Pınar Et
Annual Report 2010

for a better life

Content

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

8 Chairperson's Message

10 Management
10 Board of Directors
11 Senior Management and Board of Auditors

12 In 2010
12 Macroeconomic and Sectoral Overview
16 Assessment of 2010 Activities

24 Environment & Sustainability

30 Corporate Governance and Financial Information
31 Agenda of the Annual Assembly General Meeting
32 Corporate Governance Principles Compliance Report
41 Statutory Auditors' Report
42 Profit Distribution Proposal
43 2010 Profit Distribution Table
44 Independent Auditor's Report
104 Information for Investors

The undisputed leader of its sector

Founded in 1985, Pınar Et was the first fully integrated meat processor in Turkey complying with world and EU norms.

Giving the utmost attention to quality and to the rules of hygiene at every stage of its production and business operations, Pınar Et provides its consumers with meat and meat products that are:

- Healthful
- Reliable
- Tasty.

Pınar Et is the undisputed leader of Turkey's meat, processed meat, and frozen meat products industry.

Pınar Et in Brief

A company conforming to world standards

Pınar Et commenced operations in 1985. The first fully integrated meat processor complying with EU norms in Turkey, Pınar Et has been giving the utmost attention to quality and to the rules of hygiene while providing its consumers with healthy, reliable, and tasty meat and meat products since the day it was founded.

The leader of the meat, processed meat, and frozen meat products industry

Producing 29,000 tons of goods a year in plant facilities with about 46,000 m² of enclosed space and with slaughtering and processing capacity corresponding to 102,000 cattle, 408,000 sheep, and 1,836,000 turkeys, Pınar Et maintains its leadership of the meat, processed meat, and frozen meat products industry in Turkey.

Making significant contributions to the growth and development of stock raising in Turkey, Pınar Et deploys its superior technological infrastructure and superstructure, and its advanced knowledge and experience in order to meet the constantly changing needs and expectations of consumers.

Pınar Et obtains all live animals needed for its production from Çamlı Yem Besicilik, another member of the Yaşar Group and one of Turkey's biggest stockgrowers, as well as from other producers with which the company has contractual agreements.

This practice is just one of the reasons why consumers trust the Pınar Et name.

An essential element of the food chain

Animal-sourced protein-rich nutrition plays an essential role in human physical and mental development. In recognition of this fact, Pınar Et supplies meat and fish products that conform to the highest standards of quality in order to meet consumers' vitally important need for healthy animal-sourced protein.

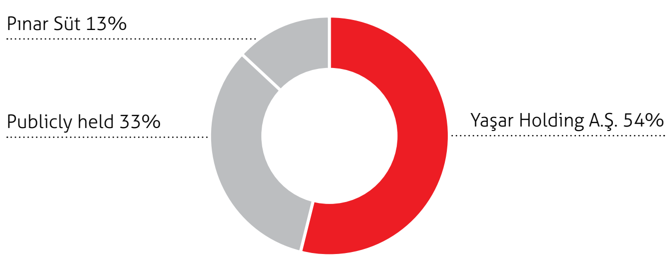
Pınar Et constantly reviews and revises its product portfolio in line with consumers' changing wishes, needs, and expectations while also giving the utmost importance to the issues of food safety and traceability. Pınar Et is inspected every year by the European Food Safety Inspection Service (SAI GLOBAL-EFSIS), a worldwide independent inspection service provider for the food, drink, and allied industries. The consistently high marks that Pınar Et receives are the most importance evidence of why consumers have such confidence in its products.

Having identified its essential goal as one of distinguishing itself and pursuing growth through high added value products, Pınar Et engages in a never-ending effort to improve productivity and quality and to expand its product line by making the most effective use possible of modern technology in all of its production activities.

Pınar Et is a member of the Yaşar Group.

Pınar Et is a member of the Yaşar Group, one of Turkey's biggest and most highly respected corporate groups. Originally founded in 1945, Yaşar Group companies are active primarily in foods, beverages, and paints but also in sectors ranging from paper manufacturing to trade, tourism, and other services. Together they make an important contribution to the Turkish economy.

Pınar Et Shareholder Structure



Issued Capital: TL 43,335,000
Registered Capital: TL 100,000,000

Shareholder	Share (%)	Share Amount (TL)
Yaşar Holding A.Ş.	54.18	23,476,893
Pınar Süt Mamülleri San. A.Ş.	12.58	5,451,752
Publicly Held	33.24	14,406,355
Total	100.00	43,335,000

Pınar Et shares are listed on the Istanbul Stock Exchange National-100 Market with the ticker symbol PETUN.

brand strength, production experience and effective distribution

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

1985
Pınar Et, Turkey's first fully-integrated and privately-owned meat plant, is established.

1987
Pınar Et introduces the first industrial IQF hamburgers.

1988
Birmaş meat market chain is set up to sell the carcass meat varieties produced by Pınar Et.

1994
Pınar Et becomes the first in Turkey to receive ISO 9002 Quality Management System certification.

1998
The Yaşar Group sets up the country's first fully-integrated facility to raise, slaughter, process, and sell turkey meat and meat products.

2000
Pınar Et's sliced meat products start being produced for the first time in Turkey using clean-room technology and under the strictest hygienic conditions.

2001
Pınar Et for the first time begins producing and selling doner for the food trade on an industrial scale but with the same delicious flavor and aroma as classical Turkish doner kebab.

The company introduces frozen aquaculture products.

2003
Pınar Et receives TS ISO 9001:2000 Quality Management System certification.

2004
Pınar Et is awarded ISO 14001 Environmental Management System certification.

Pınar Et launches "Turkey's meatballs": Nine different varieties of traditional Turkish kofta.

2006
Pınar Et becomes the first company in its sector to receive TSE ISO 22000 Food Safety Management System certification.

2007
Pınar Et becomes the first company in its sector to receive TSE OHSAS 18001 Occupational Health & Safety Assessment Series certification.

Pınar Et's success is awarded by the İzmir branch of KalDer, the Turkish Quality Association.

2008
Pınar Et becomes the first company in its sector to receive TSE 17025 Laboratory Certification.

Pınar Et becomes the first company in Turkey's food industry to undertake a Lean 6 Sigma operational excellence and productivity project.

2009
Two new products– Pınar Misket meatballs and Pizzato Alaturka (a thin-crust pizza)–are introduced.

2010
The Pınar Et "Aç-Bitir" (easy-open, smaller sized) product line of salamis, sausages, and soudjouks is launched. Two additions to the frozen foods family consist of "Pizzatto Italiano" and "Gourmet Burger", the latter distinguished by its larger size and enhanced flavor.

Pınar Et's Competitive Advantages

Containing only Pınar-brand quality meats and carefully selected, natural ingredients and spices, the frozen and fresh-cooked products that Pınar Et offers consumers are both delicious and wholesome.

- Pınar Et's plant is one of the most modern and highest-capacity plants in Turkey.
- Because they are flash-frozen using individually quick frozen (IQF) technology, Pınar frozen foods retain both their nutritional value and their flavor throughout their usable lifetimes. They contain absolutely no preservatives whatsoever.
- Meat products are produced with Pınar expertise under hygienic conditions. All production processes pass through 72 individual checkpoints.
- The Pınar brand and reputation are the guarantees of wholesomeness, flavor, and innovation.
- Pınar Et makes use of the strong distribution resources of the Yaşar Birleşik Pazarlama dealership network.
- The importance given to marketing and investments in communication are two more of the company's fundamental competitive advantages.

Turkey's biggest capacity and most modern plants

Pınar Et by Numbers

Financial Highlights

(TL million)	2010	2009	% Change
Total assets	353.8	342.5	3.3
Shareholders' equity	281.2	270.4	4.0
Sales revenues	352.8	307.8	14.6
EBITDA	40.2	42.2	(4.9)
Net period profit	39.5	40.1	(1.3)

Market Shares

Frozen Products (Meat)

58% 1st in sector

Salamis

34% 1st in sector

Sausages

27% 1st in sector

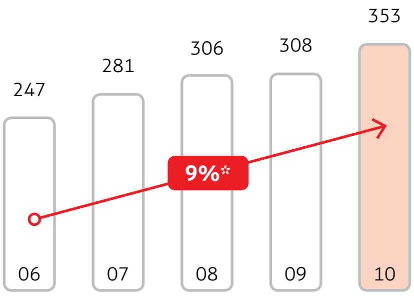
Soudjouk

16% 1st in sector

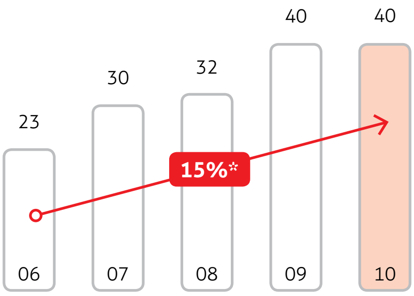
Total Charcuterie

20% 1st in sector

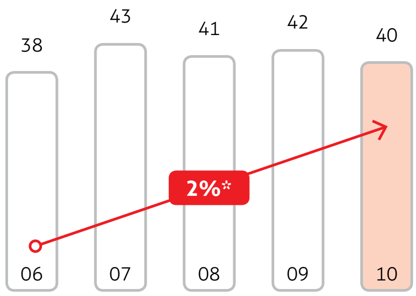
Total Assets (TL million)



Net Period Profit (TL million)



EBITDA (TL million)



* Compound Annual Growth Rate (CAGR).

Net sales grew by 15% in 2010.

Chairperson's Message

İdil Yiğitbaşı
Chairperson of the Board of Directors

Our brand is synonymous with confidence and quality in consumers' minds.

The pioneer and leader of the processed meat sector in Turkey, Pınar Et continued to increase both its sales and its market share in line with its corporate strategies in 2010 while further strengthening its front-rank position.

Constrained by the global economic climate in 2009, the Turkish economy suffered a contraction that year but was nevertheless one of the first national economies to emerge from crisis. In 2010 Turkey made a strong recovery and resumed growing once again. With employment numbers showing improvement, the principal driving force of economic recovery was strong domestic demand although policy interest rates also supported the revival of economic activity by falling to historically low levels. In 2010 the Turkish economy registered an 8.9% rate of year-on growth, which ranked it first among all European countries. Our country's growth performance in 2010 was the fastest witnessed since 2004.

Our sector is distinguished by its dynamic structure and by its strongly promising future. The most important development impacting its production, trade, and competitive conditions last year was the persistently high rise in red meat prices that began in the second half of 2009 and continued throughout much of 2010. Confronted by this situation, producers sought to reflect at least some of their increased costs in their prices while having of course always to keep consumers' purchasing power in mind. These developments affected the charcuterie market, in which there was about a 3% overall decline in terms of volume. In the last quarter of the year, the government made changes in the rules pertaining to the importation of live animals and carcasses. Partly as a result of these changes, there was a decline in the shelf price of meat.

In 2010 Pınar Et continued to focus on its strategy of producing and selling high added value, differentiated products while also undertaking infrastructure and process improvements aimed at increasing effectiveness, productivity, and customer satisfaction.

In 2010 Pınar Et registered growth in its sales and market share in line with its strategies. By making correct use of its brand strengths, production experience, and effective distribution network, our company was able to minimize the impact that higher raw material costs had on its economic and commercial activities. In the process of this, it also demonstrated once again that it remains on course as a strong and enduring player in its business line.

In 2010 Pınar Et booked a total turnover amounting to TL 352.8 million. Over the last five years, the company's sales have achieved a compound annual growth rate of 9%. Total export revenues in 2010 amounted to USD 3.6 million.

While continuing to expand our product line, the improvements that we made in our cost base in 2010 are meaningful in that they underscore the inherent potential for growth and profitability that exists at Pınar Et. During 2010 our company continued to make successful progress in the direction of better controlling its costs. Despite uncertainties and rapid rises in red meat prices last year, Pınar Et was able to defend its overall profitability in absolute terms.

Pınar Et defended its huge lead in all categories in 2010.
Pınar Et ranks first in the frozen foods market (consisting of meat, dough, and aquaculture products) with a 29% share of the market's aggregate turnover. On its own it accounts for an overwhelming 58% share of the frozen meat products category. The company also remains the leader of the charcuterie market, controlling individual market shares of 34% in salamis, 27% in sausages, and 16% in soudjouks and an overall market share of 20%.

Responding to rapid rises in red meat prices in 2010, the Turkish charcuterie market shrank by 2.7% in terms of tonnage even while growing by 10.8% on a turnover basis. Pınar Et for its part booked a 17% year-on rise in its charcuterie turnover, thereby successfully outperforming the sector. The company maintains its leading position in this category with a market share that is more than twice that of its nearest competitor.

For Pınar Et, consumers and their unconditional satisfaction mean everything.
The Pınar brand owes its sustainable presence to the customers who trust it. In 2010 Pınar Et once again ranked foremost among the food labels that enjoy the highest levels of customer satisfaction and loyalty. Our name is synonymous with confidence and quality in consumers' minds. The fact that the consumer is everything is a reality that all of our employees sincerely acknowledge and is also the bedrock on which all of our activities are carried out. An ability to correctly define the demands of consumers, which may differ from one another on sometimes even very small details, combined with an ability to offer differentiated solutions is what gives the Pınar Et concept its life.

Quality and hygiene are of the utmost importance from the standpoint of consumers' unconditional satisfaction. As a company that produces according to international standards of food safety, we possess all the infrastructure required by our line of business to back up our assertion of quality. Quality assurance at Pınar Et is fundamentally inherent in the organization of the company's production processes. Embracing everything from our live animal procurements on the one hand to consumers' picking our products off the shelf, it is an essential element of our competitive edge.

Responding to the changing expectations of consumers is another fundamental goal at Pınar Et. Under this heading, we continue to engage in innovative efforts in both the diversity of our product line and in the flavors that we offer in order to increase customer satisfaction and the value of the goods that we provide.

We continue to make an intensive effort to make our leadership even stronger and more sustainable in the future.
We are engaged in a wide range of activities involving everything from R&D, productivity, and human resources to packaging and logistics that will make the competitive strength of the Pınar brand sustainable, further strengthen our market position, and increase our profitability.

An important project that we completed in 2010 involved changes in our product packaging. These changes go far beyond just reflecting the latest international trends in food packaging and were focused on also making use of the most environment-friendly materials possible while also contributing towards more efficient waste management.

As a result of our committed and systematic efforts, the volume of recoverable packaging waste from the products that Pınar Et supplies to the market continues to increase year after year. While contributing towards protecting all aspects of the environment and making optimal use of energy and other natural resources, we also engage in an ongoing effort to do even better.

Like our sector, we too are focused on growth.
We believe that there will be rapid growth in our country's processed meat sector paralleling the rapid growth and development taking place at the national level. Some of the strategies that we are committed to following exactly in order to achieve our goals in line with this expectation are these:

- We will increase our overall market share by pursuing above-average growth in all segments.
- We will improve our profitability throughout the value creation chain without sacrificing quality.
- We will improve communication with consumers and increase customer satisfaction by maintaining the highest levels of production quality.
- We will invest in our human resources in order to ensure the sustainability of our success.
- We make optimal use of all natural resources through efficient waste and energy management.

As we pursue the objectives which I have briefly outlined above, we will also remain firmly committed to our effective price management strategy. Another strategy that we will be deploying involves further enriching our product portfolio with new varieties that are capable of appealing to consumers in different segments. In 2011 and the years that follow, Pınar Et will continue to invest in broad-based distribution and marketing activities as it focuses on achieving above-market-average growth in every segment in which it commands a lead.

As one of the best-established players in the Turkish food industry, we are committed to offering our customers only the very best. This commitment, buttressed by the support of our esteemed shareholders, is what will enable Pınar Et to continue on its path of sustainable growth without interruption. In closing I extend my sincerest appreciation to all our customers for continuing to prefer Pınar Et quality as well as to all our stakeholders.

İdil Yiğitbaşı
Chairperson of the Board of Directors

Board of Directors

İdil Yiğitbaşı
Chairperson

Yılmaz Gökoğlu
Deputy Chairperson

Mehmet Aktaş
Director

Suat Özyiğit
Director

Ali Sözen
Director

Ergun Akyol
Director

Levent Rıza Dağhan
Director

Senior Management and Board of Auditors

Senior Management

Ali Sözen
President of the Food and Beverage Group

Muzaffer Bekar
Finance Director

Zeki Ilgaz
General Manager

Tunç Tuncer
Technical Director

Mustafa Şahin Dal
Financial Affairs and Budget Control Director

Terms of Office of the Company's Directors

Name	Title	Appointment Dates and Terms of Office
İdil Yiğitbaşı	Chairperson	13.05.2008-13.05.2011
Yılmaz Gökoğlu	Deputy Chairperson	13.05.2008-13.05.2011
Mehmet Aktaş	Director	30.04.2009-13.05.2011
Suat Özyiğit	Director	30.04.2009-13.05.2011
Ali Sözen	Director	24.09.2009-13.05.2011
Ergun Akyol	Director	28.12.2009-13.05.2011
Levent Rıza Dağhan*	Director	11.05.2010-13.05.2011

* At the annual general meeting of the company held on 12 May 2010, shareholders approved the appointment of Levent Rıza Dağhan to replace and fulfill the term of office of former company director Hakkı Hikmet Altan.

Limits of Authority:
The chairperson and members of the Board of Directors possess all of the authorities provided for under the Turkish Commercial Code and under articles 10 and 11 of the company's articles of incorporation.

Terms of Office of the Company's Statutory Auditors

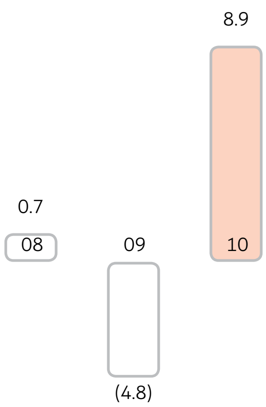
Name	Appointment Dates and Terms of Office
Kamil Deveci	12.05.2010-12.05.2011
Erdem Çakırokkalı	12.05.2010-12.05.2011

Limits of Authority:
Under article 14 of the company's articles of incorporation, the duties, authorities, and responsibilities of the statutory auditors are governed by the principles set forth in the relevant articles of the Turkish Commercial Code.

Macroeconomic and Sectoral Overview

strong growth performance in the economy

GDP Growth Rates – Fixed Prices (%)



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

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

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

International and national economic review

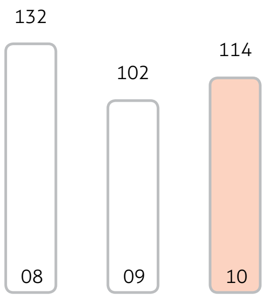
The global economy began to recover in 2010, with both the world and the Turkish economies growing and performing more strongly than expected.
Global growth, which is thought to have been on the order of 5% in 2010, is expected to slow down somewhat in 2011 but still be around 4.4%. Although economic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

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

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

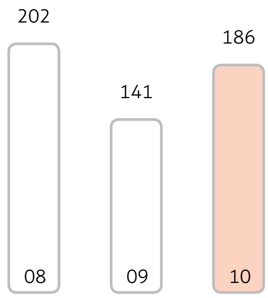
Due both to strong economic recovery and to base year effects, the Turkish economy registered quarter-to-quarter growth rates of 12% in the first quarter of 2010 and of 10.3% and 5.2% respectively in the second and third. A hefty 9.2% rate in the last quarter brought the overall performance for the year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

Total Exports (USD billion)



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

Total Imports (USD billion)



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

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

CPI performance was within targets.

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

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

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

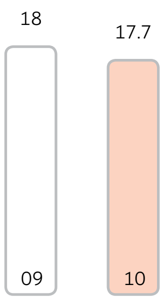
In the last quarter of 2010, CBT launched another round of policy interest rate cuts while simultaneously speeding up its hikes in the banks' reserve requirement rates in order to impose some order on the expansion in credit that was resulting from lower interest rates.

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

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

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

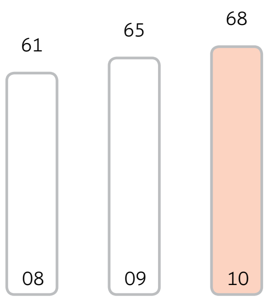
Share of Meat Products in FMCG Spending (%)



While the turnover of the FMCG (excluding tobacco) grew by 8.9% and reached TL 34 billion in 2010, food and beverages accounted for 78.2% in the total.

Source: Nielsen

Share of Packaged Charcuterie Products (by volume-%)

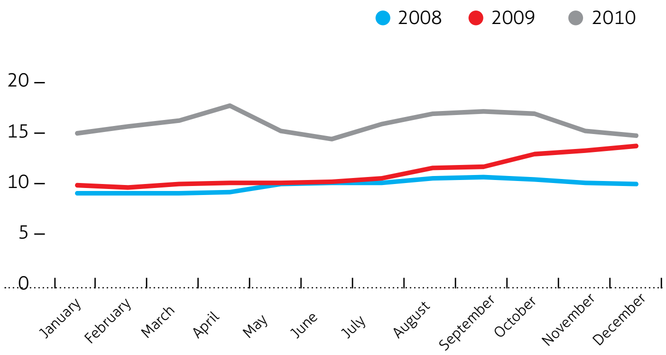


Another trend observed in the charcuterie market in 2010 was the ongoing increase in the a sales of packaged products.

Source: IPSOS

While the charcuterie market shrank by 2.7% in terms of tonnage in 2010, there was actually a 10.8% rise in its overall turnover.

Average Price of Boneless Meat (TL)



The processed meat sector

Rapid rises in red meat prices shaped the course of the sector's developments in 2010.

In the second half of 2009, red meat prices in Turkey embarked upon a rising trend. Having already risen by about 35% in the twelve months to end-2009, by the spring of 2010 the 12-month increase reached the 70% range. The most important cause of these price increases was a contraction in the supply of red meat. Beginning in the second half of 2009 and continuing into 2010, supply was simply unable to keep up with demand. A natural outcome of this development was that there were also cost-based increases in the prices of products whose raw materials consist of meat and these rises in turn suppressed the demand for such products. With growth thus depressed, other problems with which the market also had to contend were price speculation and volatility and exacerbated uncertainties, which in turn triggered a surge in adulteration by a number of producers hoping to give themselves a leg up over their competitors.

Seeking to bring mounting meat prices under control and to restore some stability to them, in late April of the year the government authorized first the Meat and Fish Authority and then the private sector to start importing live animals while also reducing the customs duty on meat carcasses from 135% to 30%. As a result of these developments, about 70,000 tons of carcass meat entered the market in the second half of the year and this succeeded in lowering the shelf price of boneless meat to the TL 18-20/kg range by year-end. Originally announced to expire as of end-2010, the importation licensing was extended to the end of 2011. However taking note of the difficulties that price competition were causing for local producers, the customs duty rate was boosted by half to 45% as of 18 March 2011.

Raw material price rises were only partially reflected in product prices.

Processed meat industry producers naturally sought ways to reflect the higher costs of their inputs in their product prices. However because consumer purchasing power was unable to keep pace with these rises, only a fraction of the higher cost of raw materials could actually be passed on to customers.

Turnover increase in the charcuterie market

The upshot of all these developments was that, while the charcuterie market shrank by 2.7% in terms of tonnage in 2010, there was actually a 10.8% rise in its overall turnover. Another development observed in the charcuterie market was that there was a sustained rise in the percentage rates of packaged products, which accounted for a 68% share of total tonnage last year. Discount markets and sales outlets with less than 400 m² of floor space played a significant role in this growth in share. In the case of the frozen meat products market, the supermarket chains covered by the Nielsen Scantrack report showed growth rates of 7% and 17% respectively on a tonnage and turnover basis.

Soudjouk accounts for the biggest share at 45%.

There was a one-point year-on rise in the soudjouk category in 2010, making it the biggest segment accounting for a 45% share of the sector. Similarly there was also a one-point rise in the salami category, whose market share reached 26% last year. Sausages on the other hand were down by two percentage points though they still ranked in second place with salamis with a 26% market share.

One of the main reasons for the growth in the salami group was the launching of many brands' new products in the middle-to-low price ranges. Although soudjouks were the product line the most affected by price increases, they still managed to boost their market share on a tonnage basis. It is thought that the sector's concentrated marketing efforts in this line all year long was instrumental in this growth.

Assessment of 2010 Activities

The leader with a market share double that of the nearest rival

Undisputed leadership
With its superior success in the soudjouk, salami, and sausage categories, Pınar Et maintained its undisputed leadership in the overall charcuterie and frozen meat products business line in 2010.

By generating 20% of the processed meat products (charcuterie) market's total turnover, Pınar Et controlled a market share that was double that of its nearest rival. Charcuterie products are reported to have a household penetration rate of 87% in Turkey. According to the same report, 36% of households polled said they preferred Pınar-brand charcuterie products. (Source: IPSOS.)

Pınar Et is the market leader in all segments of the charcuterie group, in frozen meat products, and in fresh-cooked meat products (both turkey and red meat). Pınar Et also ranks first with a 29% share of turnover in all frozen foods when meat, pastry, and aquaculture products are taken into account. (Source: Nielsen.)

At a time when the Turkish economy has returned to the path of growth, the company has defined its marketing and communication strategies in line with changes in consumers' demands and expectations and by taking a proactive approach. By doing so, it has performed successfully thanks to its policies in the areas of production, branding, logistics, and product portfolio management.

By making correct use of its brand strengths, production experience, and effective distribution network in 2010, Pınar Et minimized the impact that higher raw material costs had on its economic and commercial activities and it achieved an overall profitability that was, in absolute terms, similar to that of 2009. In the process of this, Pınar Et focused on high added value products and further entrenched its market position by introducing smaller-sized, individual-portion packaged products that are better suited to consumers' purchasing power. In addition to reducing overhead, the company also turned its attentions to measures to cut production costs as well and it worked without letup on projects aimed at improving production efficiencies.

Pınar Et performed successfully thanks to the policies it adhered to while maintaining its undisputed leadership of the sector in 2010 as well.

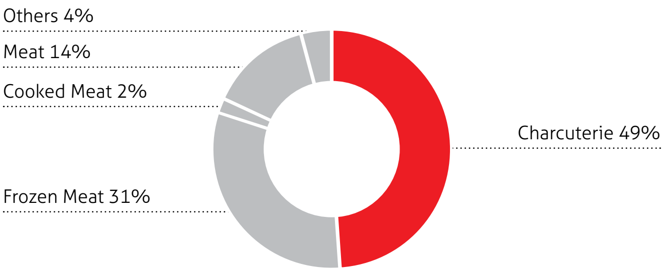
Pınar Et's fundamental marketing strategy may be summed up as one of being a company that focuses on high added value product groups, pursues growth in those categories, maintains its leading position, and always offers its consumers something better.

17% sales growth in 2010 charcuterie products

15% sales growth in 2010 frozen meat products

38% sales growth in 2010 other products

Breakdown of Net Sales by Product Groups



Product groups, brand structure, and primary product segment results in 2010

Pınar Et Product Groups

- Charcuterie products (soudjouks, salamis, sausages, sliced meat products)
- Frozen meat products (hamburgers, koftas, breaded products)
- Frozen dough products (pizzas, puff pastries)
- Frozen aquaculture products (crispy fish, fish fingers, fish nuggets, shrimp, squid, anchovy, whiting fish, fish burgers)
- Cooked turkey meat products (doner, grilled koftas, burgers, Adana kebabs)
- Aquaculture products
- Meat varieties (turkey meat, beef meat, lamb meat)

Charcuterie Product Brand Structure

Soudjouks: Pınar Klasik, Pınar Şölen, Pınar Az Baharatlı, Pınar Mangal Keyfi, Pınar Hindi, Pınar Doyum, Pınar Büfe, Pınar Servis*, Pınar Açbitir, Yörük, Yörük Büfe
Salamis: Pınar, Pınar Açık Büfe, Pınar Büfe, Pınar Doyum, Pınar Servis*, Pınar Açbitir, Yörük Büfe
Sausages: Pınar, Pınar Doyum, Pınar Büfe, Servis*, Pınar Açbitir, Yörük Büfe

* Products designated "Servis" are intended for the food service industry.

The invariable leader of the soudjouk category: Pınar Sucuk

In the soudjouk segment, which makes up the biggest single category of the market, Pınar Sucuk was once again the undisputed leader with a 16% share of total turnover in 2010. (Source: Nielsen.) Successfully defending its title as the soudjouk brand that first comes to mind in Turkey, Pınar Sucuk had a household penetration rate of 18% last year. (Source: IPSOS.)

Pınar Salam: #1 with a 34% turnover market share

Pınar Salam increased its total turnover market share by 3.5 points in 2010 to 34%. (Source: Nielsen.)

Easily holding onto its leading position with a market share three times that of its nearest competitor, Pınar Salam's success last year was contributed to strongly by the introduction of two new products in late 2009: "Açbitir Salam" (salami - easy-open, smaller sized packs) and "Doyum Büfe Salam" (salami - targeted at the medium-price range).

Pınar Sosis: The strongest name in the Turkish sausage market

In 2010 Pınar Sosis maintained its position as market leader with a 27% share of turnover. (Source: Nielsen.) Pınar Sosis had a household penetration rate of 14.4% last year. (Source: IPSOS.)

#1 in frozen meat products

Pınar Et completed 2010 in first place with a 58% share of the frozen meat product market's turnover. In the overall frozen foods market, which includes frozen dough and aquaculture products as well as meat products, Pınar Et was also number 1 with a 29% turnover share.

In 2010 Pınar Et diversified its packaging choices in line with new market trends: easy-open, smaller-sized packs with longer shelf lives.

4/10 Four out of every ten households prefer Pınar Et.

Gourmet Burger

Continuing to develop new varieties and flavors for its product range in light of changing consumer demands, Pınar Et launched its "Gourmet Burger" product in September 2010.

Marketing strategies that focus on customer satisfaction and sustainable leadership

Pınar Et's fundamental marketing strategy may be summed up as that of being a company that focuses on high added value product groups, pursues growth in those categories, maintains its leading position, and always offers its consumers something better.

By supplying at least one Pınar charcuterie product to four out of every ten households in Turkey, Pınar Et is the market leader in all categories of that product group.

With its superior quality and well-liked products, Pınar Et registered significant gains in the sales tonnages of nearly all its packaged and bulk charcuterie products last year. The distribution and penetration rates of all of the new products that were launched in 2010 quickly reached levels compatible with those of existing and corresponding Pınar products.

One of these successful launches involved the "Açbitir" series of products designed for immediate, one-time consumption. Still more new products are to be introduced in 2011 with the intention that they too will achieve a similar performance.

In parallel with its marketing efforts, Pınar Et carried out a variety of customer-based activity and action plans. During 2010 the company continued to be highly active in the market with free-sample, taste trial, discount-price, and other promotional activities both in supermarkets and elsewhere.

New products and new flavors

Continuously developing its product range with new varieties and flavors that it designs in light of changing consumer demands, in August 2010 Pınar Et launched "Pizzatto Italiano" the second member of its "Pizzatto" line. In September the company also introduced "Gourmet Burger", a product specially created to appeal to true burger connoisseurs.

Other products that Pınar Et put on the market for the first time in 2010 were Pınar Açbitir Salam (75 gram-pack), Pınar Açbitir Sucuk (75 and 90 gram-packs), Pınar Açbitir Sosis (200 gram-pack), Doyum Kokteyl Sosis (350, 400, and 1,000 gram-packs), Pınar Klasik Kangal Sucuk (double-pack), and Doyum Büfe Salam (500 and 1,250 gram-packs).

In 2010 Pınar Et introduced new packaging with greater consumer appeal.

In 2010 the company redesigned the packaging of premium-segment Pınar-brand charcuterie products. The new packaging started appearing on store shelves in the last quarter of the year. The new package designs retain all of the main elements of the Pınar brand but have incorporated them into a new style that seeks to enhance their shelf visibility through the use of different materials.

Investments in effective, ongoing communication

Throughout the year Pınar Et continued to conduct campaigns focused on communicating its brand value correctly. Some of the highlights of these activities are presented below.

- In the last quarter of 2010, a Pınar Sucuk campaign featuring comedian Kadir Çöpdemir was conducted. In March-April and then in May-June, a highly popular Pınar Sosis campaign with a child actor was also carried out.
- For the month of Ramadan, which is an important season for charcuterie sales, a corporate advertising film was broadcast during which attention was drawn to a number of such products, including Pınar Sucuk.
- Another important development in 2010 was the completion of strategy-related activities for the Pınar Sucuk line.

Pınar: A brand whose quality is known and preferred in markets outside Turkey

Pınar Et exports charcuterie, frozen, and aquaculture products to Australia, Azerbaijan, Bahrain, Iraq, Kazakhstan, Kyrgyzstan, Kuwait, Qatar, Saudi Arabia, Turkish Republic of Northern Cyprus, Turkmenistan, United Arab Emirates, Uzbekistan, and Yemen. In 2010 Pınar Et booked export revenues worth USD 3.6 million.

Strategic investment plan

During 2010 Pınar Et once again continued its investment activities focused on increasing total output and quality in all matters pertaining to production, environmental protection, and people. Pınar Et's total investment expenditures last year amounted to TL 2,671 thousand, of which TL 102 thousand was spent on buildings, TL 1,203 thousand on machinery and plant, TL 272 thousand on vehicles, TL 1,030 thousand on fixtures, and TL 63 thousand on proprietary rights.

Pınar Communication Center: Strategic junction of consumer/company relations

The Pınar Communication Center is a communication channel through which consumers' wishes and suggestions are received, registered, examined, and quickly resolved. The center continued to conduct its operations successfully in 2010.

The Pınar Communication Center receives and responds to incoming calls without interruption between the hours of 7:00 and 23:00 every day. The Pınar Communication Center is accessible on 444 7627 via fixed and mobile lines from anywhere in Turkey without the need for dialing an area code. A communication satisfaction survey is conducted among consumers who contact the center in order to systematically quantify service levels.

Process improvement activities continued at the Pınar Communication Center as part of the company's Six Sigma Project in 2010. New customer relationship management software is scheduled to be brought online in early 2011.

Human resources: Our most valuable asset

The real foundations of Pınar Et's success are rooted in its human resources. Conducting its operations in line with its mission of being a source of health, taste, and innovation for consumers of every age group while never sacrificing quality, Pınar Et seeks to have and to hold human resources who are productive, motivated, and high-performing. Believing that improving its employees' performance improves its own corporate performance as well, Pınar Et successfully achieved its objectives in 2010 with 502 people on its payroll.

Pınar Et gives special importance to its employees' career progression. In 2010 the company provided a total of 16,580 hours of training time for its personnel.

Human resources training and development

Pınar Et gives special importance to its employees' career progression. In 2010 the company provided a total of 16,580 hours of training time for its personnel. Last year Pınar Et provided traineeship positions for 150 lycee and university students while also taking part in university campus career days and providing students with information about itself and its sector.

During 2010 company employees were again given training under regularly planned programs that focus on a variety of issues such as defense against contagious diseases, general and personal hygiene, pest control, food industry hazard analysis critical control point (HACCP) training, family planning, substance abuse, and breast cancer.

In 2010 Pınar Et continued to provide specialized occupational training for workers employed in the performance of heavy and dangerous jobs. Last year the company also provided training to improve its employees' competencies in such areas as on-the-job safety, fire prevention, personal development, and other subjects.

The "People First" approach at Pınar Et

The objectives of Pınar Et's "People First" approach are summarized below.

- Pınar Et engages in competency-based selection and placement practices in line with its twin principles of "Put the right person in the right job" and "Give priority to in-house promotion".
- Pınar Et ensures that company and individual objectives coincide and are achieved with the aid of a performance evaluation system.
- Pınar Et monitors all of its employees' personal development, career planning, compensation, and merit award processes based on the results of such evaluations.

Food & Beverage Group Subsidiaries

Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş.

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

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

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

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

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

Yaşar Birleşik Pazarlama

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

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

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

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

Pınar Foods GmbH

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

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

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

Environment & Sustainability

using fewer natural resources and less energy while generating less waste

Pınar Et: Management systems
Pınar Et conducts all of its production operations and processes within a framework of integrated management systems.

- **OHSAS 18001 Occupational Health & Safety Management System**
- **ISO 9001 Quality Management System**
- **ISO 22000 Food Safety Management System**
- **ISO 17025 Laboratory Certification**
- **Lean Six Sigma projects**
- **Kaizen practices**
- **ISO 14001 Environmental Management System**

Pınar Et, environment & sustainability

At Pınar Et, all activities are conducted within the framework of ISO 14001 Environmental Management System standardization in order to determine the environmental dimensions of products and services, to assess their risks, and to develop and implement control methods as needed.

In order to ensure the sustainability of management systems and increase their effectiveness, Pınar Et engages in European Foundation for Quality Management (EFQM) "Excellence Model" activities and also applies other standards and methodologies as are currently in use at the company.

Making effective use of energy resources

As a result of projects undertaken at Pınar Et in 2010, improvements were made in production processes. The company's 2009 energy consumption values were maintained despite increases in economic and commercial activities.

Pınar Et is a corporate citizen which adheres to the principle of using fewer natural resources and energy while generating less waste to create the same amounts of output. It accomplishes this by employing efficient production technologies and methods.

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

Under the heading of environmental protection and energy efficiency activities carried out in 2010 at the company, an effort was made to achieve greater fuel consumption efficiency in combustion systems and for this purpose, combustion controls were optimized. At the same time,, research also continued looking into ways to achieve the highest efficiencies in heating & cooling, air conditioning, and heat transfers. Pınar Et worked together with industry specialists in the conduct of these projects.

Regarding the problems of climate change as a very serious threat to the future of humanity and to our planet, Pınar Et is investing in alternative cooling technologies which do not involve hydrofluorocarbons and which do not cause harm to the ozone layer.

In order to increase energy efficiency throughout plants, the amount of energy used by every department is monitored by means of appropriate measurement devices. Through this system, about 85% of all plant spaces where energy is consumed are kept under observation. In addition and in order to prevent/minimize energy consumption losses, thermal cameras are deployed to collect data at Pınar Et plants. These findings are used to identify places where losses are taking place so that corrective action may be taken as needed.

Efforts to reduce the environmental impact of products and services

In all of its production operations, Pınar Et seeks to effectively manage:

- its natural resource and energy consumption
- its solid wastes, effluents, and emissions.

In the conduct of these activities, the company adheres to the principle of taking an integrated approach to achieving minimum levels in both categories.

Pınar Et products cause no harm to the environment whatsoever. At the same time and because both of its sense of social responsibility and of its commitment to achieving full compliance with the requirements of laws and regulations, the company also seeks to minimize the adverse environmental affects and emissions caused by its raw materials and production processes and engages in a systematic effort to do so.

Pınar Et works with recycling firms which have the ability to properly recycle, recover, and dispose of all forms of solid waste and which are licensed by the Ministry of Environment and Forestry.

Pınar Et sends 64% of the waste generated by its production processes to recovery and recycling deliveries so that it may be made economically reusable.

All effluents generated by Pınar Et's production processes and facilities are treated in the company's own on-site biological treatment plant. Waste water quality is periodically checked for compliance with standards by officials of the Ministry of Environment and Forestry and by an independent laboratory as well as in the company's own laboratories.

Quality assurance at Pınar Et is fundamentally inherent in the organization of the company's production processes and it embraces everything from live animal procurements to product shipments.

37% packaging recovery in 2010

Greenhouse gas emissions

There is evidence that there have been significant rises in the amounts of carbon dioxide and other greenhouse gasses released into the atmosphere since the 1970s, that the world's atmosphere has begun to undergo changes, and that there has been an average increase in global temperatures on the order of 0.8-2 °C over the last century.

Behaving as a responsible corporate citizen, Pınar Et regards it as its duty to take part in the struggle to minimize the direct and indirect adverse consequences of these changes. To this end, Pınar Et has initiated efforts to increase energy efficiency while also making use of appropriate sources of energy in all of its manufacturing and distribution processes.

As a first stage of these efforts, a team has been set up that will carry out a project to identify greenhouse gas emissions throughout the company and to propose methods to reduce them. The members of this team have been given training in the areas related to the EN 16001 (energy management systems) and to the ISO 14064-1 (organization level quantification and reporting of greenhouse gas emissions and removals) standards.

During 2010, all Pınar Et personnel were also given climate change and carbon footprint training in order to make them better aware of greenhouse gasses and of ways to reduce their emissions.

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

Type of packaging	(%) recovered in 2008	(%) recovered in 2009	(%) recovered in 2010
Paper & cardboard	35	36	37
Plastic	35	36	37

Packaging waste management

Pınar Et investigates new ways to prevent the generation of packaging waste in order to protect natural resources and to reduce the amount of waste that it created. It also invests in technologies needed to achieve this.

Pınar Et makes use of a waste management "sort at source" system at all of its production units whose aim is to make the packaging of goods that are sold recoverable and reusable. From the very beginning of the packaging design process to the production and post-use stage, the company is mindful of making use of materials that will generate as little waste and cause the environment as little harm as possible. Pınar Et gives preference to packaging materials that are recoverable.

By lowering the unit weight of the foil contained in product packaging, Pınar Et has reduced not only the amount of foil that it uses but also the waste generated by its production activities.

Pınar Et continues to work with the ÇEVKO Foundation, which brings local governments, manufacturers, and consumers together in a collaborative effort to systematically collect, recover, and recycle packaging waste of every kind, and to fulfill its responsibilities in such areas as mandated by law. All Pınar Et products bear the ÇEVKO-authorized "Green Dot" informing consumers that their packaging is recyclable.

Pınar Et's quality approach and system

Quality assurance at Pınar Et is fundamentally inherent in the organization of the company's production processes and it embraces everything from live animal procurements to product shipments.

Pınar Et's mission is to ensure that high-quality, safe products are made with an approach which is in compliance with laws and the rules of ethics, which focuses on consumer protection and satisfaction, and which is environment-friendly and which also contributes towards the company's goals of increasing profitability and productivity.

Process management is the basis of all quality management system activities at Pınar Et.

Ongoing improvements are made in processes by taking an effectiveness-based cost approach in which every process is regarded as a link in a value chain, with steps being taken to add value during each one. Process targets and management system objectives are identified for each year and then reviewed at regularly conducted meetings. Pınar Et makes intensive use of new production and information technologies in order to achieve productivity increases and improvements in its key processes. At the same time, the compliance of Pınar Et products with the requirements of the Turkish Food Codex and associated communiques is verified by means of chemical and microbiological laboratory analyses.

Pınar Et owns and operates a fully-equipped laboratory that is capable of performing all of the microbiological laboratory analyses referred to in Turkish Food Codex Meat Communiques. Pınar Et's laboratory received TS EN ISO/IEC 17025 certification in 2008, which qualifies it to act as a contractual laboratory for the Turkish Standards Institute.

Last year Pınar Et was inspected by the Turkish Standards Institute in May and in September by the European Food Safety Inspection Service (SAI GLOBAL-EFSIS). As a result of these inspections, in which all of the company's management systems were audited, Pınar Et received a Grade A rating.

A corporate citizen that shares with the community

Since 1975, Pınar has sought to contribute towards the physical and mental development of its consumers and to ensure the wellbeing of future generations through the products that it makes and the services that it provides. In line with this goal, Pınar contributes towards numerous projects in the areas of education, sport, culture, and art.

Pınar Kido Children's Theater

Besides supporting children's mental development through the products that it makes, Pınar also contributes towards activities in the areas of culture and art. The Pınar Kido Children's Theater, which has so far given about 3 million children a chance to attend theatrical performances, for which no admission is charged. Employing a professional team of performers, directors, designers, and backstage crews, the Pınar Kido Children's Theater has mounted dozens of children's plays since 1987.

During the theater season, the Pınar Kido Children's Theater appears on stage in schools in İstanbul, İzmir, Bursa, and Eskişehir. During the summer months, it goes on tour and captures the hearts of thousands of children in other parts of the country where there is frequently no other opportunity to see plays performed.

During the 2010-2011 academic year, the Pınar Kido Children's Theater mounted performances of Nasreddin İnadın Sonu, a newly-composed play that reintroduces the Turkish folk hero Nasreddin to a new generation while also acquainting children with traditional Turkish theater.

Pınar Kido Art Competition

The Pınar Kido Art Competition has been held for 29 years with the aims of increasing primary school children's interest in art and of contributing towards the development of the artists of the future. Children from all over Turkey take part in the Pınar Kido Art Competition, which has been focusing on a different theme each year since it was inaugurated in 1981. A record-breaking number of youngsters took part in 2010.

A total of 887,660 submissions were entered in the 29th competition, whose theme was "Draw what most interests you". Last year's Pınar Kido Art Competition even provided valuable input for a unique sociological study in the form of information about the longings, living conditions, attitudes, and perceptions of children of elementary school age in Turkey.

Pınar KSK

Pınar has been providing advertising support for Pınar Karşıyaka, a basketball team that has been contending in the Turkish Premier Basketball League since 1998. Pınar Karşıyaka successfully represented Turkey in the Euro Challenge Cup games during the 2010-2011 season. In addition, nearly a thousand children also benefit from the facilities of the Çiğli Selçuk Yaşar Sports Center every year.

Professional Training Unit

Through the Pınar Et Professional Training Unit, children who might otherwise be unable to stay in school are given a chance to continue their educations. In 2010, 79 apprentice-level students attending the professional training unit were given instruction in meat and meat product operations and management by professional masters. Nineteen of the unit's graduates were subsequently employed directly by Pınar Et.

TOBAV
Pınar is the prime sponsor for the "Listen to Me" project conducted by the İzmir branch of the State Theater, Opera and Ballet Employees Foundation (TOBAV) in which training is provided to musically talented children and youths. Under this project, students are given musical training while also being prepared for admission examinations in order to attend fine arts lycees, state conservatories, university music departments, and other music schools so that they can make music their profession.

Publications

Yaşam Pınarım
Employing an engaging style and delivering unique content, Yaşam Pınarım is an in-house magazine that has been serving a readership of Pınar consumers, business partners, and members of academic circles and government since 2004. Yaşam Pınarım is published every month in 10,000 copies that are distributed free of charge.

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

Fairs, congresses, and sponsorships

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

Awards & recognitions

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

- In Nielsen's "Brand Recognition" survey, Pınar racked up yet another success as the brand that first came to people's minds in the packaged meat category with a 25.6% ranking in that company's most-recognized brand names.
- In Capital magazine's 11th "Best-Like Companies in Turkey" survey conducted jointly with the GFK Türkiye market research firm, Pınar Et ranked first in the "Packaged Meat Products" category.
- On the occasion of "International Day of Persons with Disabilities" Pınar was awarded a plaque by the İzmir Metropolitan Municipal Council of Disabled Persons in recognition of its exemplary efforts and practices.
- On the occasion of the 125th anniversary of the founding of the İzmir Chamber of Commerce, the İzmir Tax Office conducted a "2009 Tax Awards Ceremony" at İzmir Ekonomi University" at which Pınar Et was cited as one of the top three taxpayers in the corporation tax category in the province of İzmir. Pınar Et was also awarded a gold medal based on its reported pretax earnings and a silver medal for its superior export performance.
- In 2010 Pınar Et received a gold medal from the Aegean Chamber of Industry for its success in the "Highest Production Performance", "Highest Export Performance", "Highest Investment Performance", and "Highest Employment Performance In Production" categories. The company was also recognized for its performance in both the "Firm Paying The Most Tax" and the "Brand-Building" categories.

Corporate Governance and Financial Information

31 Agenda of the Annual Assembly General Meeting
32 Corporate Governance Principles Compliance Report
41 Statutory Auditors' Report
42 Profit Distribution Proposal
43 2010 Profit Distribution Table
44 Independent Auditor's Report
104 Information for Investors

Agenda of the Annual Assembly General Meeting

1. Electing the Presiding Committee.

2. Authorizing the Presiding Committee to sign the minutes of the meeting.

3. Reading and deliberating the Board of Directors' annual report, the statutory auditors' report, and the independent auditor's report.

4. Approving the balance sheet and profit & loss statement for 2010 that was sent to the Capital Markets Board and to the İstanbul Stock Exchange; acquitting the company's directors and statutory auditors of their fiduciary responsibilities.

5. Approving the independent auditors chosen by the Board of Directors and their term of duty.

6. Determining the number of directors pursuant to articles 7 and 8 of the company's articles of incorporation; electing directors to replace those whose terms of office have expired.

7. Deliberating and voting on the salaries to be paid to members of the Board of Directors.

8. Determining the number of statutory auditors pursuant to article 13 of the company's articles of incorporation; electing statutory auditors to replace those whose terms of office have expired and determining their terms of office.

9. Deliberating and voting on the salaries to be paid to the statutory auditors.

10. Informing shareholders about charitable donations made during the year.

11. Deliberating and voting on matters pertaining to the year's profits.

12. Informing shareholders, pursuant to Capital Markets Board ruling 28/780 dated 9 September 2009, about guarantees, pledges, or mortgages that have been granted by the company in favor of outside parties as well as about any income and benefits that may have been acquired on account of such guarantees, pledges, or mortgages.

13. Deliberating and voting on authorizing the Board of Directors, within the framework of Capital Markets Law article 15 and CMB Communique IV:27 article 9, on the matter of paying shareholders advances on dividends which are to be set off against their 2011 dividends with the proviso that, pursuant to the same article of law, should there not be sufficient profit or should there be a loss during the fiscal year concerned, the advances so paid shall be set off against any extraordinary reserves shown in the previous year's balance sheet and, if the amounts of such extraordinary reserves are insufficient to cover losses, bonds received as cover for dividend advances shall, pursuant to article 10 of the same communique, shall be encashed and booked as income from which offsets will be made.

14. Authorizing the Board of Directors pursuant to articles 334 and 335 of the Turkish Commercial Code.

15. Petitions.

Corporate Governance Principles Compliance Report

Corporate Governance Principles Compliance Report

1. Statement of compliance with corporate governance principles

During the reporting period ending 31 December 2010, Pınar Entegre Et ve Un Sanayii A.Ş. ("the company") complied with and implemented the corporate governance principles published by the by Capital Markets Board ("CMB") except for the matters indicated immediately below:

a) Cumulative voting method

b) Independent directors

c) Representation of minority shareholding interests on the Board of Directors

d) Transfers of registered shares

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

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

Part I: Shareholders

2. Investor Relations Department

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

Information about the Shareholder Relations Unit is provided below.

Capital Markets Coordinator: Senem Demirkan

Tel: 0 232 482 22 00

Fax: 0 232 489 15 62

Email: yatirimciiliskileri@pinaret.com.tr

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

The duties of the Investor Relations Department are listed below.

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

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

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

• Communicate with other units of the company and prepare the documents which shareholders may find useful at General Assembly meetings

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

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

• Ensure that investor relations activities are properly conducted.

Corporate Governance Principles Compliance Report

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

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

3. Shareholders' exercise of their right to obtain information

The fundamental principle in shareholders exercising their right to obtain information is that there should be no discrimination among shareholders. All information and documents that shareholders may need to exercise their shareholders' rights in a sound manner are made equally available to all shareholders on the company's corporate website. During 2010 every possible effort was made, under the supervision of the Investor Relations Department, to respond to requests for information received from shareholders within the framework of the requirements of capital market laws and regulations and without delay.

Such requests for information are generally about such issues as General Assembly meeting dates, publicly disclosed financial statements, and dividend payments. All requests for information, except in the case of information that was in the nature of a trade secret and information that it was deemed to be in the company's interest to keep confidential, were responded to without making any distinctions among shareholders and in line with any statements that may previously have been made within the framework of capital market laws and regulations. Developments that might affect the exercise of shareholder rights dictated by the Turkish Commercial Code and by CMB regulations were publicly disclosed through material disclosures, newspaper advertisements, and mailings. A request to have a special auditor appointed is not an individual right provided for under the company's articles of incorporation. No request for the appointment of a special auditor was received during 2010.

4. Information about General Assembly meetings

The 2009 annual General Assembly meeting took place during 2010 on 12 May 2010. Pursuant to article 19 ("Meeting quora") of the company's articles of incorporation, the quorum requirements at ordinary and extraordinary General Assembly meetings are subject to the provisions of the Turkish Commercial Code. At the 2009 annual General Assembly meeting, 66.90% of the company's capital was represented and voted. During these meetings, no attending shareholders or their proxies advanced any motions and all questions that were raised were responded to by the Presiding Committee during the meeting.

No other stakeholders or media representatives attended these meetings. 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.

Announcements pertaining to company General Assembly meeting invitations were published at least fifteen days (not including the announcement and meeting dates) in advance in Türkiye Ticaret Sicili Gazetesi in accordance with article 21 ("Announcements") of the articles of incorporation and within the framework of the provisions of article 368 of the Turkish Commercial Code. The announcements were also published on the corporate website and in local newspapers. Shareholders whose addresses were on record with the company were sent letters in which they were informed about the meeting date, location, and agenda. No specific period of time is required during which the holders of registered shares must have their shares duly registered in order to take part in a General Assembly meeting. Profit distribution proposals that the Board of Directors intends to submit to General Assembly meetings as well as the identity of independent auditors selected by the Board of Directors are publicly disclosed in material disclosures.

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

Corporate Governance Principles Compliance Report

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

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

5. Voting rights and minority rights

Article 7 of the company's articles of incorporation provides for special rights with respect to designating candidates for seats on the Board of Directors as follows:

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

Article 19 of the company's articles of incorporation provides for special rights with respect to the exercise of voting rights as follows:

"At ordinary and extraordinary General Assembly meetings, each Group A share shall entitle its owner to cast three votes. The mandatory provisions of the Turkish Commercial Code are reserved. Each Group B share shall entitle its owner to cast one vote."

There are no other special voting rights.

The company's articles of incorporation contain no provisions pertaining to the exercise of voting rights that would prevent an individual who is not a shareholder from voting as the representative of one who is. Article 22 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. Capital Markets Board regulations shall be complied with on the matter of proxy voting."

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

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

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

6. Dividend payment policy and timing

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

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

Corporate Governance Principles Compliance Report

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

Decisions that the Board of Directors makes concerning profit distributions are presented to the general assembly of shareholders for approval. The amounts of dividends so approved are paid out to shareholders within the period of time determined at the General Assembly meeting subject to the provisions of CMB communique IV:27. Distribution of the company's 2009 profits began on 21 May 2010 and was completed in two tranches within the legally prescribed period of time.

7. Transfer of shares

Transfers of bearer shares are subject to the provisions of article 415 of the Turkish Commercial Code. Article 6 of the company's articles of incorporation contains the following provision pertaining to the transfer of registered shares:

"Registered Group A shares may not be sold or transferred without the consent of the Board of Directors. In the event that some or all of any registered shares are assigned or sold to a third party, the Board of Directors may refrain from registering the transfer without showing cause.

Part II: Public disclosures and transparency

8. Company disclosure policy

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

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

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

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

9. Material disclosures

Twenty-one material disclosures were made during 2010. No requests for additional material disclosures were received either from CMB or from ISE concerning these material disclosures. The company's material disclosures are prepared by the Investor Relations Department and are publicly disclosed after having been signed by those who are authorized to do so in the company's disclosure policy. Pursuant to CMB regulations, all of our special circumstance announcements have been published exclusively in electronic format via our Public Disclosure Platform since 2010. The company's shares are not listed on any foreign exchange and for that reason the company is not encumbered by any other additional public disclosure obligations.

10. The company's corporate website and its content

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

Corporate Governance Principles Compliance Report

11. Disclosure of ultimate controlling shareholder(s)

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

Shareholder:	Share (%)	Share Amount (TL)
Yaşar Holding A.Ş.	54.18	23,476,893.16
Pınar Süt Mamulleri San. A.Ş.	12.58	5,451,752.25
Others	33.24	14,406,354.59
Total	100.00	43,335,000.00

Shares corresponding to 54.18% of the capital in Yaşar Holding A.Ş. and to 12.58% of the capital in Pınar Süt Mamülleri San. A.Ş. are controlled directly or indirectly by members of the Yaşar family.

12. People in access to insider information

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

- All company board members and statutory auditors
- Zeki Ilgaz (General Manager)
- Mustafa Şahin Dal (Director of Financial Affairs and Budget Control)
- Muzaffer Bekar (Finance Director)
- Zeynep Okuyan Gökyılmaz (Chief Independent Auditor (Responsible Partner))
- Independent auditing firm personnel

Part III: Stakeholders

13. Disclosure to stakeholders

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

14. Stakeholder participation in management

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

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

15. Human resources policy

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

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

Corporate Governance Principles Compliance Report

Basic human resources policies

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

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

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

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

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

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

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

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

i) Our style of management is "to maintain our existence as a company which behaves in compliance with laws and with the rules of ethics and which adheres to a total quality philosophy and to a participatory form of management."

j) An essential principle at the company is that all employees will be treated equally and without making any distinctions among them with respect to language, race, color, sex, political beliefs, philosophy, religion, sect, or similar reasons. Due measures have been taken to protect these basic employee rights.

There are two workplace representatives at Pınar Et. The duties of these representatives are to:

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

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

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

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

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

16. Information about relations with customers and suppliers

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

Customers may submit requests and complaints via our free information hotline on 0800 415 5117 from anywhere in Turkey without dialling an area code. All incoming requests are responded to and complaints are dealt with.

Corporate Governance Principles Compliance Report

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

Having been in business for 29 years makes it possible for our company to establish good relations with suppliers and thus to ensure that the materials that we need reach us with the quality they should have, on time, in the right quantities, and under option business conditions. The degree to which these objectives are achieved is measured by means of supplier evaluation methods. The results of such evaluations are shared with suppliers in order to contribute towards their edification and development. A continuous flow of information is maintained with suppliers whereby they are kept informed about news and possible developments in the sector. Cooperation is achieved by organizing quality and innovation circles. Priority is given to making use of new ideas that are advanced.

17. Social responsibility

Pınar Et seeks to comply with current environmental laws applicable to its business activities and with local regulations concerning environmental matters to which it is subject, to make productive use of natural resources, to control and reduce waste that causes environmental harm or else render it harmless, and to take other measures necessary to prevent pollution.

Our company has issued an Environmental Impact Assessment Report and it holds ISO 14001 Environmental Management System certification.

Our company has set up its own in-house apprentice training center whose objectives are firstly to provide a systematic program of theoretical and practical professional training for young people in the 15-18 age group who have completed their basic education, who must go to work, and who are interested in learning a profession and secondly to transform them into the skilled workers that our country is in need of. Such training has the additional objectives of teaching work discipline, establishing national-level professional standards, improving production quality standards, and increasing productivity.

Two in-house publications–Pınar Gazetesi (a newspaper) and Yaşam Pınarım (a magazine)–seek to encourage company employees to engage in social activities in the areas of culture, art, sport, and education.

The company supports education by collaborating with organizations such as Yaşar University and Yaşar Education Foundation.

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

Part IV: Board of Directors

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

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

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

The Board of Directors:

İdil Yiğitbaşı	Chairperson
Yılmaz Gökoğlu	Deputy Chairperson
Mehmet Aktaş	Director
Suat Özyiğit	Director
Ali Sözen	Director
Ergun Akyol	Director
Levent Rıza Dağhan	Director

Corporate Governance Principles Compliance Report

• The company's general manager is Zeki Ilgaz.

• There are no independent members of the Board of Directors.

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

19. Qualifications of company directors

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

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

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

21. Risk management and internal control mechanisms

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

22. Authorities and responsibilities of company directors and executives

The company's directors and executives perform their duties in a manner that is equitable, transparent, accountable, and responsible. The principles governing the authorities and responsibilities of the Board of Directors that are adhered to in order to achieve this are spelled out as follows in article 11 of the company's articles of incorporation, subject always to the imperatives of the Turkish Commercial Code:

"Article 11: The Board of Directors is responsible to represent the company before all official agencies, courts, and third parties; to perform, on the company's behalf, any and all manner of business and legal transactions falling within the company's object and scope; to buy and to sell real estate properties consistent with the company's object and to establish and relinquish mortgages and other real rights pertinent thereto; to conciliate and appoint arbitrators; to prepare annual reports and annual accounts to be presented to the general assembly of shareholders and to propose to the general assembly the amounts of dividends to be distributed; and to execute any duty specified in law and these articles of incorporation."

23. Operating principles of the Board of Directors

The operating principles of the Board of Directors are spelled out as follows in article 9 of the company's articles of incorporation:

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

Details about the Board of Directors' operating principles and its activities during the 2010 reporting period are given below.

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

Corporate Governance Principles Compliance Report

During the reporting period, the Board of Directors convened thirty-five times. The board may be called to meeting by its chairperson or by any of its members in writing. Meeting agendas must be sent out to members by registered mail at least two weeks before the meeting date. All members are usually present at meetings. There were no unresolved disputes over issues during the 2010 reporting period. Board members were actually present at board meetings during which matters governed by the rules of Corporate Governance Principles section IV.2.17.4 were discussed. Questions raised during meetings are not entered into the record. No board members have preferential voting or veto rights.

24. Prohibition on doing business or competing with the company

At the company's annual General Assembly meeting for 2009 held during 2010, members of the Board of Directors were granted authority with respect to the issues governed by articles 334 and 335 of the Turkish Commercial Code; however during the reporting period, none of the executive board members were involved in any business transaction falling within the company's object and scope either directly or indirectly on his own behalf or on behalf of someone else.

25. Rules of ethics

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

26. Number, structure, and independence of committees established by the Board of Directors

Two committees, consisting of a committee responsible for audit and a committee responsible for corporate governance, have been formed within the company. The Audit Committee convened four times during 2010 in meetings at which it was informed by company managers about the company's activities and internal control systems and also about the findings of the independent auditors during the most recent quarter. The Audit Committee is responsible for the company's bookkeeping system, for the public disclosure of financial information, and for supervising the operation and effectiveness of independent auditing and of the internal control system; for selecting the independent auditors, initiating the independent auditing process, and supervising the independent auditors' activities; for reporting to the Board of Directors about the authenticity and veracity of publicly disclosed yearly and intermediary financial statements. The members of the Audit Committee are Yılmaz Gökoğlu and Levent Rıza Dağhan. As there are no independent directors on the company's board, the Audit Committee comprises of non-executive directors. No company director is a member of more than one committee.

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

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

27. Financial benefits provided to the Board of Directors

As is stipulated in article 12 of the company's articles of incorporation, members of the company's board receive remuneration whose amount is determined by a general assembly of shareholders. The remuneration so determined for 2010 was TL 1,000 a month. The rights that are provided to members of the Board of Directors are determined at General Assembly meetings of the company and they are publicly disclosed through the minutes of such meetings. The company has no separate performance-based remuneration policy for its directors. The company does not make lendings or extend credit to any of its directors or executives.

Statutory Auditors' Report

TO THE GENERAL ASSEMBLY OF PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

Company name	Pınar Entegre Et ve Un Sanayii A.Ş.
Head office	Şehit Fethi Bey Caddesi No.120 İZMİR
Capital	TL 43,335,000.00.
Field of activity	Production of meat and meat products and ready-cooked foods
Statutory auditors' names, surnames, terms of office and whether they have a shareholding interest in the company	Kamil Deveci (12.05.2010 – one year) not a shareholder Erdem Çakırokkalı (12.05.2010 – one year) not a shareholder
Number of Board of Directors meetings participated in and of Board of Auditors meetings held	Board of Directors meetings: 35 Board of Auditors meetings: 12
Scope, dates and conclusions of the examination made on the accounts, books and documents of the company	At the end of each month, cash, cheques, bonds and receipts were counted, and the records and documents were screened on the basis of sampling method and no irregularities were found.
Dates and results of the examinations made pursuant to Article 353 paragraph 1, subparagraph 4 of the Turkish Commercial Code	The cashier's office of the company was checked and counted 12 times and no irregularities were found.
Number and results of the cash counts performed in the company's cashier's office pursuant to Article 353, paragraph 1, subparagraph 3 of the Turkish Commercial Code	Examination was performed at the end of each month, comments were provided for matters of uncertainty, and no irregularities were established.
Complaints and charges of fraud of which the company was advised and actions taken against them	None

We have examined the accounts and transactions of Pınar Entegre Et ve Un Sanayii Anonim Şirketi for the period 01 January 2010 - 31 December 2010 with respect to their compliance with the Turkish Commercial Code, the company's articles of incorporation, and other applicable legislation, as well as generally accepted accounting principles and standards.

In our opinion, the attached balance sheet prepared on 31 December 2010, the contents of which we acknowledge, fairly and accurately presents the company's financial status on the date, and the income statement for the period 01 January 2010 - 31 December 2010 fairly and accurately presents the operating results for the period.

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

Statutory Auditor
Kamil Deveci

Statutory Auditor
Erdem Çakırokkalı

Profit Distribution Proposal

The company's current net profit for 2010 is calculated as TL 38,336,987. This amount is arrived at as follows.

1. TL 39,531,731 is shown as consolidated net profit for 2010 in the company's financial statements, which have been prepared taking into account the requirements of the Turkish commercial law, of capital markets laws and regulations, of the corporation tax law, of the income tax law, and of other laws, regulations, and administrative provisions as well as of the provisions of the company's articles of incorporation pertaining to the distribution of profits, and which have been independently audited in accordance with International Financial Reporting Standards.

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

3. From the resulting amount is subtracted the amount of TL 1,694,744, which is the first statutory reserve that is mandated by article 466/1 of the Turkish Commercial Code.

We submit for your consideration and approval the following proposal concerning the allocation of the TL 38,336,987 in distributable profit as calculated above:

1. TL 7,832,688 will be distributed among shareholders as a first dividend. This corresponds to 20% of distributable profit when the TL 826,450 that was paid out as charitable donations during the year in line with CMB rules is taken into account.

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

3. Of the remainder, the amount of TL 25,535,262 will be distributed among shareholders as a second dividend. The combined total of first and second dividends amounts to TL 33,367,950. This corresponds to 77% of our issued capital, which amounts to TL 43,335,000 TL.

4. Of the remainder, TL 3,170,120 will be set aside as a second statutory reserve.

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

If this proposal is approved, the company will be paying out a gross cash dividend amounting to TL 0.7700, which is to say a net cash dividend of TL 0.6545, on each share of its stock with a par value of TL 1.0000. This corresponds to a gross cash dividend rate of 77% and to a net cash dividend rate of 65.45%.

2010 Profit Distribution Table

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
2010 PROFIT DISTRIBUTION TABLE (TL)

1.	Paid-in/Issued Capital		43,335,000
2.	Total Statutory Reserves (according to legal records)		14,967,906
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	46,930,887	47,130,721
4.	Taxes Payable (-)	(7,399,156)	(8,142,257)
5.	Net Profit for the Period (=)	39,531,731	38,988,465
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 (-)	(1,694,744)	(1,694,744)
8.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**38,336,987**	**37,293,721**
9.	Donations during the Year (+)	826,450	
10.	**Net Distributable Profit for the Period Including Donations, Based on Which First Dividend will be Computed**	**39,163,438**	
11.	First Dividend to Shareholders	7,832,688	
	- Cash	7,832,688	
	- Bonus Shares		
	- Total	7,832,688	
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	25,535,262	
16.	Second Statutory Reserves	3,170,120	
17.	Statutory Reserves	0	
18.	Special Reserves		
19.	**EXTRAORDINARY RESERVES**	1,298,917	255,651
20.	Other Resources to be Distributed		
	- Previous Year Profit		
	- Extraordinary Reserves		
	- Other Distributable Reserves as per the Law and Articles of Association		

INFORMATION ON EARNINGS PER SHARE

	GROUP	TOTAL DIVIDENDS (TL)	DIVIDENDS PER SHARES WITH NOMINAL VALUE OF TL 1 EACH AMOUNT (TL)	RATIO (%)
GROSS	**There are no privileged share groups for profit distribution.**	33,367,950	0.7700	77.00%
NET		28,362,758	0.6545	65.45%

RATIO OF DIVIDENDS DISTRIBUTED TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS

CASH DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TL)	RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS (%)
33,367,950	85%

Pınar Entegre Et ve Un Sanayii A.Ş.
Independent Auditor's Report

(Convenience translation into English of financial statements originally issued in Turkish)

To the board of Directors of Pınar Entegre Et ve Un Sanayii Anonim Şirketi

We have audited the accompanying financial statements of Pınar Entegre Et ve Un Sanayii Anonim Şirketi (the "Company"), which comprise the statement of financial position as at December 31, 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pınar Entegre Et ve Un Sanayii A.Ş. as of December 31, 2010, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted by the Turkish Capital Market Board.

Emphasis of matters

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

Other matter

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

Additional paragraph for convenience translation to English:

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

A member firm of Ernst & Young Global Limited

Zeynep Okuyan Gökyılmaz, SMMM

Partner

April 6, 2011

İstanbul, Türkiye

Pınar Entegre Et ve Un Sanayii A.Ş.

Contents **Page**

Balance sheets 46
Statements of comprehensive income 48
Statements of changes in equity 49
Statements of cash flow 50

Notes to the financial statements
1. Organization and nature of operations 51
2. Basis of preparation of financial statements 51
3. Business combinations 65
4. Joint ventures 65
5. Segment reporting 65
6. Cash and cash equivalents 66
7. Financial assets 66
8. Financial liabilities and other financial liabilities 67
9. Other financial liabilities: 68
10. Trade receivables and payables 68
11. Other receivables and payables 69
12. Receivables and payables from finance sector operations 70
13. Inventories 70
14. Biological assets 70
15. Construction contract receivables 70
16. Investment in associates accounted for using equity method 70
17. Investment property 71
18. Property, plant and equipment 72
19. Intangible assets 75
20. Goodwill 75
21. Government grants 75
22. Provisions, contingent assets and contingent liabilities 75
23. Commitments 78
24. Provision for employment termination benefit 78
24. Provision for employment termination benefit (continued) 79
25. Pension plans 79
26. Other assets and liabilities 79
27. Equity 80
28. Sales and cost of sales 83
29. Research and development expenses, marketing, selling and distribution expenses, general administrative expenses 84
30. Expenses by nature 85
31. Other operating income/expense 85
32. Finance income 86
33. Finance expense 86
34. Non-current assets held for sale and discontinued operations 86
35. Tax assets and tax liabilities 86
36. Earnings per share 88
37. Transactions and balances with related parties 89
38. Financial instruments and financial risk management 95
39. Financial instruments (Fair value and financial risk management disclosures) 103
40. Subsequent events 103
41. Other matters that may have a material effect on, or be explained for the clear understanding of the financial statements 103

Pınar Entegre Et ve Un Sanayii A.Ş.

Balance Sheets at December 31, 2010

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

	Notes	**December 31, 2010**	December 31, 2009
Assets			
Current assets		**102.792.145**	93.746.656
Cash and cash equivalents	6	**1.754.607**	2.266.855
Derivative financial instruments	7b	**293.750**	840.864
Trade receivables		**31.227.574**	39.042.003
- Due from related parties	37ia	**23.692.348**	26.184.574
- Other trade receivables	10a	**7.535.226**	12.857.429
Other receivables		**24.695.956**	30.757.240
- Due from related parties	37ib	**23.159.362**	30.753.746
- Other receivables	11a	**1.536.594**	3.494
Inventories	13	**41.344.661**	18.934.614
Other current assets	26a	**3.475.597**	1.905.080
Non-current assets		**250.983.619**	248.710.049
Other receivables		**9.745.131**	9.745.131
- Due from related parties	8, 37ic	**9.745.000**	9.745.000
- Other receivables	11b	**131**	131
Available-for-sale investments	7a	**519.786**	432.083
Investments in associates accounted for using equity method	16	**106.839.645**	100.088.827
Property, plant and equipment	18	**133.182.775**	138.436.308
Intangible assets	19	**56.505**	7.700
Other non-current assets	26b	**639.777**	-
Total assets		**353.775.764**	342.456.705

The accompanying notes on pages 51 to 103 are an integral part of these financial statements.

Pınar Entegre Et ve Un Sanayii A.Ş.

Balance Sheets at December 31, 2010

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

	Notes	December 31, 2010	December 31, 2009
Liabilities			
Current liabilities		**46.280.281**	45.938.983
Financial liabilities		**638.691**	568.996
- Current leasing obligations	38	**-**	390
- Other financial liabilities	8	**638.691**	568.606
Trade payables		**40.020.120**	40.725.500
- Due to related parties	37id	**9.251.579**	6.776.555
- Other trade payables	10b	**30.768.541**	33.948.945
Other payables		**865.608**	86.261
- Due to related parties	37ie	**853.240**	73.215
- Other payables	11c	**12.368**	13.046
Current income tax liabilities	35	**2.043.543**	1.743.130
Provisions	22a	**1.007.474**	1.108.977
Other current liabilities	26c	**1.704.845**	1.706.119
Non-current liabilities		**26.273.539**	26.131.756
Financial liabilities	8	**10.245.500**	10.801.500
Provisions	22b	**182.240**	137.514
Provision for employment termination benefits	24	**6.335.054**	4.956.437
Deferred income tax liabilities	35	**9.510.745**	10.236.305
Total liabilities		**72.553.820**	72.070.739
Equity		**281.221.944**	270.385.966
Share capital	27	**43.335.000**	43.335.000
Adjustment to share capital	27	**37.059.553**	37.059.553
Reserves		**78.867.999**	79.864.389
- Revaluation reserves	18	**73.292.549**	77.326.510
- Fair value reserves of available-for-sale investments	7a	**123.518**	53.356
- Fair value reserves of investments-in associates		**5.451.932**	2.484.523
Currency translation reserve		**(166.029)**	(67.255)
Restricted reserves		**15.063.386**	10.135.698
Retained earnings		**67.530.304**	60.000.114
Profit for the year	36	**39.531.731**	40.058.467
Total liabilities and equity		**353.775.764**	342.456.705

The accompanying notes on pages 51 to 103 are an integral part of these financial statements.

Pınar Entegre Et ve Un Sanayii A.Ş.

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

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

	Notes	**January 1- December 31, 2010**	January 1- December 31, 2009
Revenue	28	**352.800.724**	307.801.377
Cost of sales	28	**(292.876.201)**	(243.053.426)
Gross profit	28	**59.924.523**	64.747.951
Research and development expenses	29a	**(873.614)**	(768.862)
Marketing, selling and distribution expenses	29b	**(14.782.884)**	(17.662.221)
General administrative expenses	29c	**(13.762.329)**	(12.987.257)
Other operating income	31a	**1.306.184**	1.016.173
Other operating expenses	31b	**(1.051.056)**	(1.957.359)
Operating profit		**30.760.824**	32.388.425
Share of results of investment-in-associates-net	16	**12.521.816**	11.989.160
Finance income	32	**6.280.197**	7.480.461
Finance expense	33	**(2.631.950)**	(4.212.186)
Profit before taxation on income		**46.930.887**	47.645.860
Income tax expense		**(7.399.156)**	(7.587.393)
- Taxes on income	35	**(8.142.257)**	(8.330.264)
- Deferred tax income	35	**743.101**	742.871
Profit for the year		**39.531.731**	40.058.467
Other comprehensive income:			
Fair value reserve decrease in available-for-sale investments- net	7	**70.162**	(335.196)
Currency translation differences	2 - 16	**(98.774)**	(108.038)
Fair value reserve increase/(decrease) in investment-in-associates- net	16	**2.967.409**	860.074
Other comprehensive income for the year, net of tax		**2.938.797**	416.840
Total comprehensive income for the year		**42.470.528**	40.475.307
Earnings per share	36	**0,9122**	0,9244

The accompanying notes on pages 51 to 103 are an integral part of these financial statements.

Pınar Entegre Et ve Un Sanayii A.Ş.

Statements of Changes in Equity for the Years Ended at December 31, 2010 and 2009

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

	Share capital	**Adjustment to share capital**	**Revaluation reserves**	**Revaluation reserves of investments in associates**	**Fair value reserves of available-for- sale investments**	**Fair value reserves of investments in-associates (*)**	**Currency translation reserves**	**Restricted reserves**	**Retained earnings**	**Profit for the year**	**Total equity**
January 1, 2010	**43.335.000**	**37.059.553**	**77.326.510**	**-**	**53.356**	**2.484.523**	**(67.255)**	**10.135.698**	**60.000.114**	**40.058.467**	**270.385.966**
Transfer of prior year income to retained earnings	-	-	-	-	-	-	-	-	**40.058.467**	**(40.058.467)**	-
Legal reserves	-	-	-	-	-	-	-	**4.927.688**	**(4.927.688)**	-	-
Dividends paid (Notes 27 and 37.ii. h)	-	-	-	-	-	-	-	-	**(31.634.550)**	-	**(31.634.550)**
Increase in fair value reserves of investments- in associates-net (Note 16)	-	-	-	-	-	**2.967.409**	-	-	-	-	**2.967.409**
Depreciation transfer of investments in associates-net (Note 18)	-	-	**(1.629.217)**	-	-	-	-	-	**1.629.217**	-	-
Increase in fair value reserves of available-for-sale investments (Note 7.a)	-	-	-	-	**87.703**	-	-	-	-	-	**87.703**
Deferred tax calculated on the basis of fair value reserves of available-for-sale investments (Notes 7.a)	-	-	-	-	**(17.541)**	-	-	-	-	-	**(17.541)**
Currency translation reserves (Note 16)	-	-	-	-	-	-	**(98.774)**	-	-	-	**(98.774)**
Profit for the year	-	-	-	-	-	-	-	-	-	**39.531.731**	**39.531.731**
Depreciation transfer – net (Note 18)	-	-	**(2.404.744)**	-	-	-	-	-	**2.404.744**	-	-
December 31, 2010	**43.335.000**	**37.059.553**	**73.292.549**	**-**	**123.518**	**5.451.932**	**(166.029)**	**15.063.386**	**67.530.304**	**39.531.731**	**281.221.944**

(*) The fair value reserves of investments-in associates valued with equity method.

	Share capital	Adjustment to share capital	Revaluation reserves	Revaluation reserves of investments in associates	Fair value reserves of available for- sale investments	Fair value reserves of investments-in-associates (*)	Currency translation reserves	Restricted reserves	Retained earnings	Profit for the year	Total equity
January 1, 2009	43.335.000	37.059.553	79.825.250	-	388.552	1.624.449	40.783	7.975.335	34.118.997	31.729.940	236.097.859
Transfer of prior year income to retained earnings	-	-	-	-	-	-	-	-	31.729.940	(31.729.940)	-
Legal reserves	-	-	-	-	-	-	-	2.160.363	(2.160.363)	-	-
Dividends paid (Note 37.ii. h)	-	-	-	-	-	-	-	-	(6.187.200)	-	(6.187.200)
Increase in fair value reserves of investments-in-associates-net (Note 16)	-	-	-	-	-	860.074	-	-	-	-	860.074
Depreciation transfer of investments-in-associates - net (Note 18)	-	-	(237.125)	-	-	-	-	-	237.125	-	-
Increase in fair value reserves of available-for-sale investments (Note 7.a)	-	-	-	-	(418.995)	-	-	-	-	-	(418.995)
Deferred tax calculated on the basis of fair value reserves of available-for-sale investments (Note 7.a)	-	-	-	-	83.799	-	-	-	-	-	83.799
Currency translation reserves (Note 16)	-	-	-	-	-	-	(108.038)	-	-	-	(108.038)
Profit for the year	-	-	-	-	-	-	-	-	-	40.058.467	40.058.467
Depreciation transfer – net (Note 18)	-	-	(2.261.615)	-	-	-	-	-	2.261.615	-	-
December 31, 2009	43.335.000	37.059.553	77.326.510	-	53.356	2.484.523	(67.255)	10.135.698	60.000.114	40.058.467	270.385.966

(*) The fair value reserves of investments-in associates valued with equity method.

The accompanying notes on pages 51 to 103 are an integral part of these financial statements.

Pınar Entegre Et ve Un Sanayii A.Ş.

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

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

	Notes	January 1 - December 31, 2010	January 1 - December 31, 2009
Cash flows from operating activities:			
Profit before taxation on income		**46.930.887**	47.645.860
Adjustments to reconcile profit before taxation on income to net cash generated from operating activities			
Operating activities:			
Depreciation and amortisation	18-19	**7.863.967**	7.646.484
Interest income	32	**(4.795.335)**	(4.341.068)
Interest expense	33	**1.719.995**	2.508.096
Provision for employment termination benefits	24	**1.789.821**	1.237.400
Share of results of investments-in-associates- net	16	**(12.521.816)**	(11.989.160)
Inventory profit elimination	16	**30.237**	6.843
Seniority incentive bonus		**500.000**	1.000.000
Gain from sales of property, plant and equipment	31a	**(119.787)**	(45.590)
		41.397.969	43.668.865
Changes in assets and liabilities:			
Decrease in trade receivables	10	**5.322.203**	2.637.177
Increase in inventory	13	**(22.410.047)**	(916.176)
Increase in due from related parties	37	**2.492.226**	(3.122.743)
(Increase)/decrease in other short and long term receivables and other current and non-current assets	11-26	**(3.743.394)**	(443.664)
(Decrease)/increase in trade payable	10	**(3.180.404)**	13.699.733
Increase in due to related parties	37	**2.475.024**	1.644.231
(Decrease)/increase in other short and long-term payables, provisions and other liabilities	22-26	**(558.729)**	(5.116.547)
Employment termination benefit paid	24	**(411.204)**	(446.483)
Taxes paid	35	**(7.841.844)**	(7.874.808)
Net cash generated from operating activities		**13.541.800**	43.729.585
Investing activities:			
Interest received		**4.812.621**	2.180.078
Increase in non-trade due from related parties	37	**7.577.098**	(31.954.296)
Purchases of property, plant and equipment and intangible assets	18-19	**(2.670.957)**	(1.617.749)
Proceeds from sales of property, plant and equipment and intangible assets		**131.505**	46.355
Dividends received	16	**8.609.396**	6.641.276
Net cash provided by/used in investing activities		**18.459.663**	(24.704.336)
Financing activities:			
Redemption of finance lease obligations		**78.095**	(9.255.310)
Dividends paid to the shareholders	37.ii. h	**(31.634.550)**	(6.187.200)
(Decrease)/increase in non-trade payables to related parties	37	**780.025**	(3.018.970)
Interest paid		**(1.737.281)**	(3.749.621)
Net cash used in financing activities		**(32.513.711)**	(22.211.101)
Net decrease in cash and cash equivalents		**(512.248)**	(3.185.852)
Cash and cash equivalents at 1 January	6	**2.266.855**	5.452.707
Cash and cash equivalents at 31 December	6	**1.754.607**	2.266.855

The accompanying notes on pages 51 to 103 are an integral part of these financial statements.

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

1. Organization and nature of operations

Pınar Entegre Et ve Un Sanayii A.Ş. (the "Company") was established in 1985 in Kemalpaşa, İzmir and engaged in production of meat and by-products of cattle, sheep, poultry and fish, and in production of frozen dough and packaged food. The Company sells its products under "Pınar" brand, which is one of the leading brands in food and beverages business in Turkey.

Majority of the Company's sales in the domestic market are made to its related party and investment-in-associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), and the substantial portion of exports are made to 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 33% (2009: 33%) of its shares are quoted in Istanbul Stock Exchange ("ISE"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 54% shares of the Company (2009: 54%) (Note 27).

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

Ankara Asfaltı 25. Km,
Kemalpaşa
İzmir

2. Basis of preparation of financial statements

2.1 Basis of presentation of financial statements

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (TL) in accordance with regulations on accounting and reporting framework and the Uniform Chart of Accounts issued by the Ministry of Finance. The investment in associate registered in Germany prepares its financial statements in accordance with the applicable standards, laws and regulations in Germany, and certain adjustments and reclassifications for the purpose of fair presentation in accordance with the financial reporting standards issued by the CMB.

Other than land, buildings and land improvements, machinery and equipments, investment properties and financial assets and liabilities carried at their fair values, financial statements are prepared based on historical cost convention and in terms of Turkish Lira ("TL") which is the functional and reporting currency of the Company.

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

Comparative information and classifications on the prior period financial statements

For the purpose of comparability, certain reclassifications were made on 2009 financial statements. The financial income in 2009 amounting to TL 97.500 in the 'foreign exchange gains arising from the swap operation 'account, have been classified to foreign exchange loss account under financial expenses. Furthermore, derivative financial liabilities amounting to TL 215.636 classified under current liabilities and derivative financial assets amounting to TL 1.056.500 classified under non-current assets have been classified as derivative financial instruments under current assets.

About Pınar Et
Chairperson's Message
Management
In 2010
Environment & Sustainability
Corporate Governance and Financial Information

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

2. Basis of preparation of financial statements (continued)

For the period ended December 31, 2009 included in the sales revenues amounting to TL 69.854, the Undersecretaries of Foreign Trade Turquality project revenue have been netted against selling and marketing costs. In addition, un-incurred financial expense from credit sales classified under financial income as at December 31, 2009 amounting to TL 244.701 have been re-classified under financial expenses.

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

Changes in accounting policies

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

Changes in accounting policy and disclosures

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

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

• IFRIC 17 Distributions of Non-cash Assets to Owners

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

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

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

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

• Improvements to IFRSs (April 2009)

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

Pınar Entegre Et ve Un Sanayii A.Ş.
Notes to the Financial Statements at December 31, 2010 and 2009
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

2. Basis of preparation of financial statements (continued)

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

• IFRS 2 Share-based Payment

• IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

• IFRS 8 Operating Segment Information

• IAS 1 Presentation of Financial Statements

• IAS 7 Statement of Cash Flows

• IAS 17 Leases

• IAS 18 Revenue

• IAS 36 Impairment of Assets

• IAS 38 Intangible Assets

• IAS 39 Financial Instruments: Recognition and Measurement

• IFRIC 9 Reassessment of Embedded Derivatives

• IFRIC 16 Hedges of a Net Investment in a Foreign Operation

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

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

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

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

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

Pınar Entegre Et ve Un Sanayii A.Ş.
Notes to the Financial Statements at December 31, 2010 and 2009
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

2. Basis of preparation of financial statements (continued)

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

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

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

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

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

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

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

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

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

2. Basis of preparation of financial statements (continued)

Basis of consolidation

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

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

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

	Shareholding (%)	
Investments-in-associates	**2010**	2009
Pınar Foods GmbH ("Pınar Foods")	**44,94**	44,94
YBP	**38,26**	38,26
Desa Enerji Elektrik Üretimi Otoprodüktör Grubu ("Desa Enerji")	**26,41**	26,41
Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş. ("Çamlı Yem")	**23,38**	23,38
Pınar Anadolu Gıda Sanayi ve Ticaret A.Ş. ("Pınar Anadolu")	**20,00**	20,00

Foreign currency translation

i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

ii) Translation of financial statements of foreign associate

Financial statements of associate operating in Germany (Pınar Foods) are prepared according to the legislation of the country in which it operates, and adjusted to the financial reporting standards issued by the CMB. The assets and liabilities of foreign associate are translated into TL from the foreign exchange rates at the balance sheet date.

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

2. Basis of preparation of financial statements (continued)

Offsetting

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

Significant accounting estimates and judgments

The preparation of financial statements in accordance with the CMB Accounting Standards require the Company management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known. Significant accounting policies are as follows:

a) Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due and recognises tax assets for the carry forward tax losses and unused investment tax credits to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

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

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

At December 31, 2008 land and land improvements, buildings, machinery and equipment were stated at fair value, based on valuations as of the same date. The fair value changes in land and land improvements, buildings, machinery and equipment are estimated to be insignificant in 2010 since the carrying amounts of the land and land improvements, buildings, machinery and equipment at December 31, 2010 do not significantly differ from their fair values as of the same date considering market and technologic conditions, actual depreciation in 2009 and 2010, commercial attributes and industrial positions as well as demounting and assembling costs.

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

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

- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m^2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

2. Basis of preparation of financial statements (continued)

- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

- Whenever a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment. Such machinery and equipment were reviewed and assessed by their line.

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

d) Employee termination benefits:

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

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

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

Summary of significant accounting policies

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

Revenue

Sale of goods

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

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. The amount of the provision for trade receivables is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Interest income on loans is recognised using the effective interest rate.

Rent income

Rent income is recognized on an accrual basis.

Dividend income

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

Cash and cash equivalents

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

2. Basis of preparation of financial statements (continued)

Inventories

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

Raw materials of the Company mainly consist of meat and white meat as well as spices, animal fats and cheese stocks, which are used in production of meat and by-products of meat and pizza.

Work in progress stocks mainly consist of processed turkey, cattle and sheep meat, finished goods consist of delicatessen, frozen and fresh meat products, other stocks mainly consist of spare parts.

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

Property, plant and equipment

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

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

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

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

Property, plant and equipments are capitalised and depreciated when they are fully commissioned and in a physical state to meet their designed production capacity. Residual values of property, plant and equipment are deemed as negligible. The advances given for the property, plant and equipment purchases are classified under the other non-current assets until the related asset is capitalised (Note 26.b).

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

2. Basis of preparation of financial statements (continued)

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

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

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

Intangible assets

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

Impairment of assets

At each reporting date, the Company assesses whether there is an impairment indication for the property, plant and equipment and intangible assets. When an indication of impairment exists, the Company estimates the recoverable amounts of such assets. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (Note 18). If the impaired fixed assets have been re-evaluated, the impairment will be deducted from the prior year's revaluation reserves and the remaining part will be associated to comprehensive income statement. (Note 31.b)

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

Financial assets

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The Company classifies its financial instruments in the following categories:

a) Loans and receivables

Loans and receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. Loans and receivables arise, without held-for-sale intention, from the Company's supply of goods, service or direct fund to any debtor. If the maturity of these instruments are less than 12 months, these loans and receivables are classified in current assets and if more than 12 months, classified in non-current assets. The loans and receivables are included in "Trade receivables and "Other receivables" in the balance sheet. Loans are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, loans are stated at amortised cost using the effective yield method.

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

2. Basis of preparation of financial statements (continued)

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

b) Available-for-sale financial assets

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

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

When securities classified as available-for-sale are derecognised, the accumulated fair value adjustments in equity are recognised in the statement of comprehensive income. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered as an indicator that the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss-is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on investments are not reversed through the statement of comprehensive income.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The derivative financial instruments of the Company consist of foreign currency derivative swap transactions (Note 8).

The Company identifies the derivative instruments, at the inception date of the related derivative contract to avoid the changes in the fair value of derivatives that are designated and qualify as fair value hedges that are recorded in the statement of comprehensive income, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

Pınar Entegre Et ve Un Sanayii A.Ş.
Notes to the Financial Statements at December 31, 2010 and 2009
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

2. Basis of preparation of financial statements (continued)

Borrowings and borrowings costs

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

Trade payables

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

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

Accounting of financial assets and liabilities

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

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

Impairment of financial assets

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

Assets carried at amortized cost

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

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

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

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

2. Basis of preparation of financial statements (continued)

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.

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

- Significant financial difficulty of the issuer or obligor;

- A breach of contract, such as a default or delinquency in interest or principal payments;

- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

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

Provisions, contingent liabilities and contingent assets

i) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. When the time value of money is material, then the provision is discounted using the pretax discount rates. When discounting is used, the increase is reflected as financial expense.

ii) Contingent assets and liabilities

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

Related parties

Parties are considered related to the Company if;

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

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

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

(iii) has joint control over the Company;

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

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

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

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

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

2. Basis of preparation of financial statements (continued)

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

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

Leases

(1) The Company as the lessee

Finance leases

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

Operating leases

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

(2) The Company as the lessor

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Government grants and incentive

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

Accounting policies, errors and changes in accounting estimates

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

Share capital and dividends

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

Earnings per share

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

Pınar Entegre Et ve Un Sanayii A.Ş.
Notes to the Financial Statements at December 31, 2010 and 2009
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

2. Basis of preparation of financial statements (continued)

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

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

Subsequent events

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

In the case that events require a correction to be made occur subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements. Non adjusting subsequent events are disclosed in the notes to the extent that they impact the economic decisions of the readers of the financial statements.

Business combinations

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

Segment reporting

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

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

Income taxes

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

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

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

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

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

2. Basis of preparation of financial statements (continued)

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

Provision for termination indemnities/Defined benefit plans

a) Defined benefit plans:

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

b) Defined contribution plans:

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

c) Seniority incentive bonus

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

Statement of cash flows

In the statement of cash flows, cash flows are classified into three categories as operating, investment and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investment activities indicate cash inflows and outflows resulting from property, plant and equipments and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash in hand accounts, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months.

3. Business combinations

None (2009: None).

4. Joint ventures

None (2009: None).

5. Segment reporting

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

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

6. Cash and cash equivalents

	December 31, 2010	December 31, 2009
Cash in hand	**25.522**	29.160
Banks	**1.729.085**	2.237.695
- Time deposits	**1.300.000**	2.187.000
- Demand deposits	**429.085**	50.695
	1.754.607	2.266.855

As of December 31, 2010, time deposits amounting to 1.300.000 TL (2009: 2.187.000 TL) mature in less than one month (2009: less than one month) and bear the effective weighted average interest rates of 8,25% per annum ("p.a.") (2009: 6,90%).

7. Financial assets

a) Available-for-sale investments:

	December 31, 2010		December 31, 2009	
	TL	**%**	TL	%
Yataş	**459.780**	**1,76**	369.691	1,76
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	**60.006**	**1,33**	62.392	1,33
	519.786		432.083	

Yataş and Bintur were stated at their fair values which were determined based on one of the generally accepted valuation methods, based on discounted cash flows.

As of December 31, 2010 and 2009, the discount and growth rates used in discounted cash flow models are as follows:

	Discount rate		**Growth rate**	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009
Bintur	**11,70%**	15,60%	**1%**	1%
Yataş	**9,68%**	11,37%	**0%**	0%

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

	December 31, 2010	December 31, 2009
January 1	**432.083**	851.078
Fair value gain/(loss):		
Yataş	**90.089**	(397.653)
Bintur	**(2.386)**	(21.342)
December 31	**519.786**	432.083

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

7. Financial assets (continued)

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

	December 31, 2010	December 31, 2009
January 1	**53.356**	388.552
Increase in fair value - net	**87.703**	(418.995)
Deferred income tax effect on fair value reserve of available-for-sale investments (Note 35)	**(17.541)**	83.799
December 31	**123.518**	53.356

b) Other financial assets:

As of December 31, 2010, other financial assets amounting to TL 293.750 (2009: TL 840.864) consist of receivables from derivative financial instruments, and have been disclosed in Note 8.

8. Financial liabilities and other financial liabilities

	Effective weighted average interest rate p.a. %		**Original currency**		**TL equivalent**	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009	**December 31, 2010**	December 31, 2009
Short-term bank borrowings:						
TL borrowings (*)	**-**	-	**460.351**	381.868	**460.351**	381.868
Short-term portion of long-term bank borrowings:						
Short-term portion of long-term EUR borrowings (**)	**6,74**	6,62	**87.033**	86.441	**178.340**	186.738
Total short-term bank borrowings					**638.691**	568.606
Derivative liabilities:						
Cross currency swaps	-	-	-	-	**(293.750)**	(840.864)
Total financial derivatives					**344.941**	(272.258)
Long-term bank borrowings:						
EUR borrowings (**)	**6,74**	6,62	**5.000.000**	5.000.000	**10.245.500**	10.801.500
Total long-term bank borrowings					**10.245.500**	10.801.500

(*) TL denominated short-term bank borrowings are comprised of spot bank borrowings without interest charge that is amounting to TL 460.351 (2009: TL 381.868) as of December 31, 2010.

(**) As of December 31, 2010, EUR denominated long-term bank borrowings consist of with semi-annually floating interest rates at Euribor +5,60% p.a. (2009: semi-annually floating interest rates at Euribor +5,60% p.a.).

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

8. Financial liabilities and other financial liabilities (continued)

Based on the loan agreement undersigned on 27 September 2006 between the Company and Morgan Stanley International Limited, the Company received a borrowing amounting to EUR 5.000.000 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 Süt Mamülleri 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 EUR 5.000.000, 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 EUR 5.000.000 with the interest rate of Euribor + 5,60% p.a., with a currency swap amounting to TL 9.745.000, 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). (2009: TL 9.745.000).

With respect to the scope of the loan agreement signed with Morgan Stanley International Limited regarding borrowing amounting to EUR 5.000.000; there are particular financial ratios which the main shareholder, Yaşar Holding A.Ş., has to comply. Based on the unaudited consolidated financial statements of Yaşar Holding A.Ş. as of December 31, 2010, the Company management expects to meet those financial ratios. Thus, the loan maturing in 2013 has been recognising as long-term bank borrowings in the financial statements.

Guarantees given related with the bank borrowings and financial liabilities are stated in Note 22.

The redemption schedule of long-term bank borrowings at December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
2013	**10.245.500**	10.801.500
	10.245.500	10.801.500

There is no financial lease obligations available as of December 31, 2010 (2009: TL 390).

9. Other financial liabilities:

None (2009: None).

10. Trade receivables and payables

a) Short-term trade receivables

	December 31, 2010	December 31, 2009
Customer current accounts	**5.230.965**	7.477.689
Cheques and notes receivable	**2.660.125**	5.767.009
	7.891.090	13.244.698
Less: Provision for impairment of receivables	**(303.499)**	(313.018)
Unearned finance income	**(52.365)**	(74.251)
	7.535.226	12.857.429

Customer current accounts and notes receivable are all short term and mature within one month and two months, respectively (2009: one month and two months). The effective weighted average interest rate on trade receivables is 6,71% p.a. as of December 31, 2010 (2009: 6,84% p.a.).

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

10. Trade receivables and payables (continued)

The aging analysis of overdue trade receivables as of December 31, 2010 and 2009 are as follows:

		Overdue receivables without provision for doubtful receivables				
	Not due	**1 – 30 days**	**1-3 months**	**3-12 months**	**1-5 years**	**Total**
December 31, 2010	**7.398.985**	**136.241**	**-**	**-**	**-**	**7.535.226**
December 31, 2009	12.344.929	511.074	-	1.426	-	12.857.429

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

	2010	2009
January 1	**(313.018)**	(313.018)
Collections (Note 31.a)	**1.780**	-
Charge to the statement of comprehensive income	**7.739**	-
December 31	**(303.499)**	(313.018)

b) Short-term trade payables:

	December 31, 2010	December 31, 2009
Supplier current accounts	**30.839.681**	34.088.240
Less: Unincurred finance cost	**(71.140)**	(139.295)
	30.768.541	33.948.945

The average maturity of trade receivables is 1 month (2009: 1 month). The effective weighted average interest rate is 6,67% for TL, 0,23% for USD and 0,71% for EUR denominated on short-term trade payables (2009 - TL: 6,83%, USD: 0,23%, EUR: 0,41%).

11. Other receivables and payables

a) Short-term other receivables:

	December 31, 2010	December 31, 2009
VAT receivables	**1.388.965**	-
Deposits and guarantees given	**3.494**	3.494
Other	**144.135**	-
	1.536.594	3.494

b) Long-term other receivables:

The long-term other receivables consist of deposits and guarantees given amounting to TL 131 as of December 31, 2010 (December 31, 2009: TL 131).

c) Short-term other payables:

The short- term other receivables consist of deposits and guarantees taken amounting to TL 12.368 as of December 31, 2010 (December 31, 2009: TL 13.046).

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

12. Receivables and payables from finance sector operations

None (2009: None).

13. Inventories

	December 31, 2010	December 31, 2009
Raw materials	**6.137.025**	5.788.706
- Stocks of raw materials	**4.436.256**	3.412.654
- Raw materials in transit	**1.700.769**	2.376.052
Work in progress	**22.639.752**	5.540.147
Finished goods	**9.988.542**	5.440.474
Trade goods	**26.053**	9.838
Spare parts	**2.324.007**	1.925.037
Other	**229.282**	230.412
	41.344.661	18.934.614

The cost of inventories recognised as expense and included in cost of sales amounted to TL 256.575.488 (2009: TL 209.574.855) (Note 30). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell as of December 31, 2010.

14. Biological assets

None (2009: None).

15. Construction contract receivables

None (2009: None).

16. Investment in associates accounted for using equity method

Investments-in-associates:

	December 31, 2010		December 31, 2009	
	TL	**%**	TL	%
YBP	**83.261.009**	**38,26**	74.694.128	38,26
Çamlı Yem	**16.763.846**	**23,38**	19.637.130	23,38
Desa Enerji	**3.330.088**	**26,41**	2.275.098	26,41
Pınar Foods	**2.790.087**	**44,94**	2.721.261	44,94
Pınar Anadolu	**694.615**	**20,00**	761.210	20,00
	106.839.645		100.088.827	

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

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

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

	December 31, 2010	December 31, 2009
January 1	**100.088.827**	93.995.750
Share of results of investments-in-associates- net	**12.521.816**	11.989.160
Increase in fair value reserves of associates- net (YBP and Çamlı Yem)	**2.967.409**	860.074
Currency translation reserve	**(98.774)**	(108.038)
Dividend income from investments-in-associates (Note 37.ii. ı)	**(8.609.396)**	(6.641.276)
Inventory profit elimination	**(30.237)**	(6.843)
December 31	**106.839.645**	100.088.827

The Company acquired 23% and 6% of YBP shares on April 30, 2004 and on 5 August 2005, in consideration of TL 25.175.996 and TL 8.167.862 respectively. Together with these acquisitions the shares of the Company in YBP increased from 9,26% to 32,26% and then, to 38,26% gradually.

The distribution network, which is a component of fair value and stated in the financial statements as a result of the acquisition of the associate, is not capable of being separated or divided from the entity and sold, transferred, licensed or exchanged, either individually or together with a related contract, asset or liability; or arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations, thus it is included in the goodwill generated from the acquisition. As of December 31, 2010, distribution network and the goodwill amounted to TL 39.162.384 (2009: TL 39.162.384). As of December 31, 2010, the Company performed an impairment test for the distribution network and goodwill in accordance with IAS 36 by using discounted cash flow method, and based on the impairment test, no impairment has been identified. The discount rate applied for the discounted cash flow is 10,70% p.a. whereas the growth rate is 1% p.a.

Information about associates accounted for using equity method as follows:

	December 31, 2010			December 31, 2009		
	Assets	**Liabilities**	**Profit for the year**	Assets	Liabilities	Profit for the year
- YBP	**297.470.094**	**181.608.562**	**34.268.829**	250.007.632	156.618.305	24.226.269
- Çamlı Yem	**149.014.129**	**77.312.466**	**(9.103.766)**	176.435.417	92.444.269	7.078.035
- Desa Enerji	**14.369.252**	**1.760.472**	**3.994.245**	14.748.357	6.133.823	881.357
- Pınar Foods	**6.895.836**	**687.368**	**522.603**	7.111.708	1.056.387	1.066.925
- Pınar Anadolu	**5.961.165**	**2.488.098**	**1.246.423**	6.457.967	2.651.917	1.765.513

17. Investment property

None (2009 - None).

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

18. Property, plant and equipment

The movements of property, plant and equipment and accumulated depreciation between January 1, and December 31, 2010 were as follows:

Cost or valuation:	**January 1, 2010**	**Additions**	**Disposals**	**Transfers**	**December 31, 2010**
Land	48.851.000	-	-	-	48.851.000
Buildings and land improvements	67.617.744	70.647	-	-	67.688.391
Machinery and equipment	122.684.564	1.195.265	(319.215)	72.012	123.632.626
Leased machinery and equipment	3.096.753	-	-	-	3.096.753
Furniture and fixtures	26.687.493	1.030.245	(305.798)	-	27.411.940
Leased furniture and fixtures	1.100.261	-	-	-	1.100.261
Motor vehicles	1.949.910	271.617	(117.498)	-	2.104.029
Leased motor vehicles	44.015	-	-	-	44.015
Construction in progress	70.457	40.103	-	(72.012)	38.548
Total cost	272.102.197	2.607.877	(742.511)	-	273.967.563
Accumulated depreciation:					
Buildings and land improvements	(24.784.513)	(1.548.181)	-	-	(26.332.694)
Machinery and equipment	(84.533.474)	(4.376.333)	319.215	-	(88.590.592)
Leased machinery and equipment	(1.239.138)	(484.205)	-	-	(1.723.343)
Furniture and fixtures	(20.570.311)	(1.241.368)	294.080	-	(21.517.599)
Leased furniture and fixtures	(569.172)	(97.347)	-	-	(666.519)
Motor vehicles	(1.925.266)	(98.590)	117.498	-	(1.906.358)
Leased motor vehicles	(44.015)	(3.668)	-	-	(47.683)
	(133.665.889)	(7.849.692)	730.793	-	(140.784.788)
Net book value	138.436.308				133.182.775

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

18. Property, plant and equipment (continued)

The movements of property, plant and equipment and accumulated depreciation between January 1, and December 31, 2009 were as follows:

Cost or valuation:	January 1, 2009	Additions	Disposals	Transfers	December 31, 2009
Land	48.851.000	-	-	-	48.851.000
Buildings and land improvements	67.414.100	140.933	-	62.711	67.617.744
Machinery and equipment	121.904.641	813.313	(33.390)	-	122.684.564
Leased machinery and equipment	3.096.753	-	-	-	3.096.753
Furniture and fixtures	26.108.869	582.528	(3.904)	-	26.687.493
Leased furniture and fixtures	1.100.261	-	-	-	1.100.261
Motor vehicles	2.379.757	-	(429.847)	-	1.949.910
Leased motor vehicles	44.015	-	-	-	44.015
Construction in progress	56.338	76.830	-	(62.711)	70.457
Total cost	270.955.734	1.613.604	(467.141)	-	272.102.197
Accumulated depreciation:					
Buildings and land improvements	(23.241.718)	(1.542.795)	-	-	(24.784.513)
Machinery and equipment	(80.450.500)	(4.115.599)	32.625	-	(84.533.474)
Leased machinery and equipment	(754.929)	(484.209)	-	-	(1.239.138)
Furniture and fixtures	(19.307.613)	(1.266.602)	3.904	-	(20.570.311)
Leased furniture and fixtures	(439.739)	(129.433)	-	-	(569.172)
Motor vehicles	(2.276.628)	(78.485)	429.847	-	(1.925.266)
Leased motor vehicles	(44.015)	-	-	-	(44.015)
	(126.515.142)	(7.617.123)	466.376	-	(133.665.889)
Net book value	144.440.592				138.436.308

There are no mortgages or other collaterals placed on property, plant and equipment as of December 31, 2010 and 2009.

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

	December 31, 2010	December 31, 2009
Cost of sales	**5.995.861**	5.667.482
Cost of inventories	**115.532**	164.594
Selling and marketing costs (Note 29.b)	**996.891**	1.001.248
General administrative expenses (Note 29.c)	**551.797**	612.061
Research and development expenses (Note 29.a)	**203.886**	201.099
	7.863.967	7.646.484

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

18. Property, plant and equipment (continued)

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

	2010	2009
January 1	**77.326.510**	79.825.250
Depreciation transfer upon revaluation reserve	**(3.005.930)**	(2.827.019)
Deferred income tax calculated on depreciation transfer	**601.186**	565.404
Decrease in revaluation reserves of investments in associates -net	**(1.629.217)**	(237.125)
December 31	**73.292.549**	77.326.510

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 are as follows:

December 31, 2010:	**Land**	**Land improvements and buildings**	**Machinery and equipment (*)**
Cost	**11.383.443**	**25.612.692**	**96.260.142**
Less: Accumulated depreciation	**-**	**(12.838.588)**	**(75.811.418)**
Net book value	**11.383.443**	**12.774.104**	**20.448.724**

December 31, 2009:	Land	Land improvements and buildings	Machinery and equipment
Cost	11.383.443	25.542.045	95.312.080
Less: Accumulated depreciation	-	(12.015.840)	(73.696.659)
Net book value	11.383.443	13.526.205	21.615.421

(*) Carrying amounts of machinery and equipment and accumulated depreciation contain leased machinery and equipments.

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

19. Intangible assets

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

	January 1, 2010	**Additions**	**Disposals**	**December 31, 2010**
Costs:				
Rights	**16.470.806**	**63.080**	**-**	**16.533.886**
Accumulated amortisation	**(16.463.106)**	**(14.275)**	**-**	**(16.477.381)**
Net book value	**7.700**	**48.805**	**-**	**56.505**

	January 1, 2009	Additions	Disposals	December 31,2009
Costs:				
Rights	16.466.661	4.145	-	16.470.806
Accumulated amortisation	(16.433.745)	(29.361)	-	(16.463.106)
Net book value	32.916	(25.216)	-	7.700

20. Goodwill

None (2009: None)

21. Government grants

Under Turquality project, the government incentive has been contributed by Undersecretariat of Foreign Trade as of 2010 and 2009 for branding of Turkish goods and building Turkish goods image in foreign markets.

22. Provisions, contingent assets and contingent liabilities

a) Short-term provisions:

	December 31, 2010	December 31, 2010
Management bonus accruals	**856.946**	1.000.000
Provision for litigations	**60.200**	60.200
Provision for seniority incentive bonus	**60.263**	44.922
Other	**30.065**	3.855
	1.007.474	1.108.977

b) Long-term provisions:

The long-term provisions consist of provision for seniority incentive bonus amounting to TL 182.240 as of December 31, 2010 (December 31, 2009-TL 137.514).

c) Guarantees given:

	2010	2009
Bails	**621.984.497**	607.668.627
Letters of guarantee	**1.006.850**	1.015.802
	622.991.347	608.684.429

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

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

The Company jointly guarantees with Yaşar Group companies the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR 96.059.000 and USD 275.000.000, equivalent of TL 621.984.497 (2009: EUR 281.289.000, equivalent of TL 607.668.627).

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

	December 31, 2010			
	Total TL Equivalent	**TL**	**USD**	**EUR**
A. Total amount of CPM given for the Company's own legal personality	**1.006.850**	**1.006.850**	-	-
Collaterals	**1.006.850**	**1.006.850**	-	-
Pledges	-	-	-	-
Mortgages	-	-	-	-
B. Total amount of CPM given on behalf of fully consolidated companies	-	-	-	-
Collaterals	-	-	-	-
Pledges	-	-	-	-
Mortgages	-	-	-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-
D. Total amount of other CPM	**621.984.497**	-	**275.000.000**	**96.059.000**
i. Total amount of CPM given on behalf of the majority shareholder	**542.352.497**	-	**250.000.000**	**76.059.000**
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	**79.632.000**	-	**25.000.000**	**20.000.000**
iii. Total amount of CPM given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	**622.991.347**	**1.006.850**	**275.000.000**	**96.059.000**

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

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

The ratio of total amount of other CPM to Equity is 221,17%.

	December 31, 2009			
	Total TL Equivalent	TL	USD	EUR
A. Total amount of CPM given for the Company's own legal personality	1.015.802	1.015.802	-	-
Collaterals	1.015.802	1.015.802	-	-
Pledges	-	-	-	-
Mortgages	-	-	-	-
B. Total amount of CPM given on behalf of fully consolidated companies	-	-	-	-
Collaterals	-	-	-	-
Pledges	-	-	-	-
Mortgages	-	-	-	-
C. Total amount of CPM given for continuation of its +economic activities on behalf of third parties	-	-	-	-
D. Total amount of other CPM	607.668.627	-	-	281.289.000
i. Total amount of CPM given on behalf of the majority shareholder	391.638.627	-	-	181.289.000
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C	216.030.000	-	-	100.000.000
iii. Total amount of CPM given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	608.684.429	1.015.802	-	281.289.000

The ratio of total amount of other CPM to Equity is 224,74% as of December 31, 2009.

d) Guarantees received:

	December 31, 2010	December 31, 2009
Bails	**10.245.500**	10.801.500
Mortgages	**538.210**	538.210
Letters of guarantee	**794.663**	512.152
Guarantee notes	**103.251**	355.250
	11.681.624	12.207.112

As of December 31, 2010, bails received are related with joint guarantees provided to the Company by Yaşar Holding A.Ş. and its affiliates for repayment of borrowings obtained by the Company from international capital markets amounting to EUR 5.000.000.

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

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

Foreign currency denominated guarantees are as follows:

		December 31, 2010	December 31, 2009
Guarantees received	EUR	**5.013.500**	5.191.000
	USD	**59.000**	9.000

e) Contingent liabilities:

Following negotiations with Kemalpaşa Municipality Housing Department regarding the 1/1000 scaled building development scheme dated 27 February 2008, it has been identified that the plots in Kemalpaşa - Izmir, the site of the Company's land, buildings and land improvements, are located within an industrial zone. As of December 31, 2010, the fair value of the aforementioned properties located on the plots amounts to TL 79.497.528. This plan was announced at the Industry and Trade Office in Izmir within July 2008. If the building development scheme comes into force, Kemalpaşa Municipality may reduce the legal area on the title deeds of those properties. In consideration of time consuming process, it is not possible to make a reliable estimate of the amount of any possible reduction over those plots cannot be reliably estimated. The Company management assumes that the impact of such reduction will be immaterial to the financial statements.

23. Commitments

As of December 31, 2010 the Company has purchase commitments amounting to TL 390,780, equivalent of EUR 190,708, relating to 449,783 m^2 of packaging material (As of December 31, 2009 the Company has purchase commitments amounting to TL 641,044, equivalent of EUR 296,720, relating to 699,811 m^2 of packaging material).

24. Provision for employment termination benefit

Provision for employment termination benefits

	December 31, 2010	December 31, 2009
Provision for employment termination benefits	**6.335.054**	4.956.437
	6.335.054	4.956.437

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, dies or retires. The amount payable consists of one month's salary limited to a maximum of TL 2.517 for each year of service as of December 31, 2010 (2009: TL 2.365).

In the financial statements as of December 31, 2010 and 2009, the Company reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL 2.623 which is effective from January 1, 2011 (January 1, 2010: TL 2.427) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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

	December 31, 2010	December 31, 2009
Discount rate (%)	**4,66**	5,92
Probability of retirement (%)	**98,62**	98,56

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

24. Provision for employment termination benefit (continued)

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

	2010	2009
January 1	**4.956.437**	4.165.520
Interest costs	**230.970**	246.599
Actuarial losses	**733.349**	336.355
Paid during the year	**(411.204)**	(446.483)
Annual charge	**825.502**	654.446
December 31	**6.335.054**	4.956.437

The total of interest costs, actuarial losses and annual charge for the year amounting to TL 1.789.821 (2009: TL 1.237.400) was included in general administrative expenses (Notes 29 and 30).

25. Pension plans

None (2009: None).

26. Other assets and liabilities

a) Other current assets:

	December 31, 2010	December 31, 2009
Prepaid expenses	**1.198.875**	948.886
Taxes and funds deductible	**1.715.607**	476.891
Order advances given	**297.134**	463.327
Income accrual (*)	**243.242**	-
Other	**20.739**	15.976
	3.475.597	1.905.080

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

b) Other non-current assets:

The other non-current assets consist of advances given for purchase of property, plant and equipment amounting to TL 639.777 as of December 31, 2010 (2009 - None).

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

26. Other assets and liabilities (continued)

c) Other current liabilities:

	December 31, 2010	December 31, 2009
Withholding taxes and funds payable	**1.013.907**	968.049
Overdue taxes payable (*)	**660.898**	-
Expense accruals	**12.068**	-
Order advances received	**4.099**	237.480
Payable to personnel	**1.259**	491.369
Other	**12.614**	9.221
	1.704.845	1.706.119

(*) Overdue taxes amounting to TL 660.898 is deducted from temporary tax declaration due to VAT return.

27. Equity

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of TL 1. The Company's historical authorised registered share capital at December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
Registered share capital (historical values)	**100.000.000**	100.000.000
Authorised registered share capital with a nominal value	**43.335.000**	43.335.000

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

	December 31, 2010		December 31, 2009	
	Share (%)	**TL**	Share (%)	TL
Yaşar Holding (A, B)	**54**	**23.476.893**	54	23.476.893
Pınar Süt (A, B)	**13**	**5.451.752**	13	5.451.752
Publicly held (A, B)	**33**	**14.406.355**	33	14.406.355
Share capital	**100**	**43.335.000**	100	43.335.000
Adjustment to share capital		**37.059.553**		37.059.553
Total paid-in capital		**80.394.553**		80.394.553

27. Equity (continued)

Adjustment to share capital amounting to TL 37.059.553 (2009: TL 37.059.553) represents the remaining amount after net-off the accumulated losses of 2003 from the difference between restated (inflation adjusted) share capital and historical cost of share capital (before inflation adjustment).

As of December 31, 2010, there are 43.335.000 (2009: 43.335.000) units of shares with a face value of TL 1 each.

The Company's capital is composed of 15,000 units of A type registered share and 43,320,000 units of B type bearer share, and the B type bearer shares are traded on ISE. The shareholders of A type registered shares are granted a privilege for voting in general assembly and to nominate a candidate to the Board of Directors.

Based on the Company's Articles of Association, the Board of Directors comprises five to nine members elected by the General Assembly from among the Company's shareholders or from outside the Company personnel, in accordance with the provisions of the Turkish Commercial Code ("TCC"). In the event the Board of Directors comprises five members, three are elected from among candidates nominated by shareholders bearing A type shares, two from those nominated by shareholders bearing B type shares. In the event the Board of Directors comprises seven members, four are elected from among candidates nominated by shareholders bearing A type shares, three from those nominated by shareholders bearing B type shares. In the event the Board of Directors comprises nine members, five are elected from among the candidates nominated by shareholders bearing A type shares, four from those nominated by shareholders bearing B type shares. In addition, the chairman of the board and the executive director are selected from 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 making pro-rata distribution of shares to existing shareholders from retained earnings.

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

The legal reserves consist of first and second reserves, appropriated in accordance with the TCC. The TCC stipulates that the first legal reserve is appropriated out of statutory profits, after statutory carry forward tax losses deducted, at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital and at the rate of 9% p.a. of all cash distribution in excess of 5% of the paid-in share capital in case of full distribution of respective profit as dividend. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. At December 31, 2010, the restricted reserves of the Company amount to TL 15.063.386 (2009: TL 10.135.698). The unrestricted reserves of the Company, amounting to TL 38.318.400 (2009: TL 38.262.483), is classified in the retained earnings.

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

27. Equity (continued)

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

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

Based on the CMB Decree No. 2/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations in 2009. Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of CMB Communiqué IV, No: 27, their articles of association and their previously publicly declared profit distribution policies. Based on the Article of Association, the retained earnings after dividend distribution can be allocated to Board of Directors in necessary conditions.

- 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 12 May 2010, the Company has distributed net income for the year 2009 amounting to TL 31.634.550 as dividend.

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

27. Equity (continued)

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

	December 31, 2010	December 31, 2009
Extraordinary reserves	**32.466.996**	32.411.079
Retained earnings	**8.269.919**	8.402.270
Profit for the year	**38.988.465**	37.618.155
	79.725.380	78.431.504

28. Sales and cost of sales

	January 1 - December 31, 2010	January 1 - December 31, 2009
Domestic sales	**437.813.136**	374.362.775
Export sales	**5.378.730**	5.343.085
Merchandise goods sales	**22.142**	111.630
Other sales	**1.505.786**	864.573
Gross sales	**444.719.794**	380.682.063
Less: Discounts	**(81.737.560)**	(66.283.906)
Returns	**(10.181.510)**	(6.596.780)
Net sales	**352.800.724**	307.801.377
Cost of finished good sales	**(291.211.370)**	(241.996.217)
Cost of trade good sales	**(20.208)**	(94.454)
Cost of trade good sales	**(1.644.623)**	(962.755)
Cost of sales (-)	**(292.876.201)**	(243.053.426)
Gross profit	**59.924.523**	64.747.951

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

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

	January 1, - December 31, 2010	January 1, - December 31, 2009
a) Research and development expenses:		
Staff costs	**402.318**	360.011
Depreciation and amortisation (Notes 18 and 19)	**203.886**	201.099
Material costs	**130.087**	71.045
Other	**137.323**	136.707
	873.614	768.862
b) Marketing, selling and distribution expenses:		
Advertisement	**7.728.330**	11.107.347
Staff costs	**2.199.992**	1.762.094
Utilities	**1.298.903**	1.190.369
Depreciation and amortisation (Notes 18 and 19)	**996.891**	1.001.248
Repair and maintenance	**899.892**	876.308
Outsourced services	**765.675**	668.903
Rent costs	**270.443**	166.209
Travel costs	**104.012**	85.238
Taxes	**61.782**	57.374
Insurance costs	**35.577**	40.127
Consultancy charges	**2.677**	1.680
Other	**418.710**	705.324
	14.782.884	17.662.221
c) General administrative expenses:		
Consultancy charges	**4.783.077**	4.386.536
Staff costs	**3.607.918**	3.039.963
Employment termination benefits (Note 24)	**1.789.821**	1.237.400
Outsourced services	**644.310**	562.529
Depreciation and amortisation (Note 18)	**551.797**	612.061
Management bonus	**500.000**	1.555.000
Representation and hosting	**315.546**	341.044
Repair and maintenance	**251.435**	211.791
Taxes (Corporate tax excluded)	**247.088**	146.882
Utilities	**214.351**	208.499
Rent costs	**156.043**	139.728
Insurance costs	**109.511**	98.516
Communication	**101.776**	100.528
Travel costs	**45.168**	35.872
Other	**444.488**	310.908
	13.762.329	12.987.257
Total operating expenses	**29.418.827**	31.418.340

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

30. Expenses by nature

	January 1, - December 31, 2010	January 1, - December 31, 2009
Direct material costs (Note 13)	**256.575.488**	209.574.855
Staff costs	**21.046.113**	16.553.541
Utilities	**7.907.041**	8.205.511
Depreciation and amortisation (Notes 18 and 19)	**7.748.435**	7.481.890
Outsourced services	**7.554.246**	9.743.566
Advertisement	**7.728.330**	11.107.347
Consultancy charges	**4.785.754**	4.388.216
Repair and maintenance	**3.095.884**	2.792.413
Employment termination benefits (Note 24)	**1.789.821**	1.237.400
Rent	**1.008.389**	583.833
Taxes, dues and fees	**308.870**	204.256
Insurance	**145.088**	138.643
Other	**2.601.569**	2.460.295
	322.295.028	274.471.766

31. Other operating income/expense

a) Other operating income:

	January 1, - December 31, 2010	January 1, - December 31, 2009
Rent income	**657.025**	628.201
Income from sales of property, plant and equipment	**119.787**	45.590
Income from sales of scrap	**118.235**	109.628
Income from sales of pallet	**57.852**	53.293
Cancellation of provision of doubtful trade receivables (Note 10.a)	**1.780**	-
Reversal of provision for lawsuits	**-**	10.500
Government incentive (Note 21)	**237.613**	69.854
Other	**113.892**	99.107
	1.306.184	1.016.173

b) Other operating expense:

	January 1, - December 31, 2010	January 1, - December 31, 2009
Donations and charities (*)	**974.775**	603.481
Tax penalties (**)	**-**	1.297.822
Other	**76.281**	56.056
	1.051.056	1.957.359

(*) Donations and charities are mainly composed by the donation made to Yaşar University, a related party, amounting to TL 750.000 (2009: 358.780 TL) (Note 37.ii. k).

(**) The accrued overdue interest charge related to 2009 amounting to TL 1.297.822 has been paid as of December 31, 2009.

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

32. Finance income

	January 1, - December 31, 2010	January 1, - December 31, 2009
Interest income	**4.795.335**	4.341.068
Bail income from related parties (Note 37.ii. f)	**923.546**	1.587.480
Interest income on term purchases	**373.517**	582.512
Foreign exchange gain	**187.799**	890.292
Other	**-**	79.109
	6.280.197	7.480.461

33. Finance expense

	January 1, - December 31, 2010	January 1, - December 31, 2009
Interest expense	**(1.719.995)**	(2.508.096)
Interest expense on term sales	**(397.348)**	(475.447)
Foreign exchange loss	**(343.793)**	(972.173)
Bail expense	**(106.569)**	(162.999)
Other	**(64.245)**	(93.471)
	(2.631.950)	(4.212.186)

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

None (2009: None).

35. Tax assets and tax liabilities

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

	December 31, 2010	December 31, 2009
Corporation taxes currently payable	**8.142.257**	8.330.264
Less: Prepaid corporate tax	**(6.098.714)**	(6.587.134)
Current income tax liabilities	**2.043.543**	1.743.130

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

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

35. Tax assets and tax liabilities (continued)

Transfer pricing

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

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

Taxation on income in the statement of comprehensive income for the years ended December 31, 2010 and 2009 are as follows:

	January 1, - December 31, 2010	January 1, - December 31, 2009
Current corporation tax expense	**(8.142.257)**	(8.330.264)
Deferred tax income	**743.101**	742.871
Taxation on income	**(7.399.156)**	(7.587.393)

The reconciliation of the taxation on income is as follows:

	January 1, - December 31, 2010	January 1, - December 31, 2009
Profit before tax	**46.930.887**	47.645.860
Tax calculated at tax rates applicable to the profit	**(9.386.177)**	(9.529.172)
Expenses not deductible for tax purposes	**(182.231)**	(356.939)
Income not subject to tax	**-**	222.211
Tax effect upon the results of investment-in-associates	**2.504.363**	2.397.832
Other	**(335.111)**	(321.325)
Taxation on income	**(7.399.156)**	(7.587.393)

Pınar Entegre Et ve Un Sanayii A.Ş.
Notes to the Financial Statements at December 31, 2010 and 2009
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

35. Tax assets and tax liabilities (continued)

Deferred income taxes

The Company recognises deferred income tax assets and liabilities based upon temporary differences arising between financial statements as reported in accordance with the CMB Financial Reporting Standards and its tax purpose financial statements.

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (2009: 20%).

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

	December 31, 2010		December 31, 2009	
	Cumulative temporary difference	**Deferred tax assets/ (liabilities)**	Cumulative temporary difference	Deferred tax assets/ (liabilities)
Differences of economic useful lives and indexation of property, plant and equipment and intangible assets	**2.464.420**	**(492.884)**	2.854.079	(570.816)
Revaluation of machinery and equipment	**16.111.031**	**(3.222.206)**	18.393.284	(3.678.657)
Revaluation of buildings	**28.581.593**	**(5.716.319)**	29.307.026	(5.861.405)
Revaluation of land	**37.467.557**	**(1.873.378)**	37.467.557	(1.873.378)
Available-for-sale investments	**(1.701.002)**	**340.200**	(1.613.294)	322.659
Provision for employment termination benefits	**(6.335.055)**	**1.267.011**	(4.956.435)	991.287
Other	**(934.158)**	**186.831**	(2.170.027)	434.005
Deferred income tax assets		**1.794.042**		1.747.951
Deferred income tax liabilities		**(11.304.787)**		(11.984.256)
Deferred income tax liabilities- net		**(9.510.745)**		(10.236.305)

Movements in deferred income taxes liabilities can be analysed as follows:

	2010	2009
January 1	**(10.236.305)**	(11.062.975)
Charged to fair value reserve of available-for-sale investments (Note 7.a)	**(17.541)**	83.799
Credited to statement of comprehensive income	**743.101**	742.871
December 31	**(9.510.745)**	(10.236.305)

36. Earnings per share

		January 1, - December 31, 2010	January 1, - December 31, 2009
Profit for the period	A	**39.531.731**	40.058.467
Weighted average number of shares (Note 27)	B	**43.335.000**	43.335.000
Earnings per share with a TL 1 face value	**A/B**	**0,9122**	0,9244

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

37. Transactions and balances with related parties

Due from and due to related parties and the transactions with related parties as of and for the years ended December 31, 2010 and 2009 are as follows:

i) Balances with related parties:

a) Trade receivables from related parties- current:

	December 31, 2010	December 31, 2009
YBP (*)	**23.313.554**	25.329.893
Yaşar Dış Ticaret A.Ş. (Yataş) (**)	**555.663**	993.130
	23.869.217	26.323.023
Less: Unearned finance income	**(176.869)**	(138.449)
	23.692.348	26.184.574

(*) Associate
(**) Financial investment

As of December 31, 2010, the effective weighted average interest rates of short-term trade receivables from related parties for related currencies are 6,73% (December 31, 2009: 6,84%) and average maturity is 2 month (December 31, 2009: 1 month).

The Company sells a substantial portion of its products to its related party and associate, YBP, which is the general distributor of the Company in Turkey. The Company's short-term trade receivable from Yataş is attributable to exports.

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

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**23.125.149**	30.437.971
Yaşar Dış Ticaret (***)	**24.780**	-
Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("Dyo Boya") (**)	**9.433**	267.378
Viking Kağıt ve Selüloz A.Ş. ("Viking") (**)	**-**	48.397
	23.159.362	30.753.746

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

As of December 31, 2010, the Company has short-term receivables from Yaşar Holding amounting to TL 22.764.841 (2009: TL 30.035.598) which are non-trade and not consisting of loans transferred to related parties with the same conditions. The effective weighted average interest rate applied to those receivables is 0,74% (2009: 0,83%) per month. As of December 31, 2010, other receivables from Yaşar Holding amounting to TL 385.088 (2009: TL 402.374) consist of interest accruals of long-term TL loans obtained from various banks and financial institutions by the Company, and were transferred to related parties with the same conditions. The effective weighted average interest rate applied to such TL denominated long-term loans is 15,30% p.a. (2009: 15,81% p.a).

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

37. Transactions and balances with related parties (continued)

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

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**9.745.000**	9.745.000

(*) Parent

The Company's long-term receivables from Yaşar Holding consist of TL loans obtained from financial institutions by the Company, and were transferred to related parties with the same terms and conditions. The effective weighted average interest rate of the loans is 15,30% p.a. (2009: 15,81% p.a.)

d) Trade payables to related parties – current:

	December 31, 2010	December 31, 2009
Çamlı Yem (**)	**6.009.847**	3.937.097
Yaşar Holding (*)	**1.348.849**	1.294.422
Hedef Ziraat Ticaret A.Ş. (****)	**1.260.345**	292.332
Yadex Export-Import und Spedition GmbH ("Yadex") (****)	**635.839**	370.878
Bintur (***)	**44.528**	38.038
Pınar Su Sanayi ve Ticaret A.Ş. ("Pınar Su") (****)	**4.416**	6.974
HDF-FZCO (****)	**-**	833.391
Other	**37.431**	32.243
	9.341.255	6.805.375
Less: Unincurred finance cost	**(89.676)**	(28.820)
	9.251.579	6.776.555

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

As of December 31, 2010, the effective weighted average interest rates of the short-term trade payables to related parties for related currency is 7,09% (December 31, 2009: 6,91%).

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

	December 31, 2010	December 31, 2009
Yaşar Üniversitesi (*)	**750.000**	-
Dividend payables	**103.240**	73.215
	853.240	73.215

(*) Other related companies

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

37. Transactions and balances with related parties (continued)

ii) Transactions with related parties:

a) Product sales:

	December 31, 2010	December 31, 2009
YBP (*)	**282.464.163**	236.507.327
Yataş (**)	**5.383.378**	5.343.085
Pınar Anadolu (*)	**3.773.950**	2.271.035
Çamlı Yem (*)	**3.228.796**	2.615.927
Other	**31.303**	47.858
	294.881.590	246.785.232

(*) Associates
(**) Financial investment

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

b) Service sales:

	December 31, 2010	December 31, 2009
Çamlı Yem (*)	**37.049**	51.959
Pınar Süt (**)	**22.587**	21.801
YBP (*)	**18.875**	7.234
Other	**34.901**	37.698
	113.412	118.692

(*) Associates
(**) Shareholder

c) Product purchases:

	December 31, 2010	December 31, 2009
Çamlı Yem (*)	**37.750.516**	25.360.315
Yadex (**)	**11.922.993**	2.154.944
Hedef Ziraat (**)	**2.404.140**	742.503
Pınar Anadolu (*)	**628.263**	848.879
Pınar Süt (***)	**507.952**	994.188
Other	**49.184**	196.463
	53.263.048	30.297.292

(*) Associates
(**) Other related companies
(***) Shareholder

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

37. Transactions and balances with related parties (continued)

d) Service purchases:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**4.589.558**	4.105.805
YBP (**)	**1.384.489**	1.259.632
Bintur (***)	**120.100**	98.606
Pınar Süt (*****)	**79.186**	24.570
HDF-FZCO (****)	**-**	658.431
Other	**257.030**	195.832
	6.430.363	6.342.876

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

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.

e) Finance expenses:

	December 31, 2010	December 31, 2009
Çamlı Yem (**)	**120.682**	250.539
Yaşar Holding (*)	**42.101**	40.126
YBP (**)	**19.247**	23.286
Pınar Süt (*****)	**14.283**	23.286
Pınar Su (***)	**14.283**	23.286
Viking (***)	**14.283**	23.286
Dyo Boya (***)	**14.283**	23.286
	239.162	407.095

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

37. Transactions and balances with related parties (continued)

f) Finance income:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**3.494.983**	2.618.986
YBP (**)	**91.145**	81.245
Dyo Boya (***)	**61.979**	295.540
Viking (***)	**46.745**	103.445
Çamlı Yem (**)	**33.997**	74.514
Pınar Süt (****)	**17.140**	-
Other	**104.014**	30.568
	3.850.003	3.204.298

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

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

The finance income includes bail commission charges for the borrowings obtained by Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company as further explained in Note 33 to the financial statements. The commission rates of bail and financing used in the associated intercompany charges is 0,5% p.a. per each (2009: 0,75% p.a. per each).

g) Key management compensation:

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

	December 31, 2010	December 31, 2009
Salaries	**1.428.205**	861.255
Bonus and profit-sharing	**500.000**	1.555.000
Other long-term benefits	**87.368**	13.417
	2.015.573	2.429.672

h) Dividends paid:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**17.138.132**	3.351.938
Pınar Süt (**)	**3.979.779**	778.510
Other	**10.516.639**	2.056.752
	31.634.550	6.187.200

(*) Parent
(**) Shareholder

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

37. Transactions and balances with related parties (continued)

ı) Dividends received (Note 16):

	December 31, 2010	December 31, 2009
YBP (*)	**7.348.613**	5.168.623
Çamlı Yem (*)	**944.866**	1.029.959
Pınar Anadolu (*)	**315.917**	442.694
	8.609.396	6.641.276

(*) Associates

j) Purchases of property, plant and equipment:

	December 31, 2010	December 31, 2009
Pınar Süt (**)	**27.853**	-
Yaşar Holding (*)	**550**	-
YBP (***)	**-**	11.155
	28.403	11.155

(*) Parent
(**) Shareholder
(***) Associate

k) Donations:

	December 31, 2010	December 31, 2009
Yaşar Üniversitesi (Note 31. b) (*)	**750.000**	358.780
Yaşar Eğitim Vakfı	**47.399**	63.590
	797.399	422.370

(*) Other related companies

l) Bails given to related parties (Note 22.c):

As of December 31, 2010, the Company jointly guarantees with Yaşar Holding A.Ş., the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR 96.059.000 and USD 275.000.000, equivalent of TL 621.984.497 (2009: EUR 281.289.000 equivalent of TL 607.668.627).

m) Other incomes from related parties:

	December 31, 2010	December 31, 2009
YBP (*)	**363.556**	344.474
Çamlı Yem (*)	**345.299**	323.257
Pınar Süt (**)	**23.124**	13.012
Other	**38.156**	32.691
	770.135	713.434

(*) Associates
(**) Shareholder

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

37. Transactions and balances with related parties (continued)

Other income from YBP is related to the rent of server, cars and building whereas other income from Çamlı Yem is related to the rent income of the building rented.

n) Other expenses from related parties:

	December 31, 2010	December 31, 2009
YBP (*)	**372.692**	4.867
Bintur (**)	**66.351**	-
Pınar Süt (***)	**53.263**	75.665
Pınar Su (****)	**29.581**	-
Other	**35.855**	28.156
	557.742	108.688

(*) Associate
(**) Financial investment
(***) Shareholder
(****) Other related company

38. Financial instruments and financial risk management

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

Risk management is carried out by the senior management and finance department of the Company under policies approved by Board of Directors.

The Board of Directors provides principles for overall risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and capital risk and closely monitors financial and operational (especially arising from raw milk prices fluctuations) risks.

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

• Safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk;

• Effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures;

• Effective monitoring and minimizing risks sourced from counterparts.

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

38. Financial instruments and financial risk management (continued)

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers and related parties. Majority of the Company's sales in the domestic market are made to its investments in associate, YBP, and its exports are made to Yataş, which are both Yaşar Group Companies. In line with past experiences and current conditions, trade receivables are monitored by the Company management and necessary provisions for impairment are recognized. The Company management believes credit risk is well managed and monitored effectively. The Company management believes that there is no risk for non-trade receivables from related parties since they are mainly comprised of receivables from shareholders (Note 37.i.b).

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

	Receivables					
December 31, 2010	**Trade receivables (1)**		**Other receivables**			
	Related parties	**Third parties**	**Related parties**	**Third parties**	**Bank deposits**	**Other**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**23.692.348**	**7.535.226**	**23.159.362**	**1.536.725**	**1.729.085**	**-**
- The part of maximum credit risk covered with guarantees	-	-	-	-	-	-
A. Net book value of financial assets not due or not impaired (3)	**23.515.479**	**7.398.985**	**23.159.362**	**1.536.725**	**1.729.085**	-
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	**176.869**	**136.241**	-	-	-	-
- The part covered by guarantees						
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due amount (gross book value)	-	**303.499**	-	-	-	-
- Impairment amount (-)	-	**(303.499)**	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables of the Company mainly consist of receivables resulting from sales of meat and meat products.

(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.

(3) None.

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

38. Financial instruments and financial risk management (continued)

	Receivables					
December 31, 2009	Trade receivables (1)		Other receivables			
	Related parties	Third parties	Related parties	Third parties	Bank deposits	Other
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	26.184.574	12.857.429	30.753.746	3.494	2.237.695	-
- The part of maximum credit risk covered with guarantees						
A. Net book value of financial assets not due or not Impaired (3)	25.816.212	12.344.929	30.608.675	3.494	2.237.695	-
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	368.362	512.500	145.071	-	-	-
- The part covered by guarantees	-	-	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due amount (gross book value)	-	313.018	-	-	-	-
- Impairment amount (-)	-	(313.018)	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables of the Company mainly consist of receivables resulting from sales of meat and meat products.

(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.

(3) None.

b) Liquidity risk:

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

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

38. Financial instruments and financial risk management (continued)

	December 31, 2010				
	Carrying amount	**Total Cash outflows per agreement (=I+II+III)**	**Less than 3 months (I)**	**3 – 12 months (II)**	**1 – 5 years (III)**
Contractual maturity dates:					
Non-derivative financial liabilities					
Financial liabilities	**10.884.191**	**12.803.722**	**803.604**	**352.841**	**11.647.277**
Trade payables	**40.020.120**	**40.142.935**	**39.809.122**	**333.813**	**-**
Other payables	**865.608**	**865.608**	**115.608**	**750.000**	**-**
	51.769.919	**53.812.265**	**40.728.334**	**1.436.654**	**11.647.277**
Derivative financial instruments					
Financial (assets)/liabilities (Note 8)	**(293.750)**	**1.931.590**	**397.938**	**409.054**	**1.124.598**

(*) The Company management does not foresee any difficulty in redemption of its non-derivative financial liabilities, considering the operating cash flows and current assets of the Company.

	December 31, 2009				
	Carrying amount	Total Cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 – 5 years (III)
Contractual maturity dates:					
Non-derivative financial liabilities					
Loans	11.370.106	14.154.141	573.194	365.205	13.215.742
Leasing obligations	390	390	390	-	-
Trade payables	40.725.500	40.893.615	40.238.310	655.305	-
Other payables	86.261	86.261	86.261	-	-
	52.182.257	55.134.407	40.898.155	1.020.510	13.215.742
Derivative financial instruments					
Financial (assets)/liabilities (Note 8)	(840.864)	2.891.227	197.233	473.399	2.220.595

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

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

	Schedule for foreign currency position							
	December 31, 2010				December 31, 2009			
	TL Equivalent	USD	EUR	Other (TL Equivalent)	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade receivables	131.656	85.159	-	-	599.448	363.760	23.948	-
2a. Monetary financial assets (Cash, Bank accounts included)	23.003	10.386	3.390	-	23.967	13.206	1.890	-
2b. Non-monetary financial assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current assets (1+2+3)	154.659	95.545	3.390	-	623.415	376.966	25.838	-
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)	154.659	95.545	3.390	-	623.415	376.966	25.838	-
10. Trade payables	(1.481.355)	-	(704.111)	(38.562)	(3.308.021)	(557.740)	(759.993)	(826.419)
11. Financial liabilities	(178.339)	-	(87.033)	-	(187.128)	-	(86.621)	-
12a. Monetary other liabilities	(12.368)	(8.000)	-	-	(12.046)	(8.000)	-	-
12b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
13. Short-term liabilities (10+11+12)	(1.672.062)	(8.000)	(791.144)	(38.562)	(3.507.195)	(565.740)	(846.614)	(826.419)
14. Trade payables	-	-	-	-	-	-	-	-
15. Financial liabilities	(10.245.500)	-	(5.000.000)	-	(10.801.500)	-	(5.000.000)	-
16a. Monetary other liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary other liabilities	-	-	-	-	-	-	-	-
17. Long-term liabilities (14+15+16)	(10.245.500)	-	(5.000.000)	-	(10.801.500)	-	(5.000.000)	-
18. Total liabilities (13+17)	(11.917.562)	(8.000)	(5.791.144)	(38.562)	(14.308.695)	(565.740)	(5.846.614)	(826.419)
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)	(11.762.903)	87.545	(5.787.754)	38.562	(13.685.280)	(188.774)	(5.820.776)	(826.419)
21. Net foreign currency asset/(liability) position of monetary items (IFRS 7.B 23) (=1+2a+3+5+6a-10-11-12a-14-15-16a)	(11.762.903)	87.545	(5.787.754)	38.562	(13.685.280)	(188.774)	(5.820.776)	(826.419)
22. Total fair value of financial instruments used for foreign currency hedging	10.423.839	-	5.087.033	-	10.988.238	-	5.086.441	-
23. Export	5.378.730	3.600.409	-	-	5.231.895	3.474.726	-	-
24. Import	21.297.287	14.300.404	-	-	7.170.317	4.762.115	-	-

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

38. Financial instruments and financial risk management (continued)

	Sensitivity analysis for foreign currency risk	
	Profit/Loss	
December 31,2010	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change of USD by 10% against TL		
1- Asset/liability denominated in USD - net	**13.534**	**(13.534)**
2- The part hedged for USD risk (-)		
3- USD effect - net (1+2)	**13.534**	**(13.534)**
Change of EUR by 10% against TL		
4- Asset/liability denominated in EUR - net	**(1.185.969)**	**1.185.969**
5- The part hedged for EUR risk (-)	**1.042.384**	**(1.042.384)**
6- EUR effect - net (4+5)	**(143.585)**	**143.585**
Change of other currencies by average 10% against TL		
7- Assets/Liabilities denominated in other foreign currencies - net	**3.856**	**(3.856)**
8- The part hedged for other foreign currency risk (-)	**-**	**-**
9- Other foreign currency Effect - net (7+8)	**3.856**	**(3.856)**
Total (3+6+9)	**(126.195)**	**126.195**

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

38. Financial instruments and financial risk management (continued)

	Sensitivity analysis for foreign currency risk	
	Profit/Loss	
December 31,2009	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL		
1- Asset/liability denominated in USD - net	(28.424)	28.424
2- The part hedged for USD risk (-)	-	-
3- USD effect - net (1+2)	(28.424)	28.424
Change of EUR by 10% against TL		
4- Asset/Liability denominated in EUR - net	(1.257.462)	1.257.462
5- The part hedged for EUR risk (-)	948.113	(948.113)
6- EUR effect - net (4+5)	(309.349)	309.349
Change of other currencies by average 10% against TL		
7- Assets/liabilities denominated in other foreign currencies - net	(82.642)	82.642
8- The part hedged for other foreign currency risk (-)	-	-
9- Other foreign currency effect - net (7+8)	(82.642)	82.642
Total (3+6+9)	(420.415)	420.415

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

38. Financial instruments and financial risk management (continued)

ii) Interest rate risk

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

	Interest rate position	
	December 31, 2010	December 31, 2009
Financial instruments with fixed interest rates		
Financial assets	**67.262.411**	82.572.238
Financial liabilities	**41.346.079**	42.034.883
Financial instruments with floating interest rates		
Financial assets	**-**	-
Financial liabilities	**10.423.840**	10.147.374

According to the interest rate sensitivity analysis performed as at December 31, 2010, if interest rates had been 1% higher while all other variables being constant, net income for the year would be TL 25.175 lower (2009: TL 25.445 lower) as a result of additional interest expense that would be incurred on financial instruments with floating rates (Note 8).

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 unprocessed meat 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 unprocessed meat and other stocks and raw materials. The Company regularly reviews the market prices in the terms of risk management. The current risks are properly monitored by Board of Directors regularly.

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.

	December 31, 2010	December 31, 2009
Financial liabilities	**10.884.191**	11.370.496
Derivative financial assets	**(293.750)**	(840.864)
Trade payables	**40.020.120**	40.725.500
Other payables	**865.608**	86.261
Less: Cash and cash equivalents (Note 6)	**(1.754.607)**	(2.266.855)
Net debt	**49.721.562**	49.074.538
Total equity	**281.221.944**	270.385.966
Debt/equity ratio	**18%**	18%

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010 and 2009

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

38. Financial instruments and financial risk management (continued)

The Company's strategy is to gradually decrease the level of debt/equity ratio and indebtedness consistent with its conservative financial profile. The Company management regularly monitors debt/equity ratio.

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, trade payables (Note 10) and other payables (Notes 11 and 37) are categorised as financial liabilities measured at amortised costs using effective interest method.

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

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

Financial assets

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

Financial liabilities

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

40. Subsequent events

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

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

None (2009 – None).

Information for Investors

Stock Exchange

Pınar Entegre Et ve Un Sanayii A.Ş. shares are traded on the National Market of the İstanbul Stock Exchange (ISE) under the symbol "PETUN".

Initial public offering date: 03 February 1986

Annual General Assembly Meeting

Pursuant to a resolution passed by the Board of Directors of Pınar Entegre Et ve Un Sanayii A.Ş., the company's annual General Assembly meeting for 2010 will take place on 12 May 2011 at 14:30 hours at the following address: Ankara Asfaltı 25. Km Kemalpaşa-İzmir.

Dividend Policy

Pınar Entegre Et ve Un 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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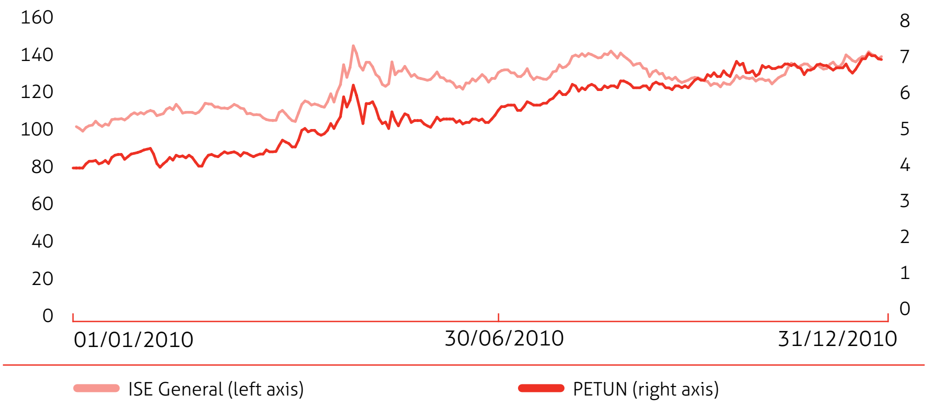
Fax: (90 232) 489 15 62
E-mail: yatirimciiliskileri@pinaret.com.tr

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



* Adjusted share prices

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

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