pınar Children's Theater has reached more than three million children, fostering among them a love of theater through performances, to which no admission is charged, with every play being carefully crafted to contribute towards its audiences' cultural and personal development. As a training ground for many famous performers, the Pınar Children's Theater even functions as a sort of school of the performing arts.

Since 1987, the Pınar Children's Theater has been employing a professional team of performers, directors, designers, and backstage crews to mount dozens of programs that are specially designed to appeal to children. For the 2011-2012 academic year, the theater mounted a new play, "Hooray! I'm Growing Up!", whose professionally-created scenery, costumes, staging, and music provides a theatrical experience and a visual feast that its audiences will never forget.

According to a public-awareness poll conducted by GfK, the Pınar Children's Theater's public-awareness rating was 20% in 2012.

Source: GfK Flavored Dairy Products Tracking Survey

20%

The Pınar Children's Theater's had a public-awareness rating of 20% in 2012.

PINAR ÇOCUK TİYATROSU

Pınar Art Competition

The Pınar Art Competition has been held for 31 years with the aims of increasing primary school children's interest in the fine arts in general and painting and drawing in particular, of giving children opportunities to express their creativity through pictures, and of educating the artists of the future. Every year the competition provides hundreds of thousands of children with an opportunity to express their dreams, their hopes, and their longings through art.

Acting also as guide for future artists as well, the Pınar Art Competition has been focusing on a different theme every year since it was inaugurated in 1981. A record-breaking number of youngsters took part in the 2012 competition, whose theme was "Come On! Let's Draw Our Dreams!".

From among 1,068,440 entries submitted from every part of Turkey, the Turkish Republic of Northern Cyprus, and Germany, the works of twenty-three children were selected by a jury of educators and professional artists. The winners of the 31st Pınar Art Competition were rewarded with a chance to take part in a one-week art camp in İstanbul under the direction of the well-known artist Hüsamettin Koçan. At an award ceremony that was held on the last day of the art camp, the children also received certificates of attendance and netbooks as prizes while one of their number, a student from Diyarbakır, was awarded an art school scholarship as well.

According to a public-awareness poll conducted by GfK, the Pınar Children's Art Competition's public-awareness rating increased from 20% in 2011 to 26% in 2012.

Source: GfK Flavored Dairy Products Tracking Survey

Mystery Boxes Project

"Mystery Boxes" is an interactive workshop developed by the London Science Museum that teaches children about how science works and how to think scientifically through practical activity. The project is being made accessible to students with the support of Pınar working in collaboration with İnformel Eğitim/çocukistanbul, a member of Hands On International that promotes informal learning as a way of supporting formal education. Workshops are held at santralistanbul, an international platform for arts, culture and learning, inspired by a comprehensive, multi-dimensional and interdisciplinary vision.

Pınar & UNICEF Hand-In-Hand

Under the "Pınar & UNICEF Hand-In-Hand With Art Into The Future" project, 3,000 of previous-years' Pınar Art Competition submissions were selected and reproduced in their original dimensions as decorations for table placemats. These placemats are being sold by UNICEF and the proceeds from the sales are added to that organization's revenues and used to fund projects that benefit children around the world.

Instead of sending out New Year's gifts in 2012, Pınar collaborated with UNICEF in making donations to Şanlıurfa regional primary schools that accept boarding pupils.

Pınar Institute

In 2012 the Pınar Institute was founded in order to contribute to the development of a healthy society by engaging in research, supporting such research and education, publishing the results of such activities, and involving itself in similar endeavors.

The Pınar Institute's mission is to educate the public on issues related to food, health, and nourishment and to foster a quality-of-life awareness by supporting scientific projects, taking part in information networks, and taking part in educational activities.

Support for sport

Pınar KSK

Pınar continues to support sports through its sponsorship of the Pınar Karşıyaka Basketball Team. Pınar has been an advertising sponsor of Pınar Karşıyaka, a basketball team that has been contending in the Turkish Premier Basketball League since 1998. Because one of the goals of such sponsorships is to inculcate an awareness of and a love for sports among children, every year nearly a thousand youngsters are also given access to the facilities of the Çiğli Selçuk Yaşar Sports Center thanks to Pınar's support.

Pınar was the main sponsor of the second Selçuk Yaşar Football Tournament, which was conducted by KSK between 1 December 2012 and 10 January 2013.

Publications

Yaşam Pınarım
First appearing in 2004, Yaşam Pınarım is a magazine that seeks to establish and maintain bonds between the company and its consumers and business partners as well as links with academic and governmental circles. Yaşam Pınarım focuses especially on content that will be of particular use to parents. The magazine is published quarterly in runs of 10,000 copies by Pınar and is distributed free of charge.

Pınar
Pınar is a newspaper that is published quarterly for the 15,000 producers that supply Pınar Süt with milk, the company's 200-250 contractual veterinaries, and the producers with which the Pınar Et procurements department works. The publication is an important source of information for meat and dairy farmers on issues related to animal health and nutrition, dairy technology, and the like.

Fairs & congresses
Pınar Süt exhibited its products at the Yaşar Group Food & Beverages Division's stand at the 81st İzmir International Fair in 2012.

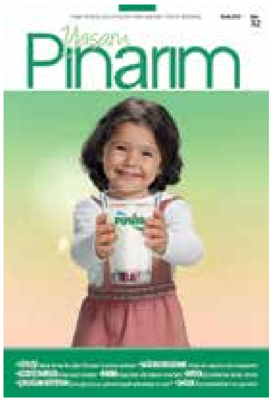
Pınar Süt took part in GULFOOD 2012, the world's biggest and most prestigious annual food and hospitality show. This highly-attended event gave the company many opportunities to effectively show off its products to potential international customers.

Pınar was a prime sponsor for the 4th International Golden Cap Chefs Competition, which was organized jointly by the Turkish Federation of Cooks and the Antalya Chefs Association at the Antalya Expo Fair and Congress Center and in which nearly 2,500 cooks from all over Turkey took part.

Pınar was a prime sponsor for the National Gastronomy & Cooking Competition organized by the Uludağ Professional Chefs' Association when it was held at the Merinos Fair & Congress Center in Bursa last year. Nearly 300 chefs from all over Turkey took part in the event.

Sponsorships
Events sponsored by Pınar in 2012:

- "13th Pediatrics Days", organized by the Dokuz Eylül University Hospital School of Nursing at the İzmir Sabancı Cultural Center (5-6 April 2012)
- "National Dairy Summit Milk and Dairy Industry Conference" at Çeşme Altın Yunus Hotel (21-23 May 2012)
- "Foods R & D Project Market", organized by the Aegean Exporters' Association at Swissôtel Grand Efes in İzmir (29 May 2012)
- "13th In Search Of Excellence Symposium", organized by the İzmir Quality Association at Swissôtel Grand Efes in İzmir (12-14 June 2012)
- "Turkish Cruise Forum", organized by Seatrade and the İzmir Chamber of Commerce at Swissôtel Grand Efes in İzmir (3-5 July 2012)
- "The One Health Milk and Milk Products Workshop", organized by the İzmir Chamber of Veterinarians at Ege Anemon Hotel (13 October 2012)
- "11th Management Summit" at the İstanbul Maslak Sheraton (15 November 2012)
- "Tire Milk Symposium", organized by Ege University Tire Kutsan Vocational High School (13 December 2012)
- "3rd Boğaziçi Regional Partnership Summit" at Çırağan Sarayı (13-15 December 2012)
- "1st Safe Food Days" organized by KalDer İzmir (25 October 2011)
- "48th Turkish Pediatrics Congress" at Starlight Convention Center in Antalya (15-19 May 2012)
- "Marketing in the Age of the Customer Summit" at the Lütfi Kırdar Congress & Exhibition Center in İstanbul (5-6 December 2012)
- "World Food Day", organized by the Turkish Food Industry Employers' Association at İstanbul Grand Cevahir Congress & Exhibition Center in İstanbul (16 October 2012)
- Repainting of the exterior of the Ege University Faculty of Food Engineering's building (using materials made by sister company Dyo Boya)



Corporate Governance Practices and Financial Information

Corporate Governance

Financial Information

Management

BOARD OF DIRECTORS

İdil Yiğitbaşı
Chairperson

İdil Yiğitbaşı received a bachelor's degree in business administration from Boğaziçi University in 1986 and a master's degree in the same subject from Indiana University in 1989. She started her career in finance at the Yaşar Group in 1986, and subsequently held senior management positions particularly in strategy and marketing in various Group companies involved mainly in the food industry. Having served as the Vice Chairperson of Yaşar Holding from 2003 until 2009, Ms. Yiğitbaşı has been appointed as the Chairperson of Yaşar Holding in April 2009, a position she still holds. İdil Yiğitbaşı has been holding seats on the boards of directors of Yaşar Group companies for the last ten years.

Yılmaz Gökoğlu
Vice Chairperson

Yılmaz Gökoğlu received a bachelor's degree in economics and public finance from Ankara University, Faculty of Political Sciences in 1977. He worked as a tax inspector for the Ministry of Finance from 1978 through 1982, and joined Yaşar Group in 1983 where he held various senior management positions mostly in the fields of financial affairs and audit. Elected as a member of the Yaşar Holding Board of Directors in April 2007, Mr. Gökoğlu was appointed as Vice Chairperson of Yaşar Holding in June 2009. Mr. Gökoğlu, to whom audit and risk management coordinator reports, also serves as General Secretary of the boards of directors at the Yaşar Group. Yılmaz Gökoğlu has been holding seats on the board of directors of Yaşar Group companies for the last ten years.

Turhan Talu
Independent Director

Turhan Talu received his MBA degree from the Middle East Technical University in 1976. He began his career the same year in the marketing department of İzmir Turyağ A.Ş./Henkel KGA, and served in various positions in sales and marketing for 10 years, with three years spent in KGA head office in Düsseldorf, Germany. Having joined Philip Morris as Marketing and Sales Director in 1986, Mr. Talu is the founder of Turkey Sales and Distribution Operation, and became the first Turkish General Manager in 1992, including the production facilities in Torbalı, İzmir. He functioned as Vice President of Turkey and Middle East-Gulf Operations at the company's head office in Switzerland for eight years. His last position with Philip Morris, where he worked for 24 years, was Philip Morris/Sabancı CEO responsible for Turkey, Iran and Northern Cyprus and board member. He became a member of the Board of Directors of Yaşar Holding in 2011.

Ali Yiğit Tavas
Independent Director

Ali Yiğit Tavas received his master's degree in agricultural engineering from Ege University, Faculty of Agriculture, Department of Agriculture Technology in 1979. The same year, he started his career as a Production Engineer at Pınar Süt, where he subsequently functioned as Technical Presentation Specialist and R&D Department Manager. He transferred to Pınar Et in 1984, where he served as Production Manager, R&D Manager, Assistant General Manager for Technical Affairs, General Manager, and Vice President of Food Division Production. After holding the position of Vice President of Yaşar Food Division Meat and Meat Products from 2001 through 2003, he retired from business life and left the Group. Mr. Tavas worked as Production Coordinator at Abalıoğlu Holding from 2004 to 2006.

Dr. Mehmet Aktaş
Director

Mehmet Aktaş received a bachelor's degree in economics from Ankara University, Faculty of Political Sciences in 1983, a master's degree in economics from Vanderbilt University in 1992 and a doctorate degree in finance from 9 Eylül University in 2003. After working in the public sector from 1984 to 1995, he joined the Yaşar Group in 1995, where he held various positions mainly in strategy, budget, and corporate finance. Mr. Aktaş was appointed as Chief Executive Officer of Yaşar Holding in July 2007 and has been serving as a member of the Yaşar Holding Board of Directors and as Chief Executive Officer since April 2009. He has been holding seats on the boards of directors of Yaşar Group companies for the last ten years.

Hakkı Hikmet Altan
Director

Hakkı Hikmet Altan got his bachelor's degree in business administration from the Middle East Technical University in 1985. After working at the Yaşar Group from 1985 until 1988, he became Assistant General Manager at Yaşar Uluslararası Ticaret and Yaşar Dış Ticaret from 1993. He functioned as Yaşar Group Finance Coordinator from 2001 to 2003, when he was appointed as the Vice President of Finance for Yaşar Group. Mr. Altan became Vice President of Foreign Trade of the Group in 2007. Serving as the Chief Financial Officer of Yaşar Holding since 2009, Mr. Altan has been holding seats on the boards of directors of Yaşar Group companies for the last ten years.

Hasan Girenes
Director

Hasan Girenes received his bachelor's degree from Ege University, Faculty of Agriculture in 1983 and completed his master's degree at the same university in 1998. He joined the Yaşar Group in 1985 as a Production Engineer at Pınar Yem, where he subsequently held the positions of Production Manager and Technical Manager. From 1998, Mr. Girenes served as the General Manager of Pınar Yem, Çamlı Besicilik, Çamlı Damızlık, and Pınar Deniz Ürünleri companies. He was appointed as Vice President of Agribusiness in 2001 and he has been serving as the President of Yaşar Holding Agriculture Livestock Breeding and Fishery Division since 2009. Mr. Girenes is an assembly member of EBSO (Aegean Region Chamber of Industry), board member of the Turkish Milk Board, Chairman of the Board of Union of Seafood Producers and Farmers of İzmir, and a member of the Yaşar University Board of Trustees. He has been holding seats on the boards of directors of Yaşar Group companies for the last ten years.

Management

Members of the Board of Directors of our company, which is affiliated to the Yaşar Group, may hold seats on the boards of directors of other Group companies, and there may be various transactions by and between these companies that may be considered under the scope of Article 395/1 of the Turkish Commercial Code. However, the parties to such transactions are Group companies only, and necessary permissions are obtained at the general assembly meeting of each relevant company.

SENIOR MANAGEMENT

Ergun Akyol
Vice President

Ergun Akyol got his bachelor's degree in milk technology from Ankara University, Faculty of Agriculture in 1983 and his master's degree in milk microbiology at the same university. He started his career in 1983, working as a production engineer at various milk plants in Ankara, and joined Pınar Süt in 1985 as Quality Assurance Specialist. He held the positions of Production Manager, Quality Assurance Manager, Business Unit Department Head, Assistant General Manager of İzmir Plant (1999-2001), and Assistant General Manager for Technical Affairs responsible for all plants and planning coordination. He was the General Manager of Pınar Süt from 2001 until 2012. He has been serving as Pınar Süt Vice President since June 2012.

Gürkan Hekimoğlu
General Manager

Gürkan Hekimoğlu got his bachelor's degree in agricultural technology from Ege University, Faculty of Agriculture in 1986 and his master's degree in dairy technology from Ege University, Institute of Science. He began his career in 1989 as a Production Manager at Ömür Yoğurt. After joining Türkiye Süt Endüstrisi Kurumu in 1990 as an operations engineer at Bolu Facility, he held the positions of Operations Manager and Production Manager at Türkiye Kalkınma Vakfı (Development Foundation of Turkey) and Köytür Holding in 1992. He began working at Pınar Süt as a Production Supervisor in 1994, where he later functioned as a Project Supervisor and Production Manager. He was Eskişehir Plant Director from 1999 to 2012. He has been serving as Pınar Süt General Manager since June 2012.

Erhan Savcıgil
R&D and Technology Coordinator

Erhan Savcıgil received his bachelor's degree in food engineering from Ege University, Faculty of Engineering in 1990. He began his professional life as a Milk Purchaser in the Milk Purchasing Department at Pınar Süt in 1992. He then held the positions of Production Engineer, Production Supervisor, Production Manager and Business Unit Department Manager. He served as İzmir Plant Director from 2001 to 2012. Mr. Savcıgil has been appointed as Pınar Süt R&D and Technology Coordinator in June 2012.

Mustafa Şahin Dal
Financial Affairs and Budget Control Director

Mustafa Şahin Dal got his bachelor's degree in monetary economics and banking from Dokuz Eylül University, Faculty of Economics and Administrative Sciences in 1984. He began his career in the Financial Affairs Department at Yaşar Holding in 1987, where he held the positions of accounting supervisor, assistant manager, and budget, accounting and financial affairs department manager at the Food Division Companies from 1993. He has been functioning as the Financial Affairs and Budget Control Director of Food Division Companies since 2010.

Muzaffer Bekar
Finance Director

Muzaffer Bekar received his bachelor's degree in public administration from Marmara University, Faculty of Economics and Administrative Sciences in 1982. He began his professional life in the Finance Department of Dyo Boya in 1989 and subsequently worked as Finance Supervisor, Finance Manager and Finance Director of Coatings Division Companies. He has been working as the Finance Director of Food Division Companies since December 2008.

Serdar Türkmen
İzmir Plant Director

Serdar Türkmen got his bachelor's degree in food engineering from Ege University, Faculty of Engineering in 1996. He began his career as a Shift Engineer at Pınar Süt İzmir Plant in 1998, where he later worked as Production Supervisor and Production Manager. He has been serving as İzmir Plant Director since June 2012.

Mehmet Erdi Eren
Eskişehir Plant Director

Mehmet Erdi Eren got his bachelor's degree in food engineering from the Middle East Technical University, Faculty of Engineering in 1992. He started his career as an Operations Engineer at Tariş Pamuk ve Yağlı Tohumlar İşletmesi in 1993, where he worked through 1995. He joined Pınar Süt as a Shift Engineer at İzmir Plant in 1996, and then worked as Eskişehir Plant Production Engineer, Production Supervisor, Production Manager, and İzmir Plant Production Manager. He has been serving as Eskişehir Plant Director since June 2012.

Risk Management, Internal Control System and Internal Audit Activities

RISK MANAGEMENT

The scope of Enterprise Risk Management activities to be implemented at companies under the Yaşar Group organization and their operating procedures and principles are set out within the frame of a Regulation. In addition, the framework of risk management activities, risk management duties and responsibilities, processes, reports, confidence procedures and risk management terminology have been created.

The company began implementing "Enterprise Risk Management" as a systematic process whereby risks are defined, analyzed, controlled and monitored. This method is capable of minimizing the costs incurred in relation to contingencies that result negatively, as well as their impact upon the company's asset values.

Risk Management Policy of the Company

The company's Board of Directors has adopted risk management strategies that will minimize the impact and probability of risks, which might affect the stakeholders in the company and particularly the shareholders; accordingly, the Board of Directors makes sure that necessary actions are taken.

Activities of the Early Detection of Risk Committee

The company's Board of Directors decided that the Corporate Governance Committee shall function as the Early Detection of Risk Committee to advise and make suggestions to the Board of Directors for the purposes of early detection of risk and creation of an efficient risk management system.

The Committee oversees the conduct of enterprise risk management activities, which are aimed at the creation of the prioritized risk inventory within the frame of risk management policies and procedures, determination of appropriate risk strategies, taking of necessary actions and monitoring the outcomes. The Committee also provides the necessary guidance in these aspects.

Future Risks Regarding Sales, Productivity, Income Generation Capacity, Profitability, Debt/Equity Ratio and Similar Matters

Under the risk management policy and procedures adopted across the Group, work is underway to create the risk inventory for all of the company's activities and to take necessary actions.

Along the line,

- the company's risk exposure is classified under the headings of strategic, operational, financial, external and compliance risks, and analyzed according to their impact and probability,
- existing controls for material risks are reviewed with respect to their design and implementation, and optimum strategies and actions are identified,
- results of the action taken are followed up, and
- results and possible developments are reported to related units and assessed.

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

A control is described as any implementation aimed at eliminating an event that will adversely affect the achievement of the company's goals, or at mitigating their impact and probability. The internal control system is composed of the definitions of standards for business processes, policies and procedures, job descriptions, and authorization structures. In this frame, the management has set up all control systems, including those that prevent/identify and improve, for efficient and productive conduct of the company's business.

The internal control systems established at the company are intended to ensure the efficiency and effectiveness of operations, reliability of the financial reporting system, compliance with legal regulations, and they seek to provide assurance in these aspects. These control systems also protect the company's assets, reputation and profitability.

The oversight of the company's accounting system, public disclosure of financial information, independent audit and the operation and efficiency of the internal control system is basically fulfilled by the Audit Committee set up by the company's board of directors. When fulfilling this function, the Audit Committee makes use of the findings of the bodies performing certification under the Group Audit and Risk Management Coordinator, independent audit and certified accountancy.

Under the internal audit activities, the company evaluates the effectiveness of the existing risk management system, and the adequacy, effectiveness and efficiency of the internal control system, and also makes proposals for their improvement. In addition, the processes of determining and implementing the necessary actions for relevant determinations and proposals are monitored closely.

Legal Disclosures

Information on the Extraordinary General Assembly Meeting during the Reporting Period, If Applicable

An Extraordinary General Assembly Meeting was not convened during 2012. An Extraordinary General Assembly Meeting was convened on 25 March 2013.

Affiliated Companies Report

The conclusion part of the report that is prepared by the company's Board of Directors and that discloses our relations with the controlling company and affiliated companies pursuant to Article 199 of the Turkish Commercial Code is quoted below.

Pursuant to Article 199 of the Turkish Commercial Code no. 6102 that went into force on 01 July 2012, the company's Board of Directors is obliged to issue a report on the company's relations with the controlling company and the companies affiliated to the controlling company during the past operating year within the first three months of the current operating year, and to incorporate the conclusion part of the said report in its annual report.

Necessary disclosures on the transactions our company carried out with the associated parties are covered in the present report. In this report, the company's Board of Directors concluded that in all transactions the company carried out during 2012 with its controlling company or with its affiliates, an appropriate counter-performance was provided in each transaction according to the conditions and state known to us at the time the transaction and/or the action was realized/taken or avoided; that there were no actions taken or avoided which might potentially cause loss to the company, and that there are no transactions or actions that would require equalization within this scope.

Donations and Grants

The company may, from time to time, make donations and grants to foundations, associations, universities and similar institutions, which are founded with social motives, subject to the principles set out by the Capital Markets Board.

During 2012, the company's donations and grants to various organizations and institutions amounted to TL 140.525.

Lawsuits Filed Against the Company with a Potential Impact on the Company's Financial Standing and Activities and Possible Results

The related disclosure is presented in note 22 to financial statements for the period 01 January 2012 - 31 December 2012.

Disclosure of Administrative or Judicial Sanctions Against the Company or the Members of the Governing Body on Account of Practices Violating the Provisions of Legislation

There are no administrative or judicial sanctions imposed against the company or the members of the governing body on account of any practice violating the provisions of legislation.

Changes in the Articles of Incorporation during the Reporting Period

It has been approved to amend "Article 8 - Board of Directors", "Article 9 - Duration of the Board of Directors", "Article 10 - Board of Directors Meetings", and "Article 13 - Remuneration of the Board of Directors" and to supplement "Article 35 - Compliance with Corporate Governance Principles" to the company's articles of incorporation by T.R. Prime Ministry Capital Markets Board letter no. 3903 dated 06 April 2012 and by the T.R. Ministry of Customs and Trade General Directorate of Domestic Trade permission no. 2657 dated 10 April 2012; the same have been laid down for the approval of shareholders, and unanimously agreed and ratified, at the ordinary general assembly meeting held on 15 May 2012.

It has been approved to amend "Article 16 - Board of Directors" of the company's articles of incorporation by the T.R. Prime Ministry Capital Markets Board letter no. 2056 dated 04 March 2013 and by the T.R. Ministry of Customs and Trade General Directorate of Domestic Trade permission no. 1537 dated 06 March 2013; the same has been laid down for the approval of shareholders, and unanimously agreed and ratified, at the extraordinary general assembly meeting held on 25 March 2013.

Financial Rights Provided to the Members of the Board of Directors and Senior Executives

Financial rights provided to the chairperson, members of the Board of Directors and Senior Executives are determined within the frame of the Remuneration Policy posted on our website. In the twelve months that ended on 31 December 2012, remunerations and similar payments made to the members of the Board of Directors and senior executives amounted to TL 2,967,572.

Disclosures Concerning Special Audit and Public Audit Conducted During the Fiscal Year

During 2012, regular audits have been performed by various public agencies, after which no material notices have been served on our party.

The Company's Shareholders' Equity

The shareholders' equity worth TL 436,175,692 as at 31 December 2012 indicates that the issued capital of TL 44,951,051.25 has been very well maintained.

Agenda

1. Opening and electing the Presiding Committee,
2. Authorizing the Presiding Committee to sign the minutes of the General Assembly Meeting minutes,
3. Reading, deliberating and approving the Annual Report 2012 by the Company's Board of Directors,
4. Reading and deliberating the Statutory Auditors' Report and Independent Auditor's Report for 2012 fiscal year,
5. Reading, deliberating and approving the financial statements for 2012 fiscal year,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2012 operations,
7. Acquitting statutory auditors of their fiduciary responsibility for 2012 operations,
8. Deliberating and deciding on amending "Article 2 - Company Name", "Article 3 - Objective and Scope of the Company", "Article 4 - Company Head Office and Branches", "Article 5 - Duration of the Company", "Article 6 - Registered Capital", "Article 7 - Bond and Financial Bill Issue", "Article 8 - Board of Directors", "Article 9 - Duration of the Board of Directors", "Article 10 - Board of Directors Meetings", "Article 11 - Representing and Administering the Company", "Article 12 - Duties of the Members of the Board of Directors", "Article 13 - Remuneration of the Board of Directors", "Article 17 - Place of Meeting", "Article 19 - Meeting Quorum", "Article 20 - Votes", "Article 21 - Appointing Proxies", "Article 22 - Announcements", "Article 23 - Manner of Voting", "Article 24 - Foundation", "Article 27 - Annual Accounts", "Article 28 - Distribution of Profit", "Article 29 -Profit Distribution Timing", "Article 32 - Legal Provisions", and "Article 33 - Place of Jurisdiction", and deleting "Article 14 -Auditors", "Article 15 - Duties of Auditors", "Article 18 - Presence of Commissioner at the Meeting", "Article 25 - Amending the Articles of Incorporations", "Article 26 - Annual Reports", "Article 31 - Printing the Articles of Incorporation", and "Provisional Article" from the articles of incorporation subject to the approval of the Capital Markets Board and the T.R. Ministry of Customs and Trade,
9. Determining the number of Board directors and their terms of office; making elections in accordance with the number of Board directors so determined; designating independent Board members,
10. Determining the rights provided to the Board directors such as compensation and attendance fees, bonuses and premiums pursuant to Article 408 of the Turkish Commercial Code,
11. Informing shareholders, pursuant to Capital Markets Board ruling 28/780 dated 9 September 2009, about guarantees, pledges, or mortgages that have been granted by the Company in favor of third parties as well as about any income and benefits that may have been acquired on account of such guarantees, pledges, or mortgages.
12. Informing shareholders about any donations that were made during the year and laying down the donation limit set under the Capital Market legislation for the approval of the General Assembly,
13. Submitting information to the General Assembly regarding transactions with the related parties during 2012 under the Capital Markets Board regulations
14. Reading the Internal Regulations about the General Assembly meetings prepared pursuant to Article 419 of the Turkish Commercial Code and laying it down for the approval of the General Assembly,
15. Deliberating and voting on matters pertaining to the year's profits,
16. Presenting the Company's Dividend Policy for 2012 and thereafter for the information of the General Assembly,
17. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code
18. Wishes and comments.

Profit Distribution Proposal

At a meeting of the Board of Directors held on 15 April 2013, the company's directors voted to submit the following Profit Distribution Proposal at the annual general meeting:

"The company's net distributable profit for 2012 is calculated as TL 55,306,212. This amount is arrived at as follows:

"TL 54,806,212 is shown as consolidated net profit for 2012 in the company's financial statements, which have been prepared taking into account the requirements of the Turkish commercial law, of capital markets laws and regulations, of the corporation tax law, of the income tax law, and of other laws, regulations, and administrative provisions as well as of the provisions of the company's articles of incorporation pertaining to the distribution of profits, and which have been independently audited in accordance with International Financial Reporting Standards.

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

"Inasmuch as the legally mandated threshold has been reached, no first statutory reserve needs to be set aside.

"We submit for your consideration and approval the following proposal concerning the allocation of the TL 55,306,212 in distributable profit as calculated above:

- TL 11,089,347 will be distributed among shareholders as a first dividend. This corresponds to 20% of distributable profit when the TL 140,525 that was paid out as charitable donations during the year in line with CMB rules is taken into account.
- Of the remainder, an allocation of not more than 5% will be set aside for the Board of Directors as prescribed by the company's articles of incorporation.
- Of the remainder, the amount of TL 35,210,235 will be distributed among shareholders as a second dividend. The combined total of first and second dividends amounts to TL 46,299,583. This corresponds to 103% of our issued capital, which amounts to TL 44,951,051.25.
- Of the remainder, TL 4,455,203 will be set aside as a second statutory reserve.
- Of the final amount remaining, all will be set aside as an extraordinary reserve.

"A detailed presentation of the foregoing is shown on page 57 of this annual report.

"If this proposal is approved, the company will be paying out a gross cash dividend amounting to TL 1.0300, which is to say a net cash dividend of TL 0.8755, on each share of its stock with a par value of TL 1.00."

Please be advised.

Profit Distribution Table

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
2012 PROFIT DISTRIBUTION TABLE (TL)

1.	Paid-in/Issued Capital		44,951,051
2.	Total Statutory Reserves (according to legal records)		33,645,789
If there are privileges for distribution of profits according to the Articles of Association, information on such privileges			
		Based on CMB	**Based on Legal Records**
3.	Profit for the Period	61,820,443	62,238,924
4.	Taxes Payable (-)	(7,014,231)	-10,738,893
5.	Net Profit for the Period (=)	54,806,212	51,500,031
6.	Losses in Prior Years (-)	0	0
	Net effect of reserves set aside in the financial statements for allocation for the Board of Directors (+)	500,000	
7.	First Statutory Reserves (-)	0	0
8.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**55,306,212**	**51,500,031**
9.	Donations during the Year (+)	140,525	
10.	**Net Distributable Profit for the Period Including Donations, Based on Which First Dividend will be Computed**	**55.446.737**	
11.	First Dividend to Shareholders	11.089.347	
	- Cash	11.089.347	
	- Bonus Shares		
	- Total	11,089,347	
12.	Dividends Distributed to Owners of Privileged Shares	0	
13.	Dividends Distributed to Board Members, Employees, etc.	500,000	
14.	Dividends Distributed to Owners of Redeemed Shares	0	
15.	Second Dividend to Shareholders	35,210,235	
16.	Second Statutory Reserves	4,455,203	
17.	Statutory Reserves	0	
18.	Special Reserves		
19.	**EXTRAORDINARY RESERVES**	**4,051,426**	**245,245**
20.	Other Resources to be Distributed		
	- Previous Year Profit		
	- Extraordinary Reserves		
	- Other Distributable Reserves as per the Law and Articles of Incorporation		

INFORMATION ON EARNINGS PER SHARE

	CLASS	TOTAL DIVIDENDS (TL)	DIVIDENDS PER SHARE WITH NOMINAL VALUE OF TL 1 EACH	
			AMOUNT (TL)	RATIO (%)
GROSS	There are no privileged share classes for profit distribution.	46,299,583	1.0300	103.00%
NET		39,354,645	0.8755	87.55%

RATIO OF DIVIDENDS DISTRIBUTED TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS

CASH DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TL)	RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE
46,299,583	84%

Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles:

During the operating period ended 31 December 2012, PINAR SÜT MAMULLERİ SANAYİİ A.Ş. ("the Company") achieved compliance with the entirety of the mandatory articles of the Corporate Governance Principles appended to the "Communiqué Serial: IV No: 56 on the Determination and Implementation of Corporate Governance Principles" issued by the Capital Markets Board of Turkey (CMB). While it is intended to achieve full compliance also with the optional Corporate Governance Principles, that is yet to be attained for a number of reasons including the difficulties faced in practice in some of the principles, and only partial correspondence of some principles with the existing structure of the market and the company. While work is ongoing on principles that are not enforced yet, they are planned to be put into implementation following the completion of administrative, legal and technical infrastructural work that will contribute to the effective management of our company.

Justifications related to matters not yet implemented are presented under the following headings, and it is considered that the said matters do not lead to any conflicts of interest under the current circumstances.

Key highlight of the efforts in relation to Corporate Governance during 2012 was the work on achieving compliance with the CMB Communiqué Serial: IV No: 56 that covers the new requirements for corporate governance principles. At our Ordinary General Assembly Meeting held during 2012, all alterations set out by the communiqué were made to the company's articles of incorporation. The process of identifying and publicly disclosing the nominees for independent board directors has been carried out and elections were made in accordance with the requirements. The remuneration policy for the Board of Directors and Senior Executives has been formulated and presented for the information of shareholders at the General Assembly Meeting. The General Assembly Information Document that was prepared made available all information that is mandatory to be disclosed as per the principles to the shareholders three weeks in advance of the General Assembly Meeting. The company's website and annual report have been reviewed and revised as necessary to ensure their full compliance with the principles.

Our company will continue to monitor the changes in legislation and implementations regarding compliance with the principles and to carry out the necessary work also in the future.

PART I: SHAREHOLDERS

2. Investor Relations Department

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

Information about the Shareholder Relations Unit is provided below.

Capital Markets Coordinator: Senem Demirkan

Investor Relations Specialist: Gökhan Kavur

Tel : +90 232 482 2200

Fax : +90 232 489 1562

Email : investorrelations@ pinarsut.com.tr

Capital Markets Coordinator Senem Demirkan is in possession of all certifications issued by CMB and is also responsible for coordinating matters involved (1) in the fulfillment of company obligations arising from capital markets laws and regulations and (2) in corporate governance practices. Investor Relations Specialist Gökhan Kavur holds a Capital Market Activities Advanced Level License.

The duties of the Investor Relations Department are listed below:

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

Respond to shareholders' written requests for all information about the company except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret.

Ensure that General Assembly meetings are conducted in accordance with the requirements of current laws and regulations and of the company's articles of incorporation and other bylaws.

Communicate with other units of the company and ensure that documents which shareholders may find useful at General Assembly meetings are prepared.

Ensure that records are kept of the results of voting at General Assembly meetings.

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

Ensure that investor relations activities are properly conducted.

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

The Unit participated in two investors conferences in 2012, during which it held one-on-one contacts with 33 investors, and had one-on-one meetings with about 25 others during the rest of the year. Moreover, more than 450 queries were responded by phone or e-mail during the reporting period. In addition, two analysts' meetings have been organized, which was open to participation of all analysts; addressing the Company's activities and financial results in the 12-month period of 2011 and the 6-month period of 2012; one of these two meetings was in webcast format. "Investor Presentations" drawn up in Turkish and English languages concerning the company's periodic results were published on the company's website. The website and investor presentations have been updated regularly to make sure that up-to-date information is made available to the investors at all times. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests

3. Shareholders' exercise of their right to obtain information

The fundamental principle in shareholders exercising their right to obtain information is that there should be no discrimination among shareholders. All information and documents that shareholders may need to exercise their shareholders' rights in a sound manner are made equally available to all shareholders on the company's corporate website. During 2012, utmost care was paid, under the supervision of the Investor Relations Department, to respond to requests for information received from shareholders within the framework of the requirements of capital market laws and regulations and without delay.

Such requests for information are generally about such issues as General Assembly meeting dates, information on financial statements that are disclosed, developments in the sector and profit distribution. All requests for information, except in the case of information that was in the nature of a trade secret and information that it was deemed to be in the company's interest to keep confidential, were responded to without making any distinctions among shareholders and in line with any statements that may previously have been made within the framework of capital market laws and regulations. Information and disclosures that might affect the exercise of shareholders' rights are announced in the "Investor Relations" section on the company website, and there have been no information or disclosures during the reporting period, other than those disclosed under the Capital Market legislation. While the request to have a special auditor appointed is not an individual right provided for under the company's articles of incorporation, no such request was received during 2012.

4. General Assembly Meetings:

The 2011 annual General Assembly meeting took place on 15May 2012. Pursuant to article 19 ("Meeting quorums") of the company's articles of incorporation, the quorum requirements at ordinary and extraordinary General Assembly meetings are subject to the provisions of the Turkish Commercial Code. At the 2011 annual General Assembly meeting, 63.91% of the company's capital was represented. During the meeting, no attending shareholders or their proxies advanced any motions and all questions that were raised were responded to by the Presiding Committee. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

No stakeholders other than the shareholders or media representatives attended the meeting. Invitations to the meetings were made by the Board of Directors. In addition to shareholders, representatives of the independent auditors were also sent written invitations to attend the meetings.

The company's General Assembly meeting announcements were published in the Turkish Trade Registry Gazette twenty-one days (not including the announcement and meeting dates) prior to the meeting date under the provisions of Article 368 of the TCC and as per "Article 22 - Announcement" of the articles of incorporation. The announcement was also published on the corporate website and in a local newspaper. Shareholders whose addresses were on record with the company were sent letters in which they were informed about the meeting date, location, and agenda. Prior to the General Assembly meetings, the meeting date, place and agenda, the profit distribution proposal that the Board of Directors intends to submit to General Assembly as well as the identity of independent auditors selected by the Board of Directors are publicly disclosed in material disclosures.

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

Minutes of General Assembly meetings are kept available for shareholders at all times at the company headquarters. In addition, the minutes of the company's General Assembly meetings for the past seven years are also accessible in the Investor Relations section of the company website at www.pinar.com.tr.

Corporate Governance Principles Compliance Report

At the company's General Assembly meetings, information is presented to the shareholders on the amount and recipients of the donations and grants made during the reporting period, and the changes in the relevant policy. This matter is addressed as a separate agenda item.

5. Voting Rights and Minority Rights:

Article 8 of the Company's articles of incorporation grants the following privilege regarding nominations to the Board of Directors: "The business and management of the company are carried out by the board of directors, which is constituted of 5-9 members being selected among shareholders or non-shareholders by the general assembly under the provisions of Turkish Commercial Code and the regulations of Capital Markets Board. Should the board of directors be constituted of five members, three of them shall be elected from among the nominees indicated by the Group A shareholders, one member shall be elected from among the nominees indicated by Group B shareholders, and one member shall be elected from among the nominees indicated by Group C shareholders. In case the board consists of seven members, four of them shall be elected from among the nominees indicated by Group A shareholders, two members shall be elected from among the nominees indicated by Group B shareholders, one member shall be elected from among the nominees indicated by Group C shareholders. In case the board consists of nine members, five of them shall be elected from among the nominees indicated by Group A shareholders, three members shall be elected from among the nominees indicated by Group B shareholders, one member shall be elected from among the nominees indicated by Group C shareholders."

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

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

There are no other companies in which the company has a cross-ownership. Minority rights are not represented on the Board of Directors.

6. Entitlement to Dividends:

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

Distribution of the Company's profit for 2011 has been completed in two installments paid on 25 May 2012 and 25 September 2012.

7. Transfer of shares

Transfer of shares is subject to the relevant provision of the TCC.

PART II: PUBLIC DISCLOSURES AND TRANSPARENCY

8. Company disclosure policy

In all matters pertaining to its public disclosures, the company complies with the requirements of the Capital Markets legislation and of Borsa İstanbul regulations.

The "Disclosure Policy" prepared for the purpose of keeping the public informed, which is approved by the Board of Directors and which was presented for the information of shareholders at the 2008 annual General Assembly meeting, is publicly disclosed on the company's corporate website (www.pinar.com.tr). The Disclosure Policy was updated and presented for the information of shareholders at the 2011 General Assembly meeting. The Board of Directors has both the authority and the responsibility for formulating, supervising, reviewing, developing and executing the company's disclosure policy. The Corporate Governance Committee and the Investor Relations Department provide information and make recommendations to the Board of Directors concerning the company's disclosure policy.

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

Principles governing the disclosure of forward-looking information are defined in the company's disclosure policy. In this framework, the company is required to disclose its targets for the relevant year in the financial presentations where the company's annual and interim financial results are evaluated. In case of any changes in the underlying assumptions, the targets in these presentations are also revised and the presentations incorporating these alterations are publicly disclosed via a material event disclosure.

9. The Company's Corporate Website and its Content:

The company's corporate website (www.pinar.com.tr) contains all the matters as required by Corporate Governance Principles. The company's website is available in both Turkish and English. The company continuously improves and upgrades the services provided by its website, which is actively used.

10. Annual Report:

The company's annual reports contain all the information specified in the Corporate Governance Principles; however, remuneration of the board of directors and senior executives and other benefits provided to them are disclosed not on an individual basis, but as a cumulative amount.

PART III: STAKEHOLDERS

11. Disclosure to Stakeholders:

Stakeholders are kept informed about all matters concerning the company other than those which are in the nature of a trade secret through CMB material disclosures within the framework of CMB regulations, Turkish Commercial Code, Competition Law, tax laws, and Turkish Code of Obligations.

Stakeholders are able to convey any transaction they consider to be illegitimate or unethical to the Corporate Governance Committee or the Audit Committee via Yaşar Group Ethics Committee. The Audit Committee reviews the complains received regarding the company's accounting and internal control system and independent audit, and handles the notifications of company employees in relation to the company's accounting and independent audit, observing the confidentiality principle.

Furthermore, the communication mechanism is established with the Corporate Governance Committee and the Audit Committee also via the processes that provide stakeholder participation in management as discussed under Article 12 hereinbelow.

12. Stakeholder Participation in Management:

Employee participation in management is provided through systematic meetings and suggestion systems, which are founded on the process-oriented management system and Total Quality philosophy, which aim at improvement and increased efficiency, and which give consideration to the demands and opinions of employees. Our customers are involved in the management through dealer meetings, customer satisfaction system and employee opinion surveys. The feedback from stakeholders are sought in this framework concerning material decisions that bear consequences for them.

Customer demands and complaints can be communicated via our toll-free customer line which can be reached from any part of Turkey without dialing a city code, upon which the demands and complaints received are handled and resolved. To ensure customer satisfaction, various research studies and surveys are continually conducted by our Company and by independent firms. Efforts are taken on to improve the product and service quality based on the research outcomes and customer demands.

Business volumes of our suppliers also expand in keeping with our own volumes which grow on the basis of cooperations with suppliers, and regular audits result in co-development of new materials that conform to food safety requirements and to the quality management systems that the food industry needs, while suppliers find opportunities to enter into new lines of business. By establishing an uninterrupted information network with our suppliers, the potential developments and innovations in the industry are followed-up, quality and innovation circles are organized, collaborations are carried out and efforts are spent to introduce these innovations as a matter of priority.

Dealer meetings organized by the Company serve as a tool to convey the opinions and feedback of dealers that have a direct business relationship with the Company to the senior management.

Employee opinion surveys serve to gather the employees' views about changes in implementations which will be made in relation to working conditions, working environment, and rights provided to employees. The action committee formed of employee representatives carries out its activities during the year for conducting the improvement works in relation to the said processes.

Corporate Governance Principles Compliance Report

13. Human Resources Policy:

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

The Company did not receive any complaints about discrimination as at 2012. The company's basic human resources policies are set forth clearly in the company's Personnel Regulations, which are issued to all non-contract employees against their individual signature. In addition to basic policies, these regulations also contain information about working hours, hiring principles and processes, termination, and discipline. Human resources policies and practices pertaining to employees who are covered by collective bargaining agreements are spelled out in such agreements. Job descriptions are devised for all of the Company employees. Performance and rewarding criteria for the white-collar employees are disclosed in the White Collar Employee Regulation, while the rewarding criteria for our blue-collar workers are described in the Collective Bargaining Agreement.

Basic human resources policies

a) Staffing at the company is determined according to the criteria of business economics. All employees agree that honorable employment is only possible through productive work.

b) The company conducts intramural and extramural training programs within the framework of plans that are devised for each level in order to ensure the progression of its employees.

c) The company is mindful of equality of opportunity in all promotions and appointments throughout its organization. As a matter of principle, appointments are made from among the company's own personnel.

d) By means of a career planning system in which progression plans are implemented, employees who have potential are provided with the broadest possible opportunities for advancement.

e) Employees' performance is evaluated on the basis of their fulfillment of targets and their competencies.

f) Job descriptions and performance standards are documented for positions at every level from the highest to the lowest and these serve as the basis for employee evaluations.

g) Employee opinion surveys are conducted regularly every year, at which time employees are asked for their views about such issues as working conditions, management, social activities, compensation, training, performance evaluation, career planning, participatory management, and company satisfaction. Improvements are made in line with the feedback that is received in this way.

h) A safe workplace and safe working conditions are a matter to which the company gives great importance. Under the company's occupational health and safety regulations, all legally mandated measures are taken to prevent occupational risks, ensure health and safety, and eliminate risk and accident factors. An ongoing effort to make improvements is carried out through regularly conducted safety meetings.

i) Our management style is ".... [to] maintain our existence as a company that acts fully respectful of the laws and ethical rules, and embrace total quality philosophy and participatory management".

j) An essential principle at the company is that all employees will be treated equally and without making any discrimination among them with respect to language, race, color, sex, political beliefs or philosophy, creed, religion, sect, or similar reasons. Due measures have been taken to protect this fundamental constitutional right of employees.

There are three workplace representatives at Pınar Süt (two in the Pınarbaşı plant and one in the Eskişehir plant).

There are four blue-collar shop stewards at Pınar Süt company (in our İzmir and Eskişehir facilities). These individuals and their jobs are identified below:

At the İzmir Plant: İlyas Koç, Mechanical Shop Technician; Ali Ünlü, Cheese Packaging Shift Supervisor

At the Eskişehir Plant: Erdoğan Yörüksoy, Tetrapak Operator; Vural Sakarya, Machinery Maintenance Shift Supervisor.

The duties of these representatives are to:

a) Hear workers' wishes and resolve their complaints exclusively with respect to matters at the workplace;

b) Ensure continued labor peace through worker-employer cooperation and labor fairness;

c) Be mindful of workers' rights and interests; assist in the implementation of the working conditions which are provided for in labor laws and in collective bargaining agreements.

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

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

14. Rules of Ethics and Social Responsibility:

In order to fulfill its responsibilities related to public health and the nature, Pınar Süt has made it a principle to continually oversee and improve its environmental performance, while integrating with its manufacturers, suppliers and employees in the conduct of its production activities.

The company seeks to make contributions that are beneficial to employees and to the community in the areas of culture, art, sport, and education through the Pınar Kido art competitions, the Pınar Kido children's theater, its sponsorship of Pınar Karşıyaka basketball team, farmer training programs, its newspaper Pınar, and its magazine Yaşam Pınarım. The company supports education by collaborating with organizations such as Yaşar University and Yaşar Education Foundation.

The company conducts its activities within the framework of values which are adhered to by the Yaşar Group companies and whose approach to the production of goods and services involves compliance with laws and the rules of ethics, concerns itself with national problems without becoming involved in politics, and values the environment and nature. These values are known to all company employees. In addition, within the framework of its corporate governance approach, work is underway for the formulation of the company's own rules of ethics. The Company's rules of ethics are publicly disclosed via the corporate website.

PART IV: BOARD OF DIRECTORS

15. Structure and Formation of the Board of Directors:

Members of the Company's Board of Directors are identified below:

Name	Position	Independent Director or Not	Executive Director or Not	Term of Office
İdil Yiğitbaşı	Chairperson	Non-independent Board Director	Non-executive	1 year
Yılmaz Gökoğlu	Deputy Chairperson	Non-independent Board Director	Non-executive	1 year
Mehmet Aktaş	Director	Non-independent Board Director	Non-executive	1 year
Hakkı Hikmet Altan	Director	Non-independent Board Director	Non-executive	1 year
Hasan Girenes	Director	Non-independent Board Director	Non-executive	1 year
Turhan Talu	Director	Independent Board Director	Non-executive	1 year
Ali Yiğit Tavas	Director	Independent Board Director	Non-executive	1 year

Gürkan Hekimoğlu serves as the company's General Manager. The engagement of company directors in the activities set forth in Articles 395 and 396 of the Turkish Commercial Code is subject to the approval of the General Assembly of shareholders. With the exception of those activities, there are no other limitations imposed on what Board directors may do. Résumés of the Board directors are published in the company's annual report and corporate website. In accordance with the Capital Market legislation, independent Board directors have submitted their declarations of independence to the Corporate Governance Committee that acts as the Nomination Committee.

Two independent director candidates were presented for 2012 to the Corporate Governance Committee that acts as the Nomination Committee. The declarations of independence and résumés of these individuals have been discussed in the Corporate Governance Committee meeting of 19 April 2012 and the Board of Directors meeting of 20 April 2012, and it has been decided to nominate all of them as independent directors. No situations arose that prejudiced independence as at 2012 operating period.

16. Operating Principles of the Board of Directors:

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

"The Board of Directors shall convene as the company's affairs may require. However, the Board must meet at least monthly."

Details about the Board of Directors' operating principles and its activities during the 2012 reporting period are given below.

The agenda for the Board of Directors meetings are set by the Chairperson of the Board, in consultation with the other Board directors and the General Manager.

During the reporting period, the Board of Directors convened forty-five times. The Board of Directors shall convene upon a summons in the form of a written request made by its chairperson or by any director. The meeting agenda is sent out to the directors by registered airmail at least two weeks in advance of the meeting date. All directors are usually present at meetings. There were no unresolved disputes over issues during the 2012 reporting period. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights. There have been no related party transactions or

Corporate Governance Principles Compliance Report

material transactions that have been submitted for the approval of independent Board directors during the operating period. Board of Directors meetings are convened with a majority of the full membership, and decisions are passed by a simple majority of those present in the meeting.

17. Number, Structure and Independence of the Committees Established by the Board of Directors:

The Audit Committee and the Corporate Governance Committee have been set up at the company. The Corporate Governance Committee fulfills the duties of the Nomination Committee, Early Detection of Risk Committee and the Remuneration Committee. When performing their activities, the committees under the Board of Directors adhere to the operating principles that are posted also on the company website.

The Audit Committee is headed by Turhan Talu and its other member is Ali Yiğit Tavas. Both members are non-executive and independent Board directors. The Audit Committee meets at least on a quarterly basis and holds at least four meetings in one year. Within the scope of the Committee's activities, information has been obtained on operations and internal control systems from company executives and findings related to the audit from independent auditors. The Audit Committee is responsible for the company's bookkeeping system, for the public disclosure of financial information, and for supervising the operation and effectiveness of independent auditing and of the internal control system; for selecting the independent auditors, initiating the independent auditing process, and supervising the independent auditors' activities; for reporting to the Board of Directors about the authenticity and veracity of publicly disclosed yearly and intermediary financial statements.

The Corporate Governance Committee is headed by Turhan Talu, who is a non-executive and independent Board director, and its other member is Yılmaz Gökoğlu, a non-executive Board director. The Corporate Governance Committee meets at least on a quarterly basis and holds at least four meetings in one year. The Corporate Governance Committee is responsible for identifying whether or not corporate governance principles are being complied with at the company as well as for identifying any problems arising from less than full compliance with those principles; for making recommendations to the Board of Directors on taking measures to achieve improvements; and for coordinating activities pertaining to relations with shareholders

Within the scope of the duties of the Nomination Committee, the Corporate Governance Committee works to create a transparent system to deal with the matters of identifying, evaluating, training, and rewarding candidates suitable for board membership and to establish policies and strategies applicable to that system. In addition, the Committee evaluates the nominations for independent Board membership including the management and shareholders, taking into consideration whether the candidate bears the independence criteria or not, and reports its relevant assessment to the Board of Directors for approval.

Within the scope of the duties of the Early Detection of Risk Committee, the Corporate Governance Committee performs activities to early detect the risks that may endanger the existence, development and continuity of the company, to implement the necessary measures for the risks identified, and to manage the risk.

Within the scope of the duties of the Remuneration Committee, the Corporate Governance Committee formulates its proposals regarding the principles for compensating the Board directors and senior executives, in view of the long-term goals of the company.

According to the Corporate Governance Principles, both members of the Audit Committee and the head of the Audit Committee must be independent Board directors. Since there are two independent members on the company's Board of Directors, the same member may serve on more than one committee under the Board of Directors.

18. Risk Management and Internal Control Mechanism:

The Board of Directors essentially supervises risk management and internal control activities through the Corporate Governance Committee that has undertaken the duties of the Early Detection of Risk Committee. In its fulfillment of these functions, the Corporate Governance Committee makes use of the findings of the bodies performing certification under the Group Audit and Risk Management Coordinator, independent audit and certified accountancy.

19. Strategic Goals of the Company:

The Board of Directors sets the Corporate Strategy and Goals in line with the company's vision and growth and profitability expectations. The principles that will steer these strategies are determined by the senior management and the extent at which the goals are achieved are assessed in the monthly meetings, along with the activities and past performance.

20. Financial Rights:

The rights provided to the Board directors are decided at the General Assembly meetings and are publicly disclosed through the minutes of the meetings issued. The Remuneration Policy that describes the remuneration system and implementations for the company's Board directors and senior executives is available on the company website. The company's annual reports do not present the rights provided to senior executives on an individual basis, but state a cumulative amount. The company does not lend money, extend credit, or make available loans under the name personal loans via a third party to any of its directors or executives, nor does it provide guarantee in their favor.

Statutory Auditors' Report

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

Company name	Pınar Süt Mamulleri Sanayii A.Ş.
Head office	Şehit Fethi Bey Caddesi No.120 İZMİR
Capital	TL 44,951,051.25
Field of activity	Production of milk and dairy products
Statutory auditors' names, surnames, terms of office and whether they have a shareholding interest in the company	Kamil Deveci (15.05.2012 - one year) not a shareholder Onur Öztürk (15.05.2012 - one year) not a shareholder
Number of Board of Directors meetings participated in and of Board of Auditors meetings held	Board of Directors meetings: 45 Board of Auditors meetings: 12
Scope, dates and conclusions of the examination made on the accounts, books and documents of the company	At the end of each month, cash, cheques, bonds and receipts were counted, and the records and documents were screened on the basis of sampling method and no irregularities were found.
Number and results of the cash counts performed in the company's cashier's office pursuant to the related provisions of the Turkish Commercial Code	The cashier's office of the company was checked and counted 12 times and no irregularities were found.
Dates and results of the examinations made pursuant to the related provisions of the Turkish Commercial Code	Examination was performed at the end of each month, comments were provided for matters of uncertainty, and no irregularities were established.
Complaints and charges of fraud of which the company was advised and actions taken against them	None

We have examined the accounts and transactions of Pınar Süt Mamulleri Sanayii Anonim Şirketi for the period 01 January 2012 - 31 December 2012 with respect to their compliance with the Turkish Commercial Code, the company's articles of incorporation, and other applicable legislation, as well as generally accepted accounting principles and standards.

In our opinion, the attached balance sheet prepared on 31 December 2012, the contents of which we acknowledge, fairly and accurately presents the company's financial status on the date, and the income statement for the period 01 January 2012 - 31 December 2012 fairly and accurately presents the operating results for the period.

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

Statutory Auditor
Kamil Deveci

Statutory Auditor
Onur Öztürk

Independent Auditor's Report

(Convenience translation into English - the Turkish text is authoritative)

To the Board of Directors of Pınar Süt Mamülleri Sanayii A.Ş.

Report on the financial statements

1. We have audited the accompanying financial statements of Pınar Süt Mamülleri Sanayii A.Ş. (the "Company") which comprise the balance sheet as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards accepted by the Turkish Capital Market Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards issued by the Turkish Capital Market Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying financial statements give a true and fair view of, the financial position of Pınar Süt Mamülleri Sanayii A.Ş. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted by the Turkish Capital Market Board (Note 2).

Emphasis of Matter

5. As explained in Notes 1 and 37 to the financial statements, the Company sells a substantial portion of its products to its related party and associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), which performs sales and distribution of the Company's products in the domestic market.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Cansen Başaran Symes, SMMM
Partner
İstanbul, 14 March 2013

Pınar Süt Mamulleri Sanayii A.Ş.

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	Notes	31 December 2012	31 December 2011
ASSETS			
Current assets		**224.057.786**	**244.733.776**
Cash and cash equivalents	6	4.506.394	4.989.129
Financial assets	7-b	2.214.222	2.814.941
Trade receivables		101.164.320	102.363.672
- Due from related parties	37	91.655.241	90.021.159
- Other trade receivables	10	9.509.079	12.342.513
Other receivables		23.954.331	65.706.832
- Due from related parties	37	23.612.219	63.097.170
- Other receivables	11	342.112	2.609.662
Inventories	13	82.124.448	59.672.254
Other current assets	26	10.094.071	9.186.948
Non-current assets		**392.799.966**	**380.840.361**
Other receivables		751	11.694.751
- Due from related parties	37	-	11.694.000
- Other receivables	11	751	751
Financial assets	7-a	53.333.436	46.071.239
Investments in associates accounted for using equity method	16	44.867.057	45.482.093
Property, plant and equipment	18	292.423.485	277.326.705
Intangible assets	19	252.102	241.180
Other non-current assets	26	1.923.135	24.393
TOTAL ASSETS		**616.857.752**	**625.574.137**

The financial statements at 31 December 2012 and for the year then ended have been approved for issue by Board of Directors of Pınar Süt Mamülleri Sanayii A.Ş. on 14 March 2013.

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

Pınar Süt Mamulleri Sanayii A.Ş.

Balance Sheets at 31 December 2012 and 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
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	Notes	31 December 2012	31 December 2011
LIABILITIES			
Current liabilities		**136.905.863**	**135.435.419**
Financial liabilities	8	15.519.857	20.452.440
Trade payables		114.776.730	106.369.020
- Due to related parties	37	17.514.092	11.078.255
- Other trade payables	10	97.262.638	95.290.765
Other payables		307.825	1.263.434
- Due to related parties	37	307.825	1.263.434
Current income tax liabilities	35	2.289.128	3.722.224
Provisions	22	1.819.756	1.478.270
Other current liabilities	26	2.192.567	2.150.031
Non-current liabilities		**43.776.197**	**51.175.824**
Financial liabilities	8	131.958	15.074.179
Trade payables	10	12.695.205	5.419.146
Other payables	11	48.534	48.534
Provisions	22	327.790	260.871
Provision for employment termination benefits	24	9.428.290	6.082.672
Deferred income tax liabilities	35	21.144.420	24.290.422
TOTAL LIABILITIES		**180.682.060**	**186.611.243**
EQUITY		**436.175.692**	**438.962.894**
Share capital	27	44.951.051	44.951.051
Adjustment to share capital	27	16.513.550	16.513.550
Reserves		153.172.873	147.579.044
- Revaluation reserves	18	117.422.792	120.262.072
- Revaluation reserves of investments-in-associates	16	713.355	738.172
- Fair value reserves of available-for-sale investments	7	28.334.932	21.688.300
- Fair value reserves of investments-in-associates	2.3	6.701.794	4.890.500
Currency translation reserve	2.3	382.045	519.933
Restricted reserves	27	34.121.324	27.778.175
Distribution to shareholders	2.6.8	(5.537.877)	(5.537.877)
Retained earnings	27	137.766.514	134.238.876
Profit for the year		54.806.212	72.920.142
TOTAL LIABILITIES AND EQUITY		**616.857.752**	**625.574.137**

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

Pınar Süt Mamulleri Sanayii A.Ş.

Statements of Comprehensive Income for the Years Ended at 31 December 2012 and 2011

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

Convenience Translation into English of Financial Statements Originally Issued in Turkish

	Notes	1 January - 31 December 2012	1 January - 31 December 2011
Revenue	28	727.149.364	651.106.918
Cost of sales	28	(582.167.481)	(517.326.553)
GROSS PROFIT	**28**	**144.981.883**	**133.780.365**
Research and development expenses		(7.244.169)	(5.574.868)
Marketing, selling and distribution expenses	29	(54.903.777)	(35.301.230)
General administrative expenses	29	(33.074.669)	(24.495.810)
Other operating income	31	7.468.828	8.635.995
Other operating expenses	31	(1.956.813)	(2.766.488)
OPERATING PROFIT		**55.271.283**	**74.277.964**
Share of results of investment-in-associates - net	16	3.145.422	7.360.667
Finance income	32	12.268.778	11.828.340
Finance expense	33	(8.865.040)	(10.151.310)
PROFIT BEFORE TAXATION ON INCOME		**61.820.443**	**83.315.661**
Income tax expense	35	(7.014.231)	(10.395.519)
- Taxes on income	35	(10.738.893)	(14.890.902)
- Deferred tax income	35	3.724.662	4.495.383
PROFIT FOR THE YEAR		**54.806.212**	**72.920.142**
Other comprehensive income/(expense):			
Increase/(decrease) in fair value reserve of available-for-sale investments	7-35	6.997.930	(6.997.032)
Currency translation differences	2-16	(137.888)	685.967
Increase in revaluation reserve of investment in associates	16	-	1.493.201
Increase in fair value reserve of investment in associates	16	1.811.294	644.158
Increase in revaluation reserve	18	-	43.258.990
Tax expense due to other comprehensive income	35	(351.298)	(7.053.675)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**8.320.038**	**32.031.609**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**63.126.250**	**104.951.751**
EARNINGS PER SHARE	**36**	**1,2192**	**1,6222**

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

Pınar Süt Mamulleri Sanayii A.Ş.

Statements of Cash Flows for the Years Ended at 31 December 2012 and 2011

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

	Notes	1 January - 31 December 2012	1 January - 31 December 2011
Operating activities:			
Profit before taxation on income		**61.820.443**	**83.315.661**
Adjustments to reconcile net cash generated from operating activities to profit before taxation on income:			
Depreciation and amortisation	18-19	13.217.435	14.780.542
Interest income	32	(5.845.432)	(7.507.041)
Interest expense	33	3.013.949	2.896.358
Provision for employment termination benefits	29	4.829.454	1.431.502
Reversal of impairment on property, plant and equipment	31	-	(901.446)
Management bonus provision	29	500.000	500.000
Share of results of investment in associates - net	16	(3.145.422)	(7.360.667)
Inventory profit elimination	16	1.290	55.891
Gain from sales of property, plant and equipment - net	31	(635.553)	(517.808)
Dividend income	37	(3.382.389)	(4.486.945)
Unrealized foreign exchange gain/(loss)		(576.828)	3.672.406
Income accruals		(2.040.757)	(762.882)
Net cash before the changes in assets and liabilities:		**67.756.190**	**85.115.571**
Changes in assets and liabilities:			
Decrease in trade receivables	10	2.833.434	1.333.636
Increase in inventory	13	(22.452.194)	(9.533.265)
Increase in due from related parties	37	(1.634.082)	(34.601.202)
Decrease/(increase) in short and long - term other receivables and other current assets		3.401.184	(4.048.518)
Decrease/(increase) in other non-current assets		(42.279)	434.659
Increase in trade payables	10	9.247.932	14.454.842
Increase/(decrease) in short-term trade payables to related parties	37	6.435.837	(6.679.629)
Increase/(decrease) in other payables to related parties	37	(955.609)	284.626
Increase in other payables		137.755	1.126.172
Bonus paid	22	(186.814)	(497.535)
Employment termination benefit paid	24	(1.483.836)	(958.042)
Taxes paid	35	(12.171.989)	(13.503.809)
Net cash generated from operating activities		**50.885.529**	**32.927.506**
Investment activities:			
Interest received		5.845.432	7.356.755
Purchases of property, plant and equipment and intangible assets and advances given		(31.449.883)	(17.651.254)
Gain from property, plant and equipment sales		1.396.770	811.042
Decrease/(increase) in non-trade due from related parties	37	51.178.951	(13.388.329)
Dividends received	37	8.814.963	13.303.358
Participation to capital increase in available-for- sales investments	7	(264.267)	-
Net cash generated from/(used in) investing activities		**35.521.966**	**(9.568.428)**
Financing activities:			
(Redemption of)/increase in borrowings and leasing obligations		(18.697.257)	17.953.876
Dividends paid	37	(65.179.024)	(50.794.688)
Interest paid		(3.013.949)	(2.743.321)
Net cash used in financing activities		**(86.890.230)**	**(35.584.133)**
Decrease in cash and cash equivalent - net		**(482.735)**	**(12.225.055)**
Cash and cash equivalents at 1 January		4.989.129	17.208.785
Effect of foreign exchange on cash and cash equivalents		-	5.399
Cash and cash equivalents at 31 December	6	**4.506.394**	**4.989.129**

The accompanying notes are 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 2012 and 2011

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

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	Share capital	Adjustment to share capital	Revaluation reserve	Revaluation reserves of investments in associates	Fair value reserves of available-for-sale investments
1 January 2011	**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-as previously reported	**44.951.051**	**16.513.550**	**120.262.072**	**738.172**	**21.688.300**
Correction (Note 2.6.12)	-	-	528.566	-	-
1 January 2012- as corrected	**44.951.051**	**16.513.550**	**120.790.638**	**738.172**	**21.688.300**
Transfer of prior year income to retained earnings	-	-	-	-	-
Legal reserves	-	-	-	-	-
Dividends paid (Notes 27 and 37.ii.j)	-	-	-	-	-
Sales of property, plant and equipment - net	-	-	(299.673)	-	-
Depreciation transfer of investments-in-associates - net	-	-	-	(24.817)	-
Depreciation transfer (Note 18)	-	-	(3.068.173)	-	-
Total comprehensive income	-	-	-	-	6.646.632
31 December 2012	**44.951.051**	**16.513.550**	**117.422.792**	**713.355**	**28.334.932**

The accompanying notes are 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
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**
-	-	-	-	(1.262.994)	-	(734.428)
4.890.500	**519.933**	**27.778.175**	**(5.537.877)**	**132.975.882**	**72.920.142**	**438.228.466**
-	-	-	-	72.920.142	(72.920.142)	-
-	-	6.343.149	-	(6.343.149)	-	-
-	-	-	-	(65.179.024)	-	(65.179.024)
-	-	-	-	299.673	-	-
-	-	-	-	24.817	-	-
-	-	-	-	3.068.173	-	-
1.811.294	(137.888)	-	-	-	54.806.212	63.126.250
6.701.794	**382.045**	**34.121.324**	**(5.537.877)**	**137.766.514**	**54.806.212**	**436.175.692**

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2012 and 2011

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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% (2011: 97%) 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 37,94% (2011: 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 61,41% shares of the Company (2011: 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.

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.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2012 and 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
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NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in International Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective as of 1 January 2012 have not been presented since they are not relevant to the operations of the Group or have insignificant impact on the financial statements.

b) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company:

- IAS 19 (amendment), "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. Actuarial gains and losses arising from the calculations of provision for employment termination benefits will be classified under other comprehensive income without having an effect on the net profit/loss for the year. The Company is yet to assess IAS 19's full impact.
- Amendment to IAS 1, "Financial statement presentation" regarding other comprehensive income, 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Company is yet to assess IAS 1's full impact.
- 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.
- IFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess IFRS12's full impact.
- 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 IFRS. The Company is yet to assess IFRS13's full impact.
- IAS 28 (revised), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11 "Joint arrangements". The amendment does not have an impact on the Company's financial statements.
- IAS 32 (amendment), "'Financial instruments: Presentation", on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have a significant impact on the Company's financial statements.
- IFRS 7 (amendment), "'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. The amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The amendment does not have a significant impact on the Company's financial statements.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted:

- IFRS 10, "Consolidated financial statements" is effective for annual periods beginning on or after 1 January 2013. This standard 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. The standard provides additional guidance to assist in determining control where this is difficult to assess.
- 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. Proportional consolidation of joint ventures is no longer allowed.
- IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The 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.

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

2.3 Basis of consolidation

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

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

The table below sets out the associates and the proportion of ownership interest as of 31 December 2012 and 2011 (Note 16):

	Shareholding%	
	2012	**2011**
Investments-in-associates		
YBP	31,82	31,82
Desa Enerji Elektrik Üretim A.Ş. (“Desa Enerji”)	30,52	30,52
Pınar Foods GmbH (“Pınar Foods”)	44,94	44,94

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 the investment-in-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 2012, equivalent of 1 Euro is TL2,3517 (2011: TL2,4438) and for the year then ended the average equivalent of 1 Euro TL2,3046 (2011: TL2,3229). 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.

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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 2012 on a comparative basis with balance sheet at 31 December 2011; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2012 on a comparative basis with financial statements for the period of 1 January - 31 December 2011.

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

Land, land improvements, buildings, machinery and equipment are stated at fair value, based on valuations performed by external independent valuers namely Elit Gayrimenkul Değerleme A.Ş. and Vakıf Gayrimenkul A.Ş. as of 31 December 2011 (Note 13). Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. 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).

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 statement of comprehensive income. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount is restated to the revalued amount of the asset.

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

Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to the accumulated losses.

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	15-25
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.

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 six 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. Recoverable amounts of intangible assets that are not available for use, are estimated at each reporting date. 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.

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

Assets are allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level. The recoverable amount of an intangible assets not yet available for use to be measured annually, irrespective of whether there is any indication that it may be impaired. An impairment loss is recognised for the amount by which the carrying amount of the asset or any cash generating unit of that asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. All impairment losses are accounted for in the statement of 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.

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.

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

b) Available-for-sale investments

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

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

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

When securities classified as available-for-sale are 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.

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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.

a) The followings are the changes in accounting estimates effective since 1 January 2012;

- The Company management has assessed the useful lives of property, plant and equipments and changed useful lives of machinery and equipment as of 1 January 2012. The effect of change in accounting estimate is recognised prospectively. Had the Company management not change the useful lives, the depreciation expense for the year ended 31 December 2012, would be higher by TL5.842.168.

Useful lives of buildings and land improvements, and, machinery and equipment have been updated as below:

	Estimated Useful Lives	
	Before Change	After Change
Machinery and equipment	5-30 years	15-25 years

- The Company management has changed certain actuarial assumptions and estimations for employment termination benefit provision as of 1 January 2012. The effect of change in accounting estimate is recognised prospectively. Had the Company management not change the estimations, the provision for the employment termination benefits for the year ended 31 December 2012, would be lower by TL1.333.346.

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

b) Prior year corrections:

In 2012, the Company identified certain corrections regarding measurement of property, plant and equipments, deferred income tax and revaluation fund in prior years. The Company, according to IAS 8 "Accounting policies, changes in accounting estimates and errors" ("IAS 8"), corrected them without restating prior year financial statements on the grounds of materiality as of 1 January 2012.

The details of the prior year corrections are as follows,

	1 January 2012
Overstatement in property, plant and equipment and intangible assets (Note 13)	(507.066)
Understatements of deferred income tax liability (Note 19)	(227.362)
Understatements of revaluation fund (Note 13)	(528.566)
Total effect on retained earnings	(1.262.994)
Total effect on equity	(734.428)

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.

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.

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(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).

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.

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

2.6.21 Government grants and incentive

Grants from the government are recognised at their fair value when there is a reasonable assurance that grant will be received and the Company will comply with all relevant conditions after fulfilling minimum requirements.

The Company recognizes the subsidy received for brand development and marketing by way of crediting respective selling and marketing costs whereas the subsidy received for usage of milk powder in products sold abroad is net off against the cost of sales (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 2012, land and land improvements, buildings, machinery and equipment were stated at fair value less subsequent depreciation of land improvements, buildings, machinery and equipment, based on valuations performed by external independent valuer namely Elit Gayrimenkul Değerleme A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. based on the Company's assumption that those values do not significantly differ from their fair values as of 31 December 2011 (Note 18). 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;

- 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 m^2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was 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.

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

- 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 (2011: None).

NOTE 4 - JOINT VENTURES

None (2011: None).

NOTE 5 - SEGMENT REPORTING

Please see Note 2.6.14.

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash in hand	31.627	28.326
Banks	4.474.767	4.960.803
- Time deposits	4.233.000	3.300.000
- Local currency	4.233.000	3.300.000
- Demand deposit	241.767	1.660.803
- Local currency	241.767	1.636.059
- Foreign currency	-	24.744
	4.506.394	**4.989.129**

As of 31 December 2012, time deposits are denominated in TL amounted to TL4.233.000 (2011: TL3.300.000) and all mature in less than one month (2011: less than one month) with the effective weighted average interest rates of 7,69% per annum ("p.a") (2011: 11,40% p.a). As of 31 December 2011, the Company has foreign deposits at amount of USD13.100 equivalent of TL24.744.

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.

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NOTE 7 - FINANCIAL ASSETS

a) Available-for-sale investments:

	31 December 2012		31 December 2011	
	TL	%	TL	%
Pınar Entegre Et ve Un Sanayi A.Ş. ("Pınar Et")	35.218.319	12,58	30.638.848	12,58
Çamlı Yem Besicilik San. ve Tic. A.Ş. ("Çamlı Yem")	13.312.763	5,47	11.284.144	5,47
Pınar Su San. ve Tic. A.Ş. ("Pınar Su")	4.095.848	8,77	3.725.515	8,77
Yataş	620.014	1,76	346.278	1,76
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	67.131	1,33	57.093	1,33
Other	19.361	-	19.361	-
	53.333.436		**46.071.239**	

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 2012 and 2011 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 2012 and 2011 are as follows:

	Discount rate		Growth Rate	
	2012	2011	2012	2011
Bintur	9.60%	11,06%	1%	1%
Yataş	7.58%	9,07%	0%	0%
Çamlı Yem	8.98%	10,40%	2%	2%

The movements of available-for-sale investments in 2012 and 2011 were as follows:

	2012	2011
1 January	**46.071.239**	**53.068.271**
Contribution to capital increase:		
Yataş	264.267	-
Fair value gain/(loss)		
Pınar Et	4.579.471	(6.433.067)
Pınar Su	370.333	(1.672.005)
Yataş	9.469	(113.502)
Bintur	10.038	(2.913)
Çamlı	2.028.619	1.224.455
31 December	**53.333.436**	**46.071.239**

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NOTE 7 - FINANCIAL ASSETS (Continued)

Movements of fair value reserve of available-for-sale investments are as follows;

	2012	2011
1 January	**21.688.300**	**28.318.434**
Change in fair value of Pınar Et	4.579.471	(6.433.067)
Change in fair value of Çamlı Yem	2.028.619	1.224.455
Change in fair value of Pınar Su	370.333	(1.672.005)
Change in fair value of Bintur	10.038	(2.913)
Change in fair value of Yataş	9.469	(113.502)
Deferred income tax on fair value reserve of available-for-sale investments (Note 35)	(351.298)	366.898
31 December	**28.334.932**	**21.688.300**

b) Short-term financial assets

As of 31 December 2012, other financial assets amounting to TL2.214.222 (2011: TL2.814.941) consist of receivables from derivative financial instruments, and have been disclosed in Note 8.

NOTE 8 - FINANCIAL LIABILITIES

	31 December 2012	31 December 2011
Short-term bank borrowings	922.984	19.733.728
Short-term portion of long-term bank borrowings	14.596.873	718.712
Short-term derivative financial assets	(2.214.222)	(2.814.941)
Short-term financial liabilities and other financial assets - net	**13.305.635**	**17.637.499**
Long-term bank borrowings	131.958	15.074.179
Long-term financial liabilities and other financial assets	**131.958**	**15.074.179**
	13.437.593	**32.711.678**

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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 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Short-term bank borrowings:						
TL borrowings (*)	-	-	922.984	-	922.984	-
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 (***)	6,04	6,02	6.206.945	294.096	14.596.873	718.712
Total short-term borrowings					**15.519.857**	**20.452.440**
Derivative financial assets:						
Cross currency swaps	-	-	(2.214.222)	(2.814.941)	**(2.214.222)**	**(2.814.941)**
Total short-term bank borrowings and derivative financial assets					**13.305.635**	**17.637.499**
Long-term bank borrowings:						
EUR borrowings (**)	5,55	7,29	56.112	6.168.336	131.958	15.074.179
Total long-term bank borrowings					**131.958**	**15.074.179**

(*) As of 31 December 2012, TL denominated short term bank borrowings comprised of spot loans without interest charges.

(**) As of 31 December 2011, the Company had EUR denominated bank borrowings with fixed interest rate of 5,70% p.a. that were amounting to EUR8.075.018 equivalent of TL19.733.728.

(***) As of 31 December 2012, EUR denominated bank borrowings are comprised of short term portion of long term borrowings with semi-annually floating rates of Euribor+5.60% p.a. that is amounting to EUR6.094.721 equivalent of TL14.332.955 (2011: with semi-annually floating rates of Euribor+5,60% p.a. that is amounting to EUR6.113.739 equivalent of TL14.940.755) and borrowings with 5,55% p.a. fixed interest rate that are amounting to EUR168.336 equivalent of TL395.876 (2011: with 5,07% p.a. fixed interest rate that are amounting to EUR348.693 equivalent of TL852.136).

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 TL25.804.200 as at 31 December 2012 (2011: TL26.356.800).

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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 any non- compliance with the certain key performance indicators for 2012, Yaşar Holding obtained a waiver from Morgan Stanley International Limited on 23 November 2012 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 2012 and 2011 is as follows:

	31 December 2012	31 December 2011
2013	-	14.937.053
2014	131.958	137.126
	131.958	**15.074.179**

As of 31 December 2012 and 2011, 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 2012:		
Bank borrowings with floating rates	12.118.733	12.118.733
Bank borrowings with fixed rates	-	395.876
Bank borrowings without interest	-	922.984
Total	**12.118.733**	**13.437.593**
- 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**

According to the interest rate sensitivity analysis performed at 31 December 2012, if interest rates on bank borrowings had been 1% higher while all other variables being constant, net profit for the year would be TL36.339 (2011: TL37.879) lower as a result of additional interest expense that would be incurred on bank borrowings with floating rates.

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

	Carrying Amounts		Fair Values	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Bank borrowings	**13.437.593**	**32.711.678**	**13.473.522**	**32.156.759**

The fair values are based on cash flows discounted using the rates based on the borrowing rates of 3,75% p.a. and 14,42% p.a. for EUR and TL denominated bank borrowings as of 31 December 2012, respectively (31 December 2011: 5,23% p.a. and 16,58% p.a. for EUR and TL denominated bank borrowings as of).

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NOTE 9 - OTHER FINANCIAL LIABILITIES

Please see Note 8.

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

	31 December 2012	31 December 2011
a) Short-term trade receivables:		
Customer current accounts	3.240.939	1.314.218
Cheques and notes receivable	5.302.883	7.932.687
Other	1.470.531	3.641.664
	10.014.353	**12.888.569**
Less: Provision for impairment of receivables	(458.181)	(462.724)
Unearned finance income	(47.093)	(83.332)
	9.509.079	**12.342.513**

The effective weighted average interest rate on TL denominated trade receivables is 7,61% p.a. as of 31 December 2012 (2011: 11,00% p.a.) and maturing within 2 months (2011: 2 months).

The agings of trade receivables as of 31 December 2012 and 2011 are as follows;

	31 December 2012	31 December 2011
Overdue	205.986	76.151
0-30 days	3.877.578	7.197.665
31-60 days	4.019.020	5.033.146
61-90 days	1.406.495	35.551
	9.509.079	**12.342.513**

The Company does not expect any collection risk regarding its trade receivables overdue but not impaired amounting to TL205.986 as of 31 December 2012 (2011: TL76.151) considering its past experience and subsequent collections (Note 38.a).

The aging of overdue receivables as of 31 December 2012 and 2011 are as follows:

0-3 months overdue	**205.986**	**76.151**

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

	2012	2011
1 January	**462.724**	**462.724**
Bad debt write-off	(4.543)	-
31 December	**458.181**	**462.724**

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NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2012	31 December 2011
b) Short-term trade payables		
Supplier current accounts	95.809.421	94.332.700
Cheques	1.757.668	1.417.740
	97.567.089	95.750.440
Less: Unincurred finance cost	(304.451)	(459.675)
	97.262.638	**95.290.765**

As of 31 December 2012 and 2011, the effective weighted average interest rates for TL, USD and EUR denominated on short-term trade payables are as follows:

TL denominated trade payables	7,58%	11,00%
USD denominated trade payables	2,21%	0,36%
EUR denominated trade payables	2,37%	1,04%

Trade payables mature within two months (2011: two months).

c) Long-term trade payables

Supplier current accounts	12.695.205	5.419.146
	12.695.205	**5.419.146**

Long-term trade payables are comprised of payables regarding property, plant and equipment purchases that are amounting to EUR5.398.310 as of 31 December 2012 (2011: EUR2.217.508). The effective weighted average interest rate for trade payables is 7,59% p.a. (2011: 6,07% 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.

The redemption schedules of long-term trade payables at 31 December 2012 and 2011 are as follows:

	31 December 2012	31 December 2011
2013	-	2.843.066
2014	4.827.799	1.554.335
2015	3.461.136	1.021.745
2016	2.477.897	-
2017	1.928.373	-
	12.695.205	**5.419.146**

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NOTE 11 - OTHER RECEIVABLES AND PAYABLES

	31 December 2012	31 December 2011
a) Other short-term receivables:		
Receivables from insurance companies	225.262	225.262
Value Added Tax ("VAT") receivable	-	2.266.454
Deposits and guarantees given	8.734	9.180
Other	108.116	108.766
	342.112	**2.609.662**
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 (2011: None).

NOTE 13 - INVENTORY

	31 December 2012	31 December 2011
Raw materials	23.670.896	23.285.184
- Raw materials	*22.347.798*	*20.433.836*
- Raw materials in transit	*1.323.098*	*2.851.348*
Work-in-progress	23.210.778	10.897.843
Finished goods	31.233.804	21.726.697
Merchandise stocks	503.473	436.780
Spare parts and palettes	3.505.497	3.325.750
	82.124.448	**59.672.254**

The costs of inventories recognised as expense and included in cost of sales amounted to TL516.319.374 (2011: TL456.884.327) (Note 30). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell as of 31 December 2012.

NOTE 14 - BIOLOGICAL ASSETS

None (2011: None).

NOTE 15 - CONSTRUCTION CONTRACT RECEIVABLES

None (2011: None).

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NOTE 16 - INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD

Investments-in-associates:

	31 December 2012		31 December 2011	
	TL	%	TL	%
YBP	34.195.743	31,82	36.169.941	31,82
Desa Enerji	6.955.563	30,52	5.614.644	30,52
Pınar Foods	3.715.751	44,94	3.697.508	44,94
	44.867.057		**45.482.093**	

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

	2012	2011
1 January	**45.482.093**	**44.170.404**
Share of profit before taxation of investments-in-associates - net	3.145.422	7.360.667
Increase in fair value reserves of associates - net	1.811.294	644.158
Increase in revaluation reserves of investments-in-associates - net	-	1.493.201
Dividend income from investments-in-associates (Note 37.ii.d)	(5.432.574)	(8.816.413)
Currency translation reserve	(137.888)	685.967
Inventory profit elimination	(1.290)	(55.891)
31 December	**44.867.057**	**45.482.093**

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

	2012	2011
1 January	**738.172**	**181.428**
Change in revaluation reserves - net (Desa Enerji)	(22.839)	520.473
Change in revaluation reserves - net (YBP)	(1.978)	36.271
31 December	**713.355**	**738.172**

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

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

	31 December 2012		
	Assets	**Liabilities**	**Profit for the year**
- YBP	348.852.634	240.507.505	5.344.195
- Desa Enerji	25.987.656	3.197.476	4.393.568
- Pınar Foods	11.635.476	3.367.228	177.499

	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

NOTE 17 - INVESTMENT PROPERTY

None (2011: None).

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and accumulated depreciation between 1January and 31 December 2012 were as follows:

	1 January 2012 Opening	**Additions (*)**	**Disposals (*)**	**Transfers**	**31 December 2012 Closing**
Cost or valuation					
Land	69.113.000	-	-	-	69.113.000
Land improvements and buildings	66.048.952	371.739	-	2.921.778	69.342.469
Machinery and equipment	124.554.297	8.894.849	(3.001.343)	12.726.605	143.174.408
Motor vehicles	5.350.993	775.655	(126.791)	-	5.999.857
Leasehold improvements	2.223.121	-	(1.469.126)	-	753.995
Furniture and fixtures	43.811.758	1.492.760	(391.022)	22.171	44.935.667
Construction in progress	2.536.220	18.025.157	-	(15.670.554)	4.890.823
	313.638.341	**29.560.160**	**(4.988.282)**	**-**	**338.210.219**
Accumulated depreciation:					
Land improvements and buildings	-	(2.785.469)	-	-	(2.785.469)
Machinery and equipment	-	(7.292.853)	2.219.029	-	(5.073.824)
Motor vehicles	(4.998.279)	(276.478)	126.385	-	(5.148.372)
Leasehold improvements	(1.613.508)	(5.628)	881.557	-	(737.579)
Furniture and fixtures	(29.699.849)	(2.732.292)	390.651	-	(32.041.490)
	(36.311.636)	**(13.092.720)**	**3.617.622**	**-**	**(45.786.734)**
Net book value	**277.326.705**				**292.423.485**

Main additions and transfers in 2012 are related with the investments to production line at Eskişehir plant.

(*) See Note 2 "Prior year corrections"

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NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	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	61.901.774	528.588	-	1.688.677	1.929.913	-	66.048.952
Machinery and equipment	98.398.490	7.101.044	(3.160.535)	897.699	20.416.153	901.446	124.554.297
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
	268.530.731	**17.514.945**	**(3.863.011)**	-	**30.554.230**	**901.446**	**313.638.341**
Accumulated depreciation:							
Land improvements and buildings	-	(2.891.369)	-	-	2.891.369	-	-
Machinery and equipment	(3.681.677)	(9.128.744)	2.997.030	-	9.813.391	-	-
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)
	(37.920.729)	**(14.665.444)**	**3.569.777**	-	**12.704.760**	-	**(36.311.636)**
Net book value	**230.610.002**						**277.326.705**

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

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NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The Company eliminated the accumulated depreciation against the gross carrying amount of the relevant asset with the net amount restated to equal the revalued amount, as a method accepted by IAS 16 "Property, plant and equipment" and revised the movements of property, plant and equipment, accordingly.

There are no mortgages or other collaterals placed on property, plant and equipment as of 31 December 2012 (2011: None)

Current year's depreciation and amortisation charges were allocated to cost of goods sold by TL8.747.910 (2011: TL11.967.674), to the cost of inventories by TL1.004.388 (2011: TL537.794), to selling and marketing expenses by TL1.195.786 (2011: TL1.128.687) (Note 29), to general administrative expenses by TL1.918.973 (2011: TL827.868) (Note 29), to research and development expenses by TL350.378 (2011: TL318.519).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipments as of 31 December 2012 and 2011 were as follows:

1 January 2011	**87.185.620**
Depreciation transfer upon revaluation reserve	(3.452.456)
Deferred income tax calculated on depreciation transferred to retained earnings	690.491
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements	13.029.446
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)
31 December 2011	**120.262.072**
1 January 2012	**120.262.072**
Correction (See Note "Prior year corrections")	528.566
Disposal from revaluation reserve due to sales of property, plant and equipment - net	(299.673)
Deferred income tax calculated on revaluation reserve	(3.835.216)
Deferred income tax calculated on depreciation transferred to retained earnings	767.043
31 December 2012	**117.422.792**

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 2012 and 2011 are as follows:

	Land	Land improvements and buildings	Machinery and equipment
31 December 2012:			
Cost	8.555.014	45.477.258	170.940.692
Less: Accumulated depreciation	-	(15.113.168)	(71.513.079)
Net book value	**8.555.014**	**30.364.090**	**99.427.613**
31 December 2011:			
Cost	8.555.014	42.186.158	152.118.577
Less: Accumulated depreciation	-	(13.966.706)	(68.635.464)
Net book value	**8.555.014**	**28.219.452**	**83.483.113**

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NOTE 19 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the years ended 31 December 2012 and 2011 were as follows:

	1 January 2012 Opening	Additions	31 December 2012 Closing
Costs:			
Rights	9.490.479	135.637	9.626.116
Accumulated amortisation	(9.249.299)	(124.715)	(9.374.014)
Net book value	**241.180**		**252.102**

	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**

NOTE 20 - GOODWILL

None (2011: None).

NOTE 21 - GOVERNMENT GRANTS

During 2012, 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 TL6.495.504 government incentive. The relevant incentive amount was reflected to the statement of comprehensive income by netting off against the cost of sales (2011: TL3.768.013). Also in scope of Turquality Project implemented 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 TL1.773.158 (2011: TL1.100.101) government incentive. The incentive amount is deducted from selling and marketing expenses.

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NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	31 December 2012	31 December 2011
a) Short-term provisions:		
Management bonus accruals	1.455.696	1.142.510
Provision for seniority incentive bonus	249.092	203.350
Provision for litigations	76.000	76.000
Other	38.968	56.410
	1.819.756	**1.478.270**

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

	2012	2011
1 January	**1.142.510**	**1.140.045**
Payment of management bonus	(186.814)	(497.535)
Provision for management bonus (Note 29.b)	500.000	500.000
31 December	**1.455.696**	**1.142.510**

b) Long-term provisions:

Provisions for seniority incentive bonus	**327.790**	**260.871**

c) Guarantees Given:

Bails	652.482.300	688.069.700
Letters of guarantee	9.957.164	7.896.340
Guarantee notes	-	2.500.000
Other	-	32.894
	662.439.464	**698.498.934**

As of December 2012 and 2011, 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 TL652.482.300 (2011: EUR69.000.000 and USD275.000.000 equivalent of TL688.069.700).

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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 2012 and 2011 were as follows:

	31 December 2012			31 December 2011		
	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	9.957.164	9.957.164	TL	10.396.340	10.396.340
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			**652.482.300**			**688.102.594**
i Total amount of CPM given on behalf of the majority shareholder			**445.650.000**			**472.225.000**
	USD	*250.000.000*	*445.650.000*	*USD*	*250.000.000*	*472.225.000*
ii. Total amount of CPM given to behalf of other group companies which are not in scope of B and C			**206.832.300**			**215.877.594**
	USD	*25.000.000*	*44.565.000*	*USD*	25.000.000	47.222.500
	EUR	*69.000.000*	*162.267.300*	*EUR*	69.000.000	168.622.200
	TL	-	-	*TL*	32.894	32.894
iii. Total amount of CPM given on behalf of third parties which are not in scope of C			-			-
TOTAL			**662.439.464**			**698.498.934**
The ratio of total amount of other CPM to Equity			150%			157%

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

	31 December 2012	31 December 2011
d) Guarantees received:		
Bails	22.007.979	42.233.713
Letters of guarantee	5.959.003	6.580.803
Guarantee cheques	796.886	1.087.911
Mortgages	167.312	165.102
Guarantee notes	75.000	200.000
	29.006.180	**50.267.529**

As of 31 December 2012, bails received are related with joint guarantees provided to the Company by Yaşar Holding A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret 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 (2011: 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 (2011: EUR8.000.000).

Foreign currency denominated guarantees given at 31 December 2012 are as follows:

Guarantees Received	EUR	7.006.512
	USD	193.717

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

Guarantees Received	EUR	14.830.229
	USD	103.717

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 2012, the fair value of the aforementioned properties located on the plots amounts to TL13.900.000. 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 in between 2006 and 2011. The Company applied to İzmir Tax Court for cancellation of those tax penalties and except for the lawsuit regarding inconsistency, they were lost. The Company has appealed to a higher court to suspend the execution within the legal time. 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 2012.

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NOTE 23 - COMMITMENTS

As of 31 December 2012, the Company has purchase commitments of 3.519 tons of concentrated fruit juice equivalent of TL9.600.420 and packaging materials amounting to EUR825.132 and USD842.593 equivalent of TL3.442.468, and tomato paste amounting to 3.409.000 TL (2011: 2.552 tons of concentrated fruit juice equivalent of TL8.468.276 and packaging materials amounting to EUR4.239.525 equivalent of TL10.360.551).

NOTE 24 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 December 2012	31 December 2011
Provision for employment termination benefits	9.428.290	6.082.672
	9.428.290	**6.082.672**

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 TL3.033,98 for each year of service as of 31 December 2012 (31 December 2011: TL2.731,85). 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 TL3.129,25 which is effective from 1 January 2013 (1 January 2012: TL2.805,04) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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

	31 December 2012	31 December 2011
Discount rate (%)	3,50	4,66
Probability of retirement (%)	96,81	96,74

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

	2012	2011
1 January	**6.082.672**	**5.609.212**
Interest costs	283.453	261.389
Actuarial losses	3.016.762	700.664
Paid during the year	(1.483.836)	(958.042)
Annual charge	1.529.239	469.449
31 December	**9.428.290**	**6.082.672**

The total of interest costs, actuarial losses and current service cost for the year amounting to TL4.829.454 (2011: TL1.431.502) was included in general administrative expenses (Note 29.b).

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NOTE 25 - PENSION PLANS

None (2011: None).

NOTE 26 - OTHER ASSETS AND LIABILITIES

	31 December 2012	31 December 2011
a) Other current assets:		
Tax and funds deductible	5.807.249	2.810.814
Income accrual	2.040.757	762.882
Prepaid expenses	1.900.719	2.066.973
Order advances given	338.178	3.479.496
Other	7.168	66.783
	10.094.071	**9.186.948**

(*) Income accruals are comprised of government subsidy to be received for brand developments and related marketing activities, and for usage of milk powder in products sold abroad.

b) Other non-current assets:

Advances for property, plant and equipment purchases	1.856.462	-
Prepaid expenses	66.673	24.393
	1.923.135	**24.393**

c) Other current liabilities:

Witholding taxes and fund payable	2.042.521	1.999.337
Payable to personnel	100.136	113.309
Other	49.910	37.385
	2.192.567	**2.150.031**

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 Kr1. The Company's historical authorised registered capital at 31 December 2012 and 2011 is as follows:

	31 December 2012	31 December 2011
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

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NOTE 27 - EQUITY (Continued)

The compositions of the Company's share capital at 31 December 2012 and 2011 were as follows:

	31 December 2012		31 December 2011	
	Share (%)	**TL**	**Share (%)**	**TL**
Yaşar Holding (A, B, C)	61,41	27.603.901	61,19	27.503.258
Public quotation (C)	37,95	17.060.367	37,95	17.060.367
Other	0,64	286.783	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 (2011: 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 2012, there are 4.495.105.125 (2011: 4.495.105.125) units of shares each with a face value of Kr1 (2011: Kr1) each.

The Company's capital is composed of 172.800 units of A type shares and 126.000 units of B type shares and 4.494.806.325 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 the Company's shareholders or from outside the Company personnel, in accordance with the provisions of the Turkish Commercial Code and the CMB Regulation. 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 by Board of Directors in case of their decision. Moreover, the chairman of the board and the executive director are selected among shareholders of A type shares.

Board of Directors have 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:

According to Turkish Commercial Law, interest can't be paid for capital and dividend can be distributed only if via net profit for the year and free capital and legal reserves. Five percent of the annual profit is reserved as legal reserve until it reaches to the twenty percent of the paid in capital. After reached to this point:

a) Premium which exists respect to coming in sight of new shares, its issuing expenditures, amortization provisions and its non-charitable used part

b) The cost that is paid for the cancelation of common stock bonds in order to foreclose, and the final amount remaining after subtracting the cost of new stocks which are going to be given replacement of these cancelled stocks with the new ones,

c) After five percent of dividend is paid to the shareholders, ten percent of the amount that is going to be distributed to the other participating profit shareholders,

are added to general legal capital reserves.

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NOTE 27 - EQUITY (Continued)

If it does not excess the half of the legal capital reserves reserved, it can be used in purpose of only if recovering the losses, continue of business in difficult time of business in terms going concern, preventing unemployment, und related precautions taken in order to stop similar bad events and consequences. Company reserves the capital reserves with respect to cover value of its acquisitions. These capital reserves can be broken only if the nominal shares are transferred or destroyed with respect to their original costs. The article related to revaluation fund says, the other funds which are taking part in liabilities can be broken only if they are transmitted into the capital, revalued assets are amortized or transferred.

Allocating more than 5% of annual profit to contingency reserve and exceeding the contingency reserve 20% of paid in capital can be put in the articles of corporation. Predicting to allocate different contingency reserve by Articles of corporation and the expense ways and conditions can be defined in order to allocation.

Dividends cannot be defined without allocating the contingency reserve according to prediction of law and articles of corporation. General assembly can decide to allocate contingency reserve by predicting law and articles of corporation, if it’s necessary to re-provide the assets, when considering the all shareholder’s benefits, if company’s continuous development and distribution of dividend seems fair. Besides, even there is not any sentence in the core contract; general assembly can reserve capital reserve to set up social rights and welfare organization for its workers, for labor organizations in terms of existence and sustainability of these organisms and other social and charitable purposes.

The aforementioned amounts accounted for under “Restricted Reserves” in accordance with CMB Financial Reporting Standards. At 31 December 2012, the restricted reserves of the Company amount to TL34.121.324 (2011: TL27.778.175). The unrestricted reserves of the Company, amounting to TL38.894.799 (2011: TL38.416.250), 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.

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

In accordance with the announcement of the CMB Decree No. 02/51, dated 27 January 2010, there is no minimum profit distribution limit for listed companies, shares of which are publicly traded on ISE as either cash or bonus shares. According to the aforementioned announcement and CMB Communiqué No: IV, No: 27, the dividend distribution for listed companies will be performed depending on the Articles of Association and publicly available dividend distribution policies of each listed companies. On the other hand, in accordance with the Articles of Association of the Company, up to 5% of retained earnings after dividend distribution could be allocated to the Board of Directors or used for certain reasons designated by the Board of Directors when necessary.

- 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 15 May 2012, the Company has distributed TL65.179.024 of the distributable net profit for the year ended (31 December 2011 amounting to TL50.794.688) as dividend. In context of this dividend distribution decision, the Company separated TL6.343.149 from 2011 profit (2011: TL: 4.904.714) as “Restricted Reserve”.

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NOTE 27 - EQUITY (Continued)

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

	31 December 2012	31 December 2011
Extraordinary reserves	56.793.516	56.314.968
Retained earnings (exclude inflation adjustments)	5.917.708	5.604.521
Profit for the year	51.500.031	72.500.720
	114.211.255	**134.420.209**

NOTE 28 - SALES AND COST OF SALES

	1 January - 31 December 2012	1 January - 31 December 2011
Domestic sales	909.725.897	807.811.754
Export sales	73.499.930	55.295.546
Merchandise goods sales	4.802.548	14.100.837
Gross Sales	988.028.375	877.208.137
Less: Discounts	(240.309.735)	(210.758.882)
Returns	(20.569.276)	(15.342.337)
Net sales	**727.149.364**	**651.106.918**
Cost of goods sold	(578.006.156)	(503.147.269)
Cost of merchandise goods sold	(4.161.325)	(14.179.284)
Cost of sales	**(582.167.481)**	**(517.326.553)**
Gross Profit	**144.981.883**	**133.780.365**

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

	1 January - 31 December 2012	1 January - 31 December 2011
a) Marketing, selling and distribution expenses:		
Advertisement	31.556.099	19.042.315
Transportation	9.704.381	5.637.774
Staff costs	4.317.775	3.416.931
Outsourced services	3.672.839	3.061.344
Rent	1.661.490	966.618
Depreciation and amortisation	1.195.786	1.128.687
Other	2.795.407	2.047.561
	54.903.777	**35.301.230**

	1 January - 31 December 2012	1 January - 31 December 2011
b) General administrative expenses:		
Consultancy charges	9.874.447	8.346.245
Staff costs	9.471.659	7.634.290
Employment termination benefits	4.829.454	1.431.502
Depreciation and amortisation	1.918.973	827.868
Taxes (Corporate Tax excluded)	1.248.414	951.219
Outsourced services	995.186	849.575
Utilities	988.629	679.068
Repair and maintenance	857.040	740.961
Rent	603.551	615.998
Management bonus	500.000	500.000
Communication	287.462	305.327
Travel	227.727	231.206
Insurance	117.658	81.642
Other	1.154.469	1.300.909
	33.074.669	**24.495.810**

NOTE 30 - EXPENSE BY NATURE

	1 January - 31 December 2012	1 January - 31 December 2011
Direct material costs	516.319.374	456.884.327
Staff costs	42.855.219	33.960.909
Advertisement	31.556.099	19.042.315
Utilities	23.831.096	16.876.210
Depreciation and amortisation	12.750.841	14.745.983
Repair and maintenance	10.981.652	8.381.284
Consultancy charges	9.874.447	8.459.785
Transportation	9.704.381	5.637.774
Outsourced services	5.392.066	6.379.035
Rent	3.162.728	2.615.856
Employment termination benefits	4.829.454	1.431.502
Taxes, dues and fees	1.248.414	1.015.624
Insurance	117.658	113.086
Other	4.766.667	7.154.771
	677.390.096	**582.698.461**

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NOTE 31 - OTHER OPERATING INCOME/EXPENSES

	1 January - 31 December 2012	1 January - 31 December 2011
a) Other operating income:		
Dividend income (Note 37.ii.d)	3.382.389	4.486.945
Rent income	1.644.865	1.472.861
Income from sales of scrap	1.408.323	1.071.737
Income from sales of property, plant and equipment	635.553	517.808
Reversal of impairment of property, plant and equipment	-	901.446
Other	397.698	185.198
	7.468.828	**8.635.995**
b) Other operating expense:		
Overdue charges upon unpaid taxes	(1.052.194)	(3.990)
Auxiliary material and scrap sales	(185.566)	(818.250)
Rent expense	(154.915)	(154.915)
Donations	(135.725)	(1.271.129)
Other	(428.413)	(518.204)
	(1.956.813)	**(2.766.488)**

NOTE 32 - FINANCE INCOME

	1 January - 31 December 2012	1 January - 31 December 2011
Interest income	5.845.432	7.507.041
Foreign exchange gain	4.021.846	2.119.279
Interest income on term purchases	1.212.545	970.242
Bail income from related parties	1.188.955	1.231.778
	12.268.778	**11.828.340**

NOTE 33 - FINANCE EXPENSES

	1 January - 31 December 2012	1 January - 31 December 2011
Foreign exchange loss	(4.233.471)	(5.450.688)
Interest expense	(3.013.949)	(2.896.358)
Interest expense on term sales	(956.117)	(1.157.429)
Bail expense from related parties	(261.900)	(282.274)
Other	(399.603)	(364.561)
	(8.865.040)	**(10.151.310)**

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NOTE 34 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2011: None).

NOTE 35 - TAX ASSETS AND TAX LIABILITIES

As of 31 December 2012 and 2011, corporation taxes currently payable are as follows:

	31 December 2012	31 December 2011
Corporation taxes currently payable	10.738.893	14.890.902
Less: Prepaid corporate tax	(8.449.765)	(11.168.678)
Current income tax liabilities	**2.289.128**	**3.722.224**

Corporation tax is payable at a rate of 20% for 2012. (2011: 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% (2011: 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% (2011: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2011: 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 offseting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within 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 has to be collected up until the end of the second calendar year following the year the sale was realised.

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

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

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

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NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

Transfer Pricing

Corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

Taxation on income in the statement of comprehensive income for the years ended 31 December 2012 and 2011 are as follows:

	1 January - 31 December 2012	**1 January - 31 December 2011**
Current corporation tax expense	(10.738.893)	(14.890.902)
Deferred tax income	3.724.662	4.495.383
Taxation on income	**(7.014.231)**	**(10.395.519)**

The reconciliation of tax expense is as follows;

Profit before tax	**61.820.443**	**83.315.661**
Tax calculated at tax rates applicable to the profit	(12.364.089)	(16.663.132)
Expenses not deductible for tax purposes	(58.615)	(321.507)
Tax effect upon the results of investments-in-associates	629.084	1.472.133
Income not subject to tax	200.000	198.796
Income tax due to dividends received from available-for-sale investments	676.478	897.389
Recognition of deferred income tax asset on investment incentive	3.574.300	3.639.263
Other	328.611	381.539
Total taxation on income	**(7.014.231)**	**(10.395.519)**

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% (2011: 20%).

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NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/(liabilities) provided at 31 December 2012 and 2011 using the enacted tax rates at the balance sheet dates are as follows:

	31 December 2012		31 December 2011	
	Cumulative temporary differences	Deferred income tax assets/ (liabilities)	Cumulative temporary differences	Deferred income tax assets/ (liabilities)
Revaluation of property, plant and equipment	135.423.868	(18.001.076)	139.105.109	(19.070.399)
Difference between carrying value (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	50.117.829	(10.208.259)	47.724.715	(9.544.943)
Difference between carrying value and tax bases of available-for-sale investments	31.168.821	(1.315.167)	24.170.891	(963.869)
Unused tax credits (*)	(32.869.426)	6.573.885	(18.196.313)	3.639.263
Provision for employment termination benefits	(9.428.290)	1.885.658	(6.082.672)	1.216.534
Other	397.305	(79.461)	(2.164.960)	432.992
Deferred tax liabilities - net		**(21.144.420)**		**(24.290.422)**

(*) The Company has investment incentive certificate relating with modernization investment at Eskişehir facility. As of 31 December 2012, based on the best estimate of the Company management, it is highly probable to utilize the deferred income tax asset upon investment incentive, amounted to TL6.573.885.

1 January 2011	**(21.732.130)**
Charged to fair value reserve of available-for-sale investments	366.898
Charge to fair value reserve	(7.420.573)
Credited to consolidated statement of comprehensive income	4.495.383
31 December 2011	**(24.290.422)**

1 January 2012	**(24.290.422)**
Correction (See Note 2 "Prior year corrections")	(227.362)
Credited to consolidated statement of comprehensive income	3.724.662
Charged to fair value reserve of available-for-sale investments	(351.298)
31 December 2012	**(21.144.420)**

NOTE 36 - EARNINGS PER SHARE

		1 January - 31 December 2012	1 January - 31 December 2011
Profit for the period	A	54.806.212	72.920.142
Weighted number of 100 shares with a Kr1 face value (Note 27)	B	4.495.105.125	4.495.105.125
Earnings per share with a Kr 1 face value	**A/B**	**1,2192**	**1,6222**

There are no differences between basic and diluted earnings per share. As of 31 December 2012, Board of Directors did not account any dividend.

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2012 and 2011 are as follows:

i) Balances with related parties:

	31 December 2012	31 December 2011
a) Trade receivables from related parties- current:		
YBP	82.472.451	84.784.212
Yataş	9.604.578	6.037.845
	92.077.029	**90.822.057**
Less: Unearned finance income	(421.788)	(800.898)
	91.655.241	**90.021.159**

The effective weighted average interest rates applied to related party trade receivables are 7,57% p.a. as of 31 December 2012 (2011: 11,00% p.a). Trade receivables due from related parties mature within two months (2011: two months).

As of 31 December 2012, trade receivables of TL1.652.905 (2011: TL2.366.227), over which no provision for impairment is provided of overdue receivables and maturity is about one month. (2011: one month) (Note 38.a).

	31 December 2012	31 December 2011
b) Non-trade receivables from related parties-current:		
Yaşar Holding	23.045.288	62.534.321
DYO Boya Fab. A.Ş. ("DYO Boya")	544.676	505.481
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yabim")	1.088	42.934
Other	21.167	14.434
	23.612.219	**63.097.170**

As of 31 December 2012 non-trade receivables from Yaşar Holding amounting to TL12,118,733 consisting of loans obtained from a various financial institutions by the Company, and were transferred to related parties with the same terms and conditions (2011: TL20.164.848). The effective weighted average interest rate applied to TL denominated loan is 13,91% p.a. (2011: 14,29% p.a. and 5,70% p.a.).

As of 31 December 2012, the Company has short-term receivables from Yaşar Holding amounting to TL10.926.555 (2011: TL42.369.473), which are non-trade. The effective weighted average interest rate applied to those receivables is 8,25% p.a. (2011: 12,00% p.a.). The maturity of these non-trade receivables from Yaşar Holding is expected as 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.

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

Yaşar Holding	-	**11.694.000**

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

	31 December 2012	31 December 2011
d) Trade payables to related parties - current:		
Yadex Export-Import und Spedition GmbH ("Yadex")	8.635.016	3.692.596
Çamlı Yem	3.963.012	2.032.454
Yaşar Holding A.Ş.	2.386.592	2.225.147
Desa Enerji	1.338.872	1.096.156
Hdf FZ Co. ("Hdf")	270.631	835.769
Other	943.827	1.223.702
	17.537.950	**11.105.824**
Less: Unincurred finance cost	(23.858)	(27.569)
	17.514.092	**11.078.255**

TL8.635.016 (2011: TL3.692.596) of due to related parties is the payable to Yadex arising from import transactions conducted by these companies on behalf of the Company. Due to Çamlı Yem is mainly derived from the cattle feed purchases from Çamlı Yem that are sold as merchandise stocks to raw milk suppliers.

As of 31 December 2012, the effective weighted average interest rate applied to those payables is 7,55% (2011: 11%) and maturity is 2 months (2011: 2 months).

	31 December 2012	31 December 2011
e) Non-trade payables to related parties- current:		
Payable to shareholders	304.548	253.439
Yaşar Üniversitesi	-	1.007.156
Other	3.277	2.839
	307.825	**1.263.434**

ii) Transaction with related parties:

	1 January - 31 December 2012	1 January - 31 December 2011
a) Product sales:		
YBP	631.509.085	567.598.438
Yataş	73.499.930	55.295.546
Pınar Et	539.715	480.420
Other	113.833	924.180
	705.662.563	**624.298.584**

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.

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

	1 January - 31 December 2012	1 January - 31 December 2011
b) Service sales:		
Çamlı Yem	482.506	250.169
YBP	234.866	19.441
Pınar Et	33.300	8.440
Other	108.028	108.534
	858.700	**386.584**

c) Finance income:

Yaşar Holding A.Ş.	6.483.364	5.595.671
DYO Boya	171.929	125.937
YBP	89.334	86.409
Viking	66.434	35.425
Other	37.641	30.100
	6.848.702	**5.873.542**

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 TL1.188.955 (2011: TL1.231.778), 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. (2011: 0,50% p.a.).

d) Dividends received:

YBP (*)	5.432.574	8.579.246
Pınar Et	3.380.086	4.197.849
Bintur	2.303	1.969
Pınar Su	-	258.095
Pınar Anadolu (*)	-	237.167
Çamlı Yem	-	29.032
	8.814.963	**13.303.358**

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

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

	1 January - 31 December 2012	1 January - 31 December 2011
e) Other incomes from related parties:		
YBP	883.861	793.427
Çamlı Yem	844.820	741.733
Other	70.638	31.357
	1.799.319	**1.566.517**

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

f) Product purchases:

Yadex	24.793.578	11.480.363
Desa Enerji	12.043.358	9.090.879
Çamlı Yem	7.323.734	13.947.374
Hedef Ziraat	2.671.578	1.975.117
Pınar Anadolu	-	69.005
Other	132.138	155.285
	46.964.386	**36.718.023**

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.

g) Service purchases:

Yaşar Holding	9.542.203	7.897.704
YBP	5.653.411	3.829.901
Yataş	2.167.069	1.664.446
Bintur	486.631	430.312
Other	208.299	220.472
	18.057.613	**14.042.835**

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.

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

	1 January - 31 December 2012	1 January - 31 December 2011
h) Purchases of property, plant and equipment:		
Yaşar Holding	82.697	-
Pınar Anadolu	-	68.941
Dyo Matbaa	-	46.575
Other	11.874	106.148
	94.571	**221.664**

i) Finance expenses:

Çamlı Yem	248.505	112.877
YBP	142.319	149.203
Yaşar Holding	111.738	79.871
DYO Boya	19.930	20.336
Viking	19.930	20.336
Pınar Et	19.930	20.336
Other	19.930	155.438
	582.282	**558.397**

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. (2011:0,50% p.a.).

j) Dividends paid:

Yaşar Holding	39.879.724	31.078.681
Public quotation	24.737.175	19.277.936
Other	562.125	438.071
	65.179.024	**50.794.688**

k) Sales of investment property:

Dyo Boya	12.488	-
Çamlı Yem	12.189	-
Yataş	3.893	-
Pınar Et	2.691	16.062
YBP	-	45.715
Other	29.511	51.575
	60.772	**113.352**

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

	1 January - 31 December 2012	1 January - 31 December 2011
l) Donations:		
Yaşar Üniversitesi	-	1.000.000
Yaşar Eğitim Vakfı	-	175.000
	-	**1.175.000**

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	1.929.110	1.694.545
Management bonus	898.288	500.000
Termination benefits	-	38.535
Post-employment benefits	-	51.252
Other long-term benefits	140.174	20.245
	2.967.572	**2.304.577**

n) Bails given for Yaşar Group companies:

The Company jointly guarantees with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş. and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş., the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR69.000.000 and USD275.000.000 equivalent of TL652.482.300 (2011: EUR69.000.000 and USD275.000.000 equivalent of TL688.069.700) (Note 22)

o) Bails received from Yaşar Group companies:

As of 31 December 2012, guarantees received from related parties are related with joint guarantees provided to the Company by Yaşar Holding A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret 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 equivalent to TL14.110.200 and guarantees provided by Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. related with guarantee letters amounting to EUR248.677 and TL 7.312.966 equivalent to TL7.897.779 (31 December 2011: EUR14.511.706 and TL6.770.005 equivalent to TL42.233.713).

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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 2012 and 2011 are as follows:

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

31 December 2012	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]	**91.655.241**	**9.509.079**	**23.612.219**	**342.113**	**4.474.767**	**-**
- The part of maximum credit risk covered with guarantees	-	368.264	-	-	-	-
A. Net book value of financial assets not due or not impaired [3]	90.002.336	9.303.093	23.182.181	342.113	4.474.767	-
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]	1.652.905	205.986	430.038	-	-	-
- The part covered by guarantees	-	86.275	-	-	-	-
D. Net book value of assets impaired						
- Past due amount (gross book value)	-	458.181	-	-	-	-
- Impairment amount (-)	-	(458.181)	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

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

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**	**74.791.170**	**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	74.369.298	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	-	-	-	-	-	-

[1] Trade receivables of the Company mainly consists 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.

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

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

	Receivables		
31 December 2012	**Related Parties**	**Third Parties**	**Total**
Past due 1-30 days	1.574.213	205.986	1.780.199
Past due 1-3 months	1.619	-	1.619
Past due 3-12 months	507.111	-	507.111
The part of credit risk covered with guarantees	-	(86.275)	(86.275)
	2.082.943 (*)	**119.711** (**)	**2.202.654**

	Receivables		
31 December 2011	**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**

(*) A total amount of TL1.539.937 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 TL169.134 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.

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

	31 December 2012				
	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	15.651.815	16.295.303	1.476.259	14.683.383	135.661
Trade payables	127.471.935	127.800.244	110.024.692	5.080.347	12.695.205
Other payables	356.359	366.359	-	317.825	48.534
	143.480.109	**144.461.906**	**111.500.951**	**20.081.555**	**12.879.400**
Derivative financial instruments					
Financial (assets)/liabilities (Note 8)	**(2.214.222)**	**(1.485.349)**	**440.864**	**(1.926.213)**	**-**

	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	1.321.968	1.007.156	2.839	311.973
	148.626.753	**151.832.102**	**104.818.463**	**25.120.821**	**21.892.818**
Derivative financial instruments					
Financial (assets)/liabilities (Note 8)	**(2.814.941)**	**(1.759.433)**	**301.101**	**304.410**	**(2.364.944)**

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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 2012			
	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Receivables	7.188.414	3.581.270	63.461	655.201
2a. Monetary Financial Assets (Cash, Bank accounts included)	9.705	2.252	2.420	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. Current Assets (1+2+3)	**7.198.119**	**3.583.522**	**65.881**	**655.201**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	-	**-**	**-**	**-**
9. Total Assets (4+8)	**7.198.119**	**3.583.522**	**65.881**	**655.201**
10. Trade Payables	(45.054.161)	(6.791.370)	(14.008.823)	(3.316)
11. Financial Liabilities	(14.596.873)	-	(6.206.945)	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**(59.651.034)**	**(6.791.370)**	**(20.215.768)**	**(3.316)**
14. Trade Payables	(12.695.205)	-	(5.398.310)	-
15. Financial Liabilities	(131.958)	-	(56.112)	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**(12.827.163)**	**-**	**(5.454.422)**	**-**
18. Total Liabilities (13+17)	**(72.478.197)**	**(6.791.370)**	**(25.670.190)**	**(3.316)**
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)	**(65.280.078)**	**(3.207.848)**	**(25.604.309)**	**651.885**
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (IFRS 7.B23) (=1+2a+3+5+6a-10-11-12a-14-15-16a)	**(65.280.078)**	**(3.207.848)**	**(25.604.309)**	**651.885**
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	**14.332.955**	**-**	**6.094.721**	**-**
25. Export	**73.499.930**	**38.250.876**	**274.724**	**4.667.851**
26. Import	**47.687.232**	**-**	**20.277.770**	**-**

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31 December 2011			
TL Equivalent	**USD**	**EUR**	**Other (TL Equivalent)**
5.834.615	2.661.157	61.082	658.683
29.042	13.732	1.270	-
-	-	-	-
19.904.883	1.765	8.091.046	128.651
25.768.540	**2.676.654**	**8.153.398**	**787.334**
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	**-**	**-**	**-**
25.768.540	**2.676.654**	**8.153.398**	**787.334**
(16.289.609)	(6.353.376)	(1.754.938)	-
(20.452.440)	-	(8.369.114)	-
-	-	-	-
-	-	-	-
(36.742.049)	**(6.353.376)**	**(10.124.052)**	**-**
(5.419.146)	-	(2.217.508)	-
(15.074.179)	-	(6.168.336)	-
-	-	-	-
-	-	-	-
(20.493.325)	-	**(8.385.844)**	-
(57.235.374)	**(6.353.376)**	**(18.509.896)**	-
-	-	-	-
-	**-**	**-**	**-**
-	-	-	-
(31.466.834)	**(3.676.722)**	**(10.356.498)**	**787.334**
(31.466.834)	**(3.676.722)**	**(10.356.498)**	**787.334**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
14.940.755	**-**	**6.113.739**	**-**
55.295.546	**29.712.325**	**775.001**	**3.850.122**
35.956.912	**-**	**15.442.466**	**-**

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

31 December 2012	**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	(571.831)	571.831		
2- The part hedged for USD risk (-)	-	-		
3- USD Effect - net (1+2)	**(571.831)**	**571.831**		
Change of EUR by 10% against TL				
4- Asset/Liability denominated in EUR - net	(6.021.365)	6.021.365		
5- The part hedged for EUR risk (-)	1.433.296	(1.433.296)		
6- EUR Effect - net (4+5)	**(4.588.069)**	**4.588.069**		
Change of Other Currencies by average 10% against TL				
7- Assets/Liabilities denominated in other foreign currencies - net	65.188	(65.188)		
8- The part hedged for other foreign currency risk (-)	-			-
9- Other Foreign Currency Effect - net (7+8)	**65.188**	**(65.188)**		
TOTAL (3+6+9)	**(5.094.712)**	**5.094.712**		

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**		

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

ii) Interest rate risk

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

	Interest Rate Position	
	31 December 2012	31 December 2011
Financial instruments with fixed interest rate		
Financial assets	129.282.933	182.143.971
Financial liabilities	129.098.620	133.637.464
Financial instruments with floating interest rate		
Financial liabilities	12.118.733	12.125.814

According to the interest rate sensitivity analysis performed as at 31 December 2012, if interest rates had been 1% higher while all other variables being constant, net income for the year would be TL36.339 lower (2011: TL37.879) as a result of additional interest expense that would be incurred on financial instruments with floating rates.

iii) Price risk

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

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

d) Capital Risk Management:

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

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.

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

	31 December 2012	31 December 2011
Financial liabilities	15.651.815	35.526.619
Derivative financial assets	(2.214.222)	(2.814.941)
Other payables to related parties	307.825	1.263.434
Less: Cash and cash equivalents (Note 6)	(4.506.394)	(4.989.129)
Net debt	**9.239.024**	**28.985.983**
Total equity	**436.175.692**	**438.962.894**
Net-debt/equity ratio	**2%**	**7%**

The Company's strategy is to maintain low levels of balance sheet gearing and indebtedness consistent with its conservative financial profile. 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.

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

The table below analyses financial instruments except for the certain available for sale investments which are measured at cost less impairment, if any, as their fair values cannot be reliably estimated using generally accepted valuation techniques, carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2012 and 2011.

31 December 2012

	Level 1	Level 2	Level 3(*)	Total
Assets:				
Available-for-sale investments	39.314.167	-	14.019.269	53.333.436
Derivative financial instruments designated as hedges	-	2.214.222	-	2.214.222
Total assets	**39.314.167**	**2.214.222**	**14.019.269**	**55.547.658**

31 December 2011

	Level 1	Level 2	Level 3(*)	Total
Assets:				
Available-for-sale investments	34.364.363	-	11.706.876	46.071.239
Derivative financial instruments designated as hedges	-	2.814.941	-	2.814.941
Total assets	**34.364.363**	**2.814.941**	**11.706.876**	**48.886.180**

(*) Please see Note 7-a for the movement of Level 3 financial instruments.

NOTE 40 - SUBSEQUENT EVENTS

As of 1 February 2013, the Company undersigned an agreement with Dimes Gıda Sanayii Ticaret A.Ş. ("Dimes") for production and distribution of milk to schools in Eastern Anatolia and Aegean regions, and in this context, Dimes - Pınar Ordinary Partnership ("Dimes-Pınar") was established. The shareholding interest rates of Pınar Süt and Dimes in Dimes-Pınar, are 43% and 57% respectively. Dimes-Pınar has given a letters of guarantee amounting to TL1.672.000 to Republic of Turkey Ministry of Food, Agriculture and Livestock.

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

None (2011: None).

NOTE 42 - EXPLANATION FOR CONVENIENCE TRANSLATION INTO ENGLISH

As of 31 December 2012, 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.

Information for Investors

Stock Exchange

Pınar Süt Mamulleri Sanayii A.Ş. shares are traded on the National Market of the Borsa Istanbul (BIST) under the symbol "PNSUT".

Initial public offering date: 03 February 1986

Annual General Assembly Meeting

Pursuant to a resolution passed by the Board of Directors of Pınar Süt Mamulleri Sanayii A.Ş., the company's annual General Assembly meeting will take place on 15 May 2013 at 14:30 hours at the following address: Kemalpaşa Asfaltı No.1 Pınarbaşı İzmir.

Dividend Policy

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

Investor Relations

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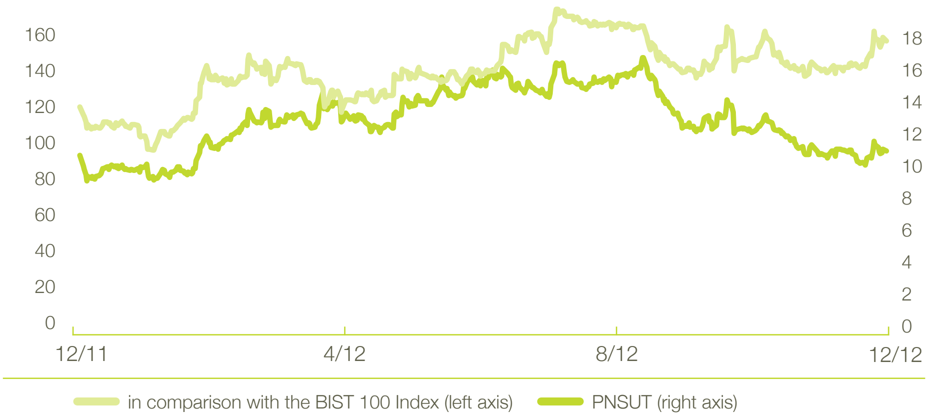
Pınar Süt investor relations web page:

Pınar Süt Share Performance in 2012 (in comparison with the BIST 100 Index)



* Adjusted share prices

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