Pınar Et Annual Report 2012

for a better life

Quality and confidence for a better life...

Turkey's first fully-integrated and privately-owned meat plant, Pınar Et is today the leader of the country's processed meat products market.

Continuing to supply consumers with wholesome, tasty, and hygienic products, Pınar Et's many market innovations and firsts help maintain its stature as its sector's pioneer.

Pınar Et's consistently high ranking in surveys as one of Turkey's "most prestigious brands" is evidence of the degree to which consumers trust and value the company's products.

Producing to the highest world standards, Pınar Et focuses constantly on improving quality in its ongoing efforts to give its customers the flavor experience of a lifetime.

All for a better life...

Trade Name
Pınar Entegre Et ve Un Sanayii A.Ş.

Contact Information

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

Factory
Ankara Asfaltı 25. Km Kemalpaşa - İzmir

Trade Registration
İzmir 45251 K:1912

Website
www.pinar.com.tr

Authorized Capital
TL 100,000,000.00

Paid-in Capital
TL 43,335,000.00

Wholesome, reliable, flavorsome products that are a part of millions of consumers' lives…

Pınar Et in Brief

A purveyor of wholesome, safe, and tasty products that are a part of millions of consumers' everyday lives, Pınar Et is a company whose superior quality standards, high levels of customer satisfaction, and production, marketing, and sales prowess make it an outstanding national and international competitor.

leader

Pınar Et has been the leader of Turkey's processed and frozen meats and meat product markets for decades.

The first fully integrated meat processor complying with both world and EU norms in Turkey, Pınar Et commenced operation in 1985. Ever since then, the company has been systematically giving the utmost attention to quality and the rules of hygiene in order to supply consumers with wholesome, safe, and tasty meats and meat products.

A strong financial structure, extensive experience, proven production quality, and expert human resources are the reasons why Pınar Et has been the leader of Turkey's processed and frozen meats and meat product markets for decades.

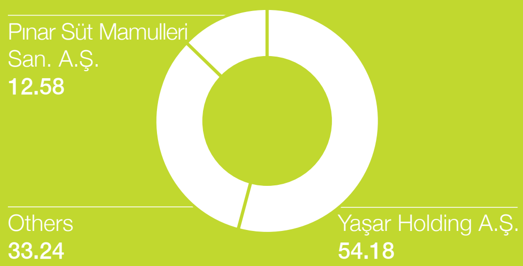
Producing more than 30,000 tons of goods a year in plant facilities whose total area is 330,000 m² (46,000 m² indoor and 284,000 m² outdoor), Pınar Et not only supplies its home market but also exports its products to about twenty other countries mostly in Turkey's hinterland.

Pınar Et constantly expands its product portfolio in line with consumers' changing wishes and needs and with markets' expectations. Supplying consumers with the highest-quality products that provide them with all the animal protein they need for good nutrition, Pınar Et gives the utmost importance to the issues of food safety and traceability. Pınar Et is inspected every year by Global/EFSIS, the only certification body that is authorized to conduct European Food Safety Inspection Service "Safe and Legal" audits. The consistently high marks that Pınar Et receives in these inspections are evidence of why the company deserves the confidence that consumers have in it.

Production strengths and corporate competencies supported by experience and technology are the core elements defining the roadmap of Pınar Et's sustainable growth. 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.

Pınar Et is a member of the Yaşar Group, one of Turkey's biggest and most highly respected conglomerates.

Pınar Et's Shareholder Structure (%)



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

Pınar Et shares are traded on the Borsa İstanbul National Exchange under ticker symbol PETUN

The company's capital consists of "Class A" registered shares and of "Class B" bearer shares. Each Class A share is entitled to three votes at general meetings of the company an each Class B share one vote.

Pınar Et's Competitive Advantages

Pınar Et has been the leader of its market since the day it was founded.

Pınar Et's commitment to ethical values and its well-defined marketing and sales processes fortify its market position as much as does its product quality.

A brand name that is synonymous with consistent quality, with standing by its customers, and with confidence contributes to Pınar Et's leading position.

Keeping track of different consumer needs and demands and coming up with appropriate solutions, Pınar Et engages in an ongoing effort as a market leader to develop its sector and encourage consumption.

Steadily growing brand value

- The brand that first comes to mind [1]
- "Most admired company" in the packaged meats category [2]
- One of the top ten "most prestigious brands" [3]
- "Best new product" award for Pınar "Gourmet" and "Aç-Bitir" (single portion) salamis [4]
- "Packaging excellence" award for "Pınar Gourmet Soudjouk" and "Pınar Single-Portion Salami" [5]
- "Best new product" award for "Pınar Gourmet Burger" [6]
- Pınar: A Top 10 Superbrand [7]

Production strengths and product portfolio enriched by quality standards.

- Reputation as an innovative pioneer
- More than 300 SKUs
- R&D experience
- Production conforming to hygiene and EU standards
- Both technical and sectoral knowledge and experience
- Compliance with food safety and quality standards at every stage from procurements to finished product delivery
- ISO 9001-2008
- ISO 14001
- ISO 18001
- FSSC 22000
- TSE 17025

Nationwide distribution and supplier networks

- YBP: Turkey's most extensive cold and frozen foods distribution chain
- 155,000 points of sale
- Technical knowledge and experience
- Synergetic distribution of milk and dairy products
- Broad-based procurements from every region of the country
- Strong relationships with farmers
- Contractual farming system

Shared values

- Pınar Et shapes the course of its sector and increases its competitive strength with innovative products.
- Pınar Et creates added value for its stakeholders and the national economy by exporting goods to twenty countries.
- Pınar Et contributes to the Turkish economy by paying taxes and creating jobs.
- Pınar Et supports its sector's advancement and social wellbeing through its social responsibility projects.

[1] GFK 2012
[2] Capital GFK 2012
[3] GFK&RepMan 2012
[4] BrandSpark 2012
[5] Ambalaj Ay Yıldızları 2012
[6] BrandSpark 2012
[7] Superbrands 2012

A success story that began 40 years ago...

Pınar: The Source of Firsts in Turkey

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

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

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

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

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

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

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

One of Turkey's leading corporate groups...

7,200

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

The Yaşar Group

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

Well-known brands in different sectors

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

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

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

Food & Beverages Division

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

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

Coatings Division

Technological leadership
Strong brands and distribution network

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

A corporate group that has authored many firsts

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

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

Six companies traded in the Borsa İstanbul

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

In keeping with its environmental and social awareness approaches

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

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

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

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

The Yaşar Group's mission

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

Tissue Paper Division

Eco-friendly production Innovative products

- Viking Kağıt

Trade & Service Division

Committed to superior service

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

Foundations

A responsible corporate citizen

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


Feelings of happiness…

Inspired by a brand synonymous with confidence...

Chairperson's Message

The market leader in every category in which it is active, Pınar Et continues to expand its product portfolio with innovations that satisfy consumers' needs and expectations.

goal

Pınar Et is committed to advancing its leadership in 2013 and the years that follow through a strategy of sustainable growth.

The global economy continued to look unwell.

Euro-zone public-sector and banking-system problems had a decisive impact on the global economy in 2012. All year long, the world's agenda was preoccupied by presidential elections, weak employment figures, and fears of a self-imposed "fiscal cliff" in the United States; by public debt, banking sector, and confidence crises in the euro-zone; and by the likelihood of new policies focusing on growth fueled by quantitative easing (QE) in Japan.

The developed countries continued to adhere to loose-money policies in 2012. With different European countries implementing or at least considering QE programs of their own, the European Central Bank (ECB) launched a short-term bond purchasing program for countries with sovereign debt problems while its president pledged to do "whatever it takes" to save the euro. Efforts by the ECB and other authorities to shore up the EU's financial system did marginally improve expectations about the future of the world economy. For most developing economies however, the biggest problem in 2012 was slower growth rates while attentions were focused on the risks of inflation and exchange rate volatilities.

As this annual report goes to press, first-quarter 2013 figures make it clear that the real economy is still suffering at the global level and that confidence has not been entirely restored. Our own expectations are that the first half of 2013 is going to be pretty much a continuation of 2012. There are reasons to think that a moderate recovery will get underway in the second half of the year and that it will gain additional momentum in 2014 and thereafter.

The Turkish economy continued to distinguish itself in 2012.

In 2012 Turkey underwent a process of rebalancing designed to put its economy more firmly on the path of sound and sustainable growth. Tight-money policies adhered to by the Turkish Central Bank (CBT) had the effect of cooling down economic growth and moderating inflation. In the twelve months to end-2012, Turkey's GDP grew by just 2.2%.

Despite this seemingly lackluster performance, macroeconomic indicators, not least of them being the current account deficit, fetched up better than expected while Fitch Ratings, an international credit rating agency raised Turkey's long term credit rating to "investment grade" in November. The immediate effect of these two developments was to speed up the flow of short-term capital into the country. 2013 looks likely to be a relatively better year from the standpoint of the Turkish economy's growth, inflation, and current account performance.

Pınar Et remains a part of tens of millions of consumers' everyday lives with wholesome, safe, and tasty meats and meat products and to distinguish itself as an outstanding competitor thanks to high levels of customer satisfaction, and production, marketing, and sales prowess.

As Turkey's first fully integrated meat processor complying with both world and EU norms, Pınar Et's financial and operational performance in 2012 further strengthened its standing as industry leader.

Our company completed 2012 with a 20.7% share of the charcuterie market's total turnover. In the twelve months to year-end, it increased its gross sales revenues by 6.89% and its exports turnover by 27%. Last year Pınar Et successfully penetrated 41% of all households in Turkey with its products.

Pınar Et's total gross sales reached TL 516 million in 2012. Last year the company continued to expand its exports by entering new markets, as a result of which efforts, the turnover on its exports grew by 27%.

The market leader in every category in which it is active, Pınar Et continues to expand its product portfolio with innovations that satisfy consumers' needs and expectations.

Pınar Et introduced ten new products to the market in 2012. Let me note here that all these new products proved to be very popular with consumers and that they were among the contributors to our success last year.

Supplying consumers with a wide range of high-quality meat, fish, and other products that provide them with the protein that is essential to good nourishment, Pınar Et regards the issues of food safety and traceability as fundamental elements of its commitment to consumers.

As happens every year, in 2012 Pınar Et was inspected by SAI Global for European Food Safety Inspection Service (EFSIS) and once again received high marks.

Looking at the company's performance on a product group basis:

- Pınar Et's 20.7% share of last year's admittedly somewhat smaller charcuterie market was still more than twice that of our nearest competitor.
- In soudjouks, which is the biggest single product category in the meat and meat products market, Pınar Et remained the brand that first comes to mind with a 16.1% share of the segment's turnover. Pınar-brand soudjouks had an overall household penetration rate of 20% in 2012.
- Pınar-brand salamis' turnover increased by 8% year-on and accounted for a 37.8% share of the total. Pınar-brand salamis had an overall household penetration rate of 23% in 2012.
- With a 28.3% share of total turnover, Pınar-brand sausages remained the segment's leader at eleven percentage points ahead of its nearest competitor.
- Pınar Et remained one of the top two brands in the frozen foods market for meat products, seafood products, and dough products with a 27% share of the segment's total turnover.

In the frozen meat products category, Pınar is by far the name most preferred by consumers with a 42% share; in the frozen pizza category, Pınar Et was once again the leader with a 28% market share.

Full compliance with changes in the Turkish Food Codex

A number of substantial changes were made in the Turkish Food Codex in 2012. An intensive and successful effort was made to bring Pınar Et's products into full compliance with these changes.

Pınar Et's quality management system is structured and managed so as to encompass all aspects of all products from original source to final consumer. The essential goal of this system is to ensure that our products reach the consumer under conditions which are safe, wholesome, and hygienic. This is the rock-solid foundation supporting Pınar Et's sustainable leadership.

2013 projects and expectations

Pınar Et is committed to advancing its leadership in 2013 and the years that follow through a strategy of sustainable growth. Expectations of our own growth parallel to those of the Turkish economy's growth.

Our company is in full compliance with the requirements of new regulations that went into effect in the first quarter of 2013. As a responsible corporate citizen, our aim is always to provide the consumer with nothing but the very best.

In 2013 we will be focusing on supporting our existing sub-brands and developing new ones.

Pınar Et's commitment to ethical values, its correctly-defined marketing and sales processes, and its superior quality will continue to advance our already strong market position. Consistency in quality and a brand name which is synonymous with confidence will further strengthen our ability to generate added value and enable us to create even more value for all of our stakeholders.

As the leading name in its sector, Pınar Et continues to expand its industry and to keep consumers supplied with the best. Our performance is made possible not just by the consumers who prefer our products but by the contributions of our other stakeholders as well and it is for this that I extend my sincerest thanks to you all.

İdil Yiğitbaşı
Chairperson of the Board of Directors

As Turkey's first fully integrated meat processor complying with both world and EU norms, Pınar Et's financial and operational performance in 2012 further strengthened its standing as industry leader.

Board of Directors, Senior Management, Audit Committee

İdil Yiğitbaşı
Chairperson

Yılmaz Gökoğlu
Deputy Chairperson

Turhan Talu
Independent Director

Ali Yiğit Tavas
Independent Director

Mehmet Aktaş
Director

Levent Rıza Dağhan
Director

Ergun Akyol
Director

The Board of Directors and Terms of Office

Name	Title	Term of Office
İdil Yiğitbaşı	Chairperson	14 May 2012 - One year
Yılmaz Gökoğlu	Deputy Chairperson	14 May 2012 - One year
Turhan Talu	Independent Director	14 May 2012 - One year
Ali Yiğit Tavas	Independent Director	14 May 2012 - One year
Mehmet Aktaş	Director	14 May 2012 - One year
Levent Rıza Dağhan	Director	14 May 2012 - One year
Ergun Akyol	Director	14 May 2012 - One year

Limits of Authority:
Both the chairperson and the members of the Board of Directors possess all of the authorities set forth in the applicable articles of the Turkish Commercial Code as well as in articles 10 and 11 of the company's articles of association.

Senior Management

Name	Position
Tunç Tuncer	General Manager
Mustafa Şahin Dal	Financial Affairs and Budget Control Director
Muzaffer Bekar	Finance Director
Hakan İshakoğlu	Plant Director

The company's general manager Zeki Ilgaz resigned and Tunç Tuncer, Plant Director, was made general manager in his place. Hakan İshakoğlu, Production Director, was appointed as the plant director.

The Audit Committee and Terms of Office

Name	Appointed	Term of Office
Kamil Deveci	14 May 2012	One year
Erdem Çakırokkalı	14 May 2012	One year

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

* Background information about members of the Board of Directors and senior managers is provided on page 47 of this report.


Making only the very best…

The trend towards high added-value products...

2.7

Total red and white meat production in Turkey amounted to about 2.7 million tons in 2012.

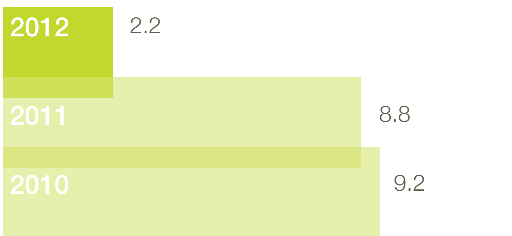
The Turkish Economy and Our Sector in 2012

Average per capita consumption of red and white meat in Turkey is about 12 kgs and 20.7 kgs respectively. While these amounts has been increasing in recent years, they are still below world averages.

2.2%

The Turkish economy grew by 2.2% in 2012.

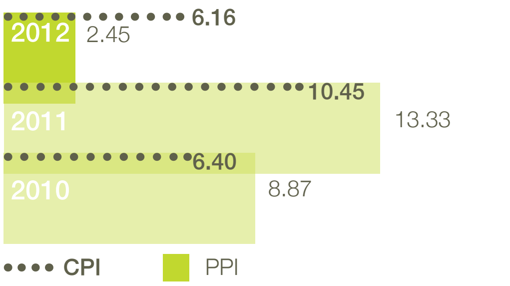
GDP Growth Rate - Fixed Prices (%)



The Turkish economy grew by 2.2% in 2012.

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

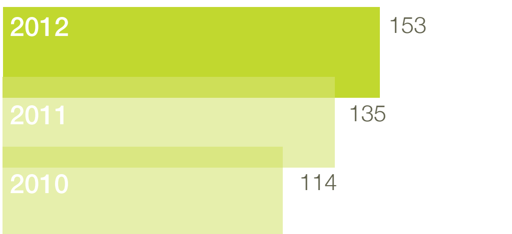
Inflation (%)



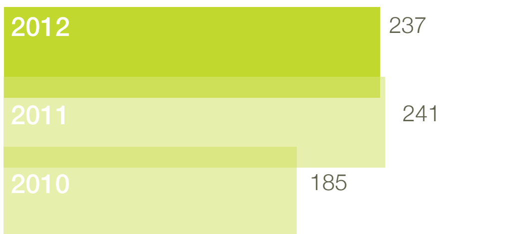
Inflation appears to be in decline.

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

Exports (USD billion)



Imports (USD billion)



Increases in exports impacted favorably on economic indicators.

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

Source: TurkStat, CBT, Undersecretariat of Treasury

The decline in net livestock assets naturally constrains the meat supply as well. Even though per capita meat consumption in Turkey is far below that of the world's developed countries, the available supply cannot keep pace even with that level of domestic consumption.

The livestock and meat products industry

With population increasing in Turkey as it is around the world, a strong livestock industry is vitally important to giving people access to adequate and balanced nutrition. The sector also generates a considerable amount of added value as a source of the raw materials that are needed by many other endeavors. By playing host to a large number of ancillary industries, the livestock sector also makes a substantial contribution to the national economy as well.

Livestock raising generates some 40% of all agricultural gross world product and provides livelihoods for about 1.3 billion people worldwide.

Among EU countries, livestock raising accounts for a 49% share of the total agricultural output of some 7.5 million enterprises. The EU's livestock operations are relatively small with an average of 44 head of livestock per enterprise.

Among the world's developed countries, average protein consumption works out to 102 grams per person per day. Substantially more than half (60-70 grams) of that consists of animal-source protein.

From the standpoint especially of its geographical and topographical sources, Turkey has tremendous potential for the production of all sorts of livestock-based products. That potential is thwarted firstly by inadequate breed improvement and secondly by inadequate domestic fodder cultivation. So serious are these problems that there has actually been a decline in the country's net livestock assets in recent years.

Among the other hindrances to the development of animal husbandry in Turkey, mention should also be made of insufficient locally available breeding stock, feeder cattle, and quality forage. Owing to high input costs, the sector is not globally competitive and suffers seriously from raw material price volatilities and uncertainties.

The decline in net livestock assets naturally constrains the meat supply as well. Even though per capita meat consumption in Turkey is far below that of the world's developed countries, the available supply cannot keep pace even with that level of domestic consumption. This not only drives up prices while fostering unregulated production and unfair competition but also encourages imports (of both the legal and illegal kind) from time to time.

18%

Red meat production in Turkey last year topped more than 915,000 tons, an amount that corresponds to a year-on rise on the order of 8%.

The future development of beef cattle farming in Turkey is largely dependent on making a thorough review and analysis of the industry's entire value-creation chain and introducing measures and providing incentives which see that chain as an integrated whole.

Acknowledging that local production was insufficient, the Food, Agriculture and Livestock Ministry began licensing the importation of live cattle for fattening and slaughter as well as of beef carcasses in the last quarter of 2010. This had the effect of stabilizing raw material prices in 2011, a situation that prevailed in 2012, when price movements more or less remained on track with those of the year before. But although producers' costs increased last year, weak demand (especially in the last quarter) dampened carcass price rises.

The imports authorized by the ministry in 2010 to provide Turkey with the meet it needed dropped off significantly in 2012 (again especially in the last quarter) as the customs duties charged on carcasses and live cattle for slaughter were raised.

The duty on live cattle for slaughter was raised last year first to 30% in July and then to 40% in October, with the duty on carcasses being increased to 100% in the latter month. In February 2013, the duty on live cattle for fattening was pushed up from zero to 15%.

Turning now to the poultry meat sector, we see that the industry has become extremely well organized as a result of the systematic, fully-integrated production that got started in the 1990s. Thanks especially to the use of advanced technology, the sector's output has grown tremendously in the years since then.

Indeed it would not be amiss to say that white meat is one of the most-if not the most-advanced sectors of Turkey's agricultural industry. Most of the country's poultry raising operations conform to international standards of quality and food safety. This was acknowledged by the EU, which recognizes Turkey as one of the third-party non-EU countries from which chicken meat may be imported.

Health-beneficial and flavorsome and with its low levels of fat and cholesterol yet high nutritional content, turkey meat and turkey meat products continue to be an attractive and delicious alternative source of animal-based dietary protein.

According to Turkish Statistical Institute (TurkStat) figures, red meat production in Turkey last year topped more than 915,000 tons of which about 800,000 tons was beef and the remainder mostly mutton and lamb. This output corresponds to a year-on rise on the order of 18%. During the same twelve-month period, poultry meat production amounted to 1,766,000 tons, the overwhelming majority (1,724,000 tons) of which was chicken with turkey weighing in at a mere 42,000 tons. TurkStat puts Turkey's total red and white meat production in 2012 at about 2.7 million tons.

Average per capita consumption of red and white meat in Turkey is about 12 kgs and 20.7 kgs respectively. While these amounts have been increasing in recent years, they are still below world averages.

In a market segment whose prices were moving generally upwards, there was a noticeable trend towards higher added-value goods.

Turning to processed meats, the market for such products in the first four months of 2012 bettered its performance during the same period of the previous year; however beginning in April, the market entered a slump that lasted well into June. Overall, the processed meats market grew by 11% in 2012 on a tonnage basis but on a turnover basis it actually shrank by 1%. In a market segment whose prices were moving generally upwards, there was a noticeable trend towards higher added-value goods.

On December 5th the Food, Agriculture and Livestock Ministry published a new Meat Products Communique (2012/74) governing a host of issues related to the production, packaging, and marketing of meats and meat products. The same communique also introduced a number of changes related to the contents and definitions of meat products.

The future development of beef cattle farming in Turkey is largely dependent on making a thorough review and analysis of the industry's entire value-creation chain and introducing measures and providing incentives which see that chain as an integrated whole.

The large-scale and modern livestock enterprises which have come into existence in Turkey in recent years do have dimensions and attributes capable of transforming the industry as a whole; however owing to various issues and difficulties, not as much progress has been made in integration as might be wished. The sector is still characterized by large numbers of small-scale operations whose inefficiency and lack of technology as well as local-market-driven production and organization issues continue to pose problems.

Supporting the growth and development of a livestock industry capable of turning out higher added-value products is the way to overcome such problems and to move forward. If Turkish livestock farmers are to have any hope of surviving-much less competing-in an EU environment, improvements are needed in livestock breeds, in combating animal diseases and pests, in pasture management and use, in growing better forage crops, and in the provision of extension services.

Always seeking something better…

For all of our stakeholders…

20.7%

20.7% share of the charcuterie market's total turnover.

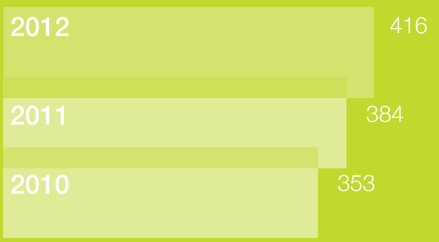
In 2012, Pınar Et

- defended its leadership in the charcuterie market with a 20.7% share of its total turnover
- increased its total net sales by 8.5% year-on
- registered a 35.6% rate of year-on-year growth in its exports
- introduced ten new products to the market
- was the preferred choice of 41% of Turkey's households in the charcuterie products segment.

Net Sales by Product Groups

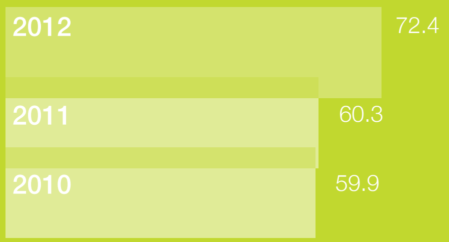
* Frozen meat, dough and seafood products

Net Sales (TL million)



Net sales increased by 8.5% to TL 416 million in 2012.

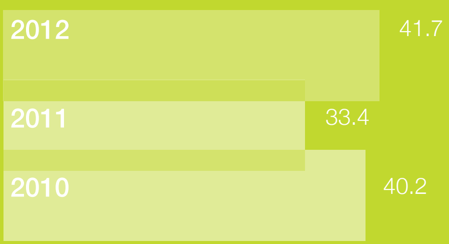
Gross Profit (TL million)



Pınar Et registered a 20% rate of year-on growth in its gross profit, which reached TL 72.4 million.

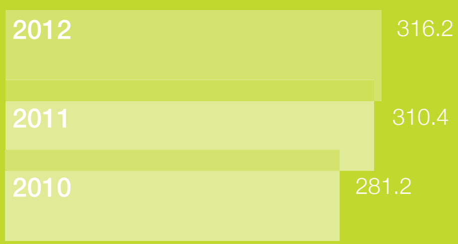
Pınar Et has had yet another successful business year. The company's net sales increased by 8.5% year-on in 2012 and reached TL 416 million in value.

EBITDA (TL million)



The 24.8% year-on-year rise that brought our EBITDA to TL 41.7 million was fueled by growth in high added-value processed product sales and by improvements in operating costs.

Shareholders' Equity (TL million)



At end-2012, Pınar Et's shareholders' equity was 1.9% higher than it was twelve months earlier and amounted to TL 316.2 million.

24.8%

Our EBITDA increased by 24.8% in 2012.

Gross Sales (TL)

Product group	2012	2011	% change
Charcuterie	279,748,338	262,789,920	6.45
Frozen products	163,972,328	144,993,591	13.09
Fresh meats	55,396,752	61,773,109	(10.32)
Others	16,892,534	13,200,364	27.97
Total	**516,009,952**	**482,756,984**	**6.89**

20%

Pınar Soudjouk was consumed in 20% of Turkey's households in 2012.

Charcuterie products entered 90% of Turkey's households last year: in 41% households, the products were made by Pınar Et.

Market Shares

Salamis	Sausages	Soudjouks	Total Charcuterie
37.8%	28.3%	16.1%	20.7%
Leader	Leader	Leader	Leader

Source: Nielsen

Pınar Et believes that its long-term sustainable and profitable growth is dependent upon its ability to anticipate its market's new and trending developments and to take charge of them. To this end, the company identifies its stakeholders' current and future needs, marshals the resources needed to address future demand, and gives importance to ensuring the continued existence of stakeholder satisfaction by designing all business processes accordingly.

In 2012 Pınar Et continued its successful implementation of the human resources, social security, adherence to ethical values, transparency, and corporate governance practices which it regards as core elements of its corporate commitment to its stakeholders.

A year in which we further strengthened our standing as the sector's leader…

Pınar Et's 20.7% share of 2012's somewhat smaller charcuterie market maintained its standing as the segment's leader at more than twice that of its nearest competitor. (Source: Nielsen)

In soudjouks, which is the biggest single product category in the meat and meat products market, Pınar Et remained the brand that first comes to consumers' minds with a 16.1% share of the segment's turnover. (Source: GFK-Tracking.) Pınar-brand soudjouks' clear leadership in this segment was unbroken with an overall household penetration rate of 20% in 2012. (Source: Nielsen-Ipsos HTP)

Pınar-brand salamis' turnover increased by 8% year-on and accounted for a 37.8% share of the total. This was more than three times that of the company's nearest competitor. (Source: Nielsen)

Pınar-brand salamis had an overall household penetration rate of 23% in 2012.

With a 28.3% share of total turnover, Pınar sausages remained the segment's leader at eleven percentage points ahead of its nearest competitor. (Source: Nielsen) Pınar-brand sausages had an overall household penetration rate of 13.4% in 2012. (Source: Ipsos HTP)

Charcuterie products entered nine out of ten of Turkey's households in 2012. In the case of 41% of households, the products were made by Pınar Et. (Source: Ipsos HTP)

Pınar Et remained one of the top two brands in the frozen foods market for meat products, seafood products, and dough products with a 27% share of the segment's turnover. (Source: Nielsen-Scantrack)

Particularly in the frozen meat products category, Pınar is by far the name most preferred by consumers: with a 42% share of the segment, it is way ahead of all of its competitors.

In frozen pizzas, a category in which demand has been growing steadily year after year, Pınar Et was once again the leader with a 28% market share. Another up-and-coming category in the dough products group is puff pastry. Pınar Et's share of this product line reached 20% last year. In frozen seafoods, Pınar Et's turnover share increased by half a point year-on and reached 24.4% in 2012. (Source: Nielsen-Scantrack)

In 2012

42%

In the frozen meat products category, Pınar is by far the name most preferred by consumers: with a 42% share of the segment, it is way ahead of all of its competitors.

81%

According to 2012 Ipsos HTP figures, at least one Pınar Et product enters 81% of Turkey's households at least once a year.

The leader of the processed meat products and the frozen meat products segments in Turkey for decades, Pınar Et's household penetration rate has also been increasing every year.

27%

Pınar Et successfully increased its exports by 27% in 2012.

Product-segment sales balanced in line with market trends

An analysis of Pınar Et's 2012 sales according to product segment shows that the changes which took place paralleled those of the sector as a whole. The company successfully pursued its strategy of focusing on high added-value products with the result that their contribution to total net sales increased by 8.5% year-on. According to Nielsen, Pınar's share of the foods sector's total turnover in the first nine months of 2012 (excluding alcoholic beverages) ranked it in sixth place.

On a total tonnage basis, Pınar Et's charcuterie product sales in 2012 consisted of 34% soudjouks, 44% salamis, and 21% sausages. By this measure, sales in the salami and soudjouk categories were both up year-on.

Again on a tonnage basis, total sales frozen products in 2012 maintained their previous year's share of total sales. 26% of such sales consisted of meat products, 68% of dough products, and 6% of seafood products.

Not only has Pınar Et been the leader of the processed meat products and the frozen meat products segments in Turkey for decades, its household penetration rate has been increasing steadily over the years. According to 2012 Ipsos HTP figures, at least one Pınar Et product enters 81% of Turkey's households at least once a year.

Exports contributing a bigger share of total revenues

Pınar Et regards exports as an important component of its sustainable growth and profitability. The company is determined to advance in the international arena by blending its quality, technology, experience, and commitment to ethical values under the "Pınar" brand.

Seeking to exploit world market opportunities in order to increase the contribution that exports make to its total sales, Pınar engages in an ongoing effort to expand and strengthen its presence in other countries' markets.

Pınar Et exports beef and turkey charcuterie, frozen, and seafood 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 2012 the company began exporting frozen fish to the United States. It plans to pursue systematic growth in this business line in 2013.

In 2012 Pınar Et booked export revenues worth USD 4.3 million. On a TL basis, this corresponds to a year-on-year growth rate on the order of 35.6%

One of the first companies to join the Turquality Project, Pınar Et completed its 5th successful year of association with that undertaking and is now taking part in the second 5-year phase. The applications submitted by the company in relation to this project in 2012 were worth a total of USD 3,050,000.

Strategic investment plan activities

During 2012 Pınar Et continued to undertake production-, environment-, and human resource-related investments aimed at improving total output, quality, customer satisfaction, and efficiency. Pınar Et's total investment outlays last year reached TL 10.8 million, of which TL 202 thousand was for infrastructure and buildings, TL 7,821 thousand for plant, machinery and equipment, TL 82 thousand for vehicles, TL 2,620 thousand for fixtures, and TL 29 thousand for rights.

Awards & recognitions

The leading name in Turkey's processed meats sector since the day it was founded, Pınar Et was again the recipient of awards and recognitions given by leading concerns acknowledging the company's superior product standards, use of technology, and innovative approaches and products.

According to a survey of the Turkish business world's most admired firms conducted jointly by Capital, a business and economics magazine, and GfK Türkiye, a market researcher, Pınar Et once again ranked among its sector's most-liked companies.

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

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

According to the 2011 Brand Value report published by BrandFinance, Pınar Et ranked among the top 100 brands in Turkey.

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

In 2012 Pınar Et was again inspected by SAI Global/EFSIS, the only certification body authorized to conduct European Food Safety Inspection Service "Safe and Legal" audits. Pınar Et received "A" grades in both its slaughtering, rendering, and packaging operations (97.04 points) and its red and white meat products production units (97.00 points).

Pınar Et's "Canım Sucuk Çekti" ["A soudjouk would hit the spot"] below-the-line soudjouk advertising campaign took first place in the "Guerrilla marketing" category of the Direct Marketing Association's "Direct Marketing Communication" awards.

In a consumer survey conducted by BrandSpark International, Pınar Et's "Aç-Bitir" (single-portion) and "Gourmet Burger" products took first prize as "Best New Product" in the "Salamis" and "Frozen Burgers" categories respectively.

Pınar Et's "Kalbim Sende" kofta and "Şölen Promosyon Paketi" soudjouk products received the "Ay Yıldızları" packaging excellence award in 2012.

"Ay Yıldızları" is an awards program conducted annually by the Packaging Manufacturers Association to recognize excellence and innovation in packaging design and implementation. Last year Pınar Et also received bronze medals for the packaging of its "Pınar Aç-Bitir Salami" and "Pınar Gurme Soudjouk" products.

In the Aegean Region Chamber of Industry's (EBSO) 2012 rankings, Pınar Et placed fourth in the "Best Domestic Sales Performance By An Original Brand", "Best International Sales Performance By An Original Brand", and "Most Tax Paid" categories. Among EBSO members involved in the meat and meat products industry, Pınar Et placed first both as the firm carrying out the most investment and the firm paying the most tax and second as the firm with the highest output, the firm with the most exports, and the firm providing the most employment.

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

Corporate governance rating

According to a corporate governance compliance report issued by SAHA Corporate Governance and Credit Rating Services, Pınar Et's rating is 8.77 out of a possible 10.0

For our customers and consumers...

30 years

Three decades of focusing on excellence have made Pınar Et one of the brands that consumers most trust.

One of the brands that consumers most trust...

Since the day it was founded, Pınar Et has been making use of the most advanced production technologies to supply consumers with wholesome and tasty products. This approach has made it a model followed by others in its sector not just because of the turnover which it creates but also because of standards and principles to which it adheres.

In the habit of analyzing consumers' needs and expectations on a regular and consistent basis, Pınar Et's three decades of focusing on excellence have made it one of the brands that consumers most trust.

Pınar Et's extensive product portfolio allows it to address a wide range of consumer tastes and preferences, to respond to different demands, and to satisfy the expectations of many different age and income groups.

In soudjouks for example, Pınar Et has a presence in the premium segment with "Klasik", "Şölen", "Gurme", and "Delight Coil"; in the mid-range segment with "Doyum Coil"; and in the low-range segment with "Yörük Coil"; while for barbecue-fans it offers "Barbecue Delight".

In salamis, Pınar Et's high-end products are "All-Beef Hungarian Salami", "For Breakfast", "Salami with Pistachios", "Turkey Meat Salami", and "Chicken Meat Salami"; mid-range products are "Doyum" and "Pınar Büfe"; and low-end products are "Yörük Salami" and "Yörük Büfe Salami". It supplies whole beef ("Hungarian", "Meat", "Pistachio") and turkey ("Meat", "Pistachio") salamis for sale at delicatessen counters and also a range of pre-sliced cold cuts under the "Açıkbüfe" and "Aç-Bitir" labels.

In sausages, the premium portfolio consists of a range of vacuum-packed, breakfast, cocktail, long, and economical products made from beef and turkey; in the mid-range segment are "Doyum" vacuum-packed and cocktail sausages in various sizes; the low-end segment consists of "Yörük" label products.

Other Pınar Et products in the charcuterie market consist of beef and turkey jambon and smoked turkey breast.

Pınar Et product groups

Charcuterie

Soudjouks
Salamis
Sausages
Cold cuts
Jambons

Frozen Meat Products

Burgers
Koftas
Breaded products

Frozen Dough Products

Pizzas
Puff pastry
Mantis
Toast Pizzas

Frozen seafood products

Crispy fish
Fish fingers
Shrimp
Sliced squid
Pre-cleaned anchovies
Filleted haddock
Filleted sardine
Breaded filleted sardines
Fish schnitzel

Trayed Precooked Products

Chicken cordon bleu
Turkey burgers
Turkey koftas
Turkey doner

Seafood Products

Tuna
Filleted mackerel

Fresh Meat Products

Fresh turkey
Fresh beef and lamb
Frozen turkey
Frozen beef and lamb

10

In 2012 Pınar Et introduced ten new products: eight for the domestic market and two for export.

Having formulated its product portfolio on the basis of consumers' needs and wishes, Pınar Et constantly improves its range in line with the same principle.

New, highly-competitive products

Having formulated its product portfolio on the basis of consumers' needs and wishes, Pınar Et constantly improves its range in line with the same principle by designing and developing new products while incorporating new technologies and ideas into existing ones. Priority in new product design is given to products that will be highly competitive by appealing to consumers' wishes.

In 2012 Pınar Et continued to focus on high added-value products and to develop products offered in smaller-sized packaging that responds more effectively to consumers' buying power. The "Pınar Aç-Bitir" (Pınar Single-Portion) line of products was further expanded with the launch of "Pınar All-Beef Hungarian Salami" and "Pınar Turkey Salami With Pistachios".

Following up the success of the Pınar "Gourmet Soudjouk" and "Gourmet Sausage" products, it was decided to reinforce perceptions of Pınar as a source of premium-end charcuterie by expanding the "Gourmet" portfolio: last year we added "Pınar Gourmet Salami" and "Pınar Gourmet Barbecue Soudjouk" to the lineup. Other additions to the "Gourmet" series included "Pınar Delight" (the first products to straddle both the "Gourmet" and "Light" categories) and new "Şölen" offerings that appeal to those with more adventuresome tastes.

New frozen dough product launches increased Pınar's sales in this fast-growing category in 2012. Two new products proved especially popular among consumers in the frozen manti segment, which has been experiencing significant market-share growth of late: Pınar "Kare" and "Kayseri". To meet the demand for these new products, work is currently in progress to expand the scope of their distribution.

"Kalbim Sende" is an innovative, heart-shaped kofta that whose launch and appearance on shelves last year coincided with Mother's Day and Father's Day. In addition to these new products, Pınar's frozen pizzas were supplied in a special "buy four & get one free" five-pack.

In 2012 Pınar Et introduced ten new products: eight for the domestic market and two for export. Changes in weight and content were also made in eight other products last year.

New products introduced in 2012

- Kare Mantı (Turkish type ravioli with a square form)
- Kayseri Mantı (Turkish type ravioli from Kayseri)
- Pınar Gourmet Barbecue Soudjouk
- Pınar Gourmet Salami
- Tost Pizza
- Aç-Bitir All-Beef Hungarian Salami
- Aç-Bitir Salami with Pistachio
- Yörük Kokteyl Sausage
- Chicken Salami (Export)
- Beef Burger (Export)

Communication campaigns in 2012

Communication campaigns and promotional activities were carried out in 2012 with the aims of increasing consumer awareness of the different groups of products made by Pınar Et, enhancing Pınar Et brand prestige, and introducing new products.

Pınar Et systematically gives the utmost attention to quality and hygiene in order to fulfill its mission of supplying consumers with wholesome, safe, and tasty meats and meat products and to keep pace with innovation and technical and technological developments.

Owing to its traditional appeal among domestic market consumers, soudjouk is the product category which generates the highest turnover in the charcuterie group and which is also witness to both the strongest growth and the stiffest competition down through the years. The expansion of the "Şölen" line of soudjouks with the launch of fenugreek-flavored, cumin-flavored, and hot & spicy varieties in 2011 was further supported in 2012 by means of a new communication campaign whose underlying aim was to increase consumers' perception of "Şölen" as a "Pınar" sub-brand.

The Şölen advert was broadcast in February and March and received favorable response. Outdoor advertising and radio were used in conjunction with and support of the TV spots. Social media were also used as a way of communicating with consumers during this campaign.

Below-the-line advertising activities consisted of tastings at points of sale and sponsorships at breakfasting venues.

In 2012 Pınar Et completed a program of new communication activities related to its frozen products. The company plans to expand this product category and to increase its market share with a new communication campaign in 2013. Intensive consumer research was conducted last year to identify new communication strategy ideas. A comprehensive communication approach called "Flavor Ideas" has been developed that embraces all product groups.

Innovative R&D

Since the day it was founded, Pınar Et has been systematically giving the utmost attention to quality and the rules of hygiene in order both to fulfill its mission of supplying consumers with wholesome, safe, and tasty meats and meat products and to keep pace with innovation and with technical and technological developments.

In 2012 Pınar Et once again kept a close watch on sectoral developments, adapting new ideas to its production processes, improving its existing products, and developing new ones. The R&D department worked closely with other company units in order to modify products to bring them into accord with recent changes in the Turkish Food Codex. New investments were undertaken, new materials were introduced, and product formulas were optimized in the overall focus on achieving regulatory compliance.

The initial and pre-marketing stages of new product development at Pınar Et R&D involve a process of comprehensive and painstaking research and trials. It is because it has the ability to successfully carry out this process that Pınar Et has been the author of so many "firsts" in Turkey's food industry and will remain one in the future as well.

72%

The capacity utilization rate at Pınar Et's plants reached 72% in 2012.

Production (tons)

Products	2012	2011	% change
Manufactured products	33,483	32,280	3.73
Meat	6,623	6,747	(1.84)
Rendering	4,194	3,643	15.12
Total	**44,300**	**42,670**	**3.82**

Integrated Red Meat Plant	• Fresh & frozen beef & lamb • Charcuterie (soudjouks, salamis, sausages etc) • Frozen meat products (hamburgers) • Frozen meat products (koftas) • Convenience foods (doner, cooked trayed products)
Integrated Turkey Meat Plant	• Fresh & frozen turkey meat • Frozen meat products (turkey and chicken)
Processed Seafood Plant	• Frozen fish koftas, natural seafood
Byproducts Manufacturing Plant	• Animal feed raw materials (meat & bone meal etc).

Producing 33,000 tons of goods a year in plant facilities with about 46,000 m² of enclosed space Pınar Et has a slaughtering and rendering capacity corresponding to 102,000 cattle, 408,000 sheep, and 1,836,000 turkeys a year.

The capacity utilization rate at Pınar Et's plants reached 72% in 2012.

Production Facilities

Indoor	46,000 m²
Outdoor	284,000 m²
Total	**330,000 m²**

Pınar Et's quality approach and management systems

Pınar Et's quality management system is structured and operated so as to encompass all aspects of all products from original source to final consumer. The essential goal of this system is to ensure that our products reach the consumer under conditions which are safe, wholesome, and hygienic.

Quality management at Pınar Et is grounded in the company's overall process management system, which makes it possible to identify critical control points where performance needs to be constantly monitored. The entire quality management system is also governed by the FSSC 22000 Food Safety Management System, which incorporates internationally recognized food safety standards as well as hazard analysis & critical control point (HACCP) elements.

Pınar Et owns and operates a fully-equipped laboratory that is capable of performing all of the chemical and microbiological analyses specified in Turkish Food Codex Meat Communiques. Pınar Et's laboratory received TS EN ISO/IEC 17025 certification in 2008. The chemical and microbiological compliance of Pınar Et products with the requirements of Turkish Food Codex Meat Communiques is verified in this laboratory.

All of Pınar Et's management systems were independently audited twice last year. The first audit, which took place in May, was carried out by the Turkish Standards Institution (TSE); the second was carried out by EFSIS SAI GLOBAL UK in September. On both occasions Pınar Et received "A" ratings.

Pınar Et has been adhering to halal-compliant slaughtering practices since the day it was founded. Following TSE's publication of its own Halal Standard in 2011, Pınar Et was inspected for compliance and officially awarded halal accreditation last year.

Cost optimization

During 2012 Pınar Et continued with its ongoing projects aimed at economizing operations, cutting costs, and increasing production efficiency. Considerable savings are achieved through both the Operational Cost Improvement (OCI) and the Lean Six Sigma programs that were initiated in 1999 and 2008 respectively.

Lean Six Sigma projects

The common goal of all Lean Six Sigma projects is to effectively manage a company's overall risks in an increasingly more globalized world. This is accomplished by giving a company a flexible structure that is better capable of responding to customers' demands and by achieving operational excellence in its business processes. A corollary benefit of Lean Six Sigma is that it also enhances the company's brand value. Lean Six Sigma projects at Pınar Et involve activities which will create value for the company and all of its stakeholders, defend and strengthen the company's business line leadership, and thus facilitate the company's sustainable, profitable growth.

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

OCI projects

Innovation and talent management, two concepts which have been gaining increasingly greater importance in today's world, have long been integral parts of Pınar Et's corporate culture. In OCI, individuals are encouraged to report problems related to their own functions, to propose ideas to deal with the problems, and to implement the solutions that they come up with and are approved by management. The OCI system is supported by a program of rewards for those whose projects which are successful. OCI projects have generated savings on the order of TL 18.2 million in the years since they were first introduced at Pınar Et.

"Suggestion Weeks" is another program that is carried out throughout Pınar Et in conjunction with OCI. Originally introduced in 2004, the aim of "Suggestion Weeks" is to encourage blue-collar workers to come up with practical ideas for improving operating costs.

Quality

Pınar Et's quality management system is structured and operated so as to encompass all aspects of all products from original source to final consumer.

1,200

The owner of Turkey's biggest and strongest sales and distribution network, Yaşar Birleşik Pazarlama employs a fleet of more than 1,200 vehicles.

73.9% of Pınar Et's sales are made through Yaşar Birleşik Pazarlama, the Yaşar Holding sales and distribution company.

IT activities

Because it adheres to advanced production approaches and management practices, Pınar Et also continuously expands and renews its information technology infrastructure in order both to meet the needs of the day and to keep pace with its steady growth.

A number of major changes were made in Pınar Et's information technology (IT) infrastructure in 2012 in order to improve business continuity, data security, and cost effectiveness. These changes, which significantly boosted performance and contributed to business productivity, also involved incorporating new product development processes into the existing SAP system, thereby providing a common work platform that improves data consistency and process monitoring.

An advanced distribution network

Extensive technical knowledge and strong experience acquired through years of managing a country-spanning cold chain and frozen foods delivery and storage network number among Pınar Et's most important competitive advantages. With transit nodes strategically located to give it access to the entire country, advanced technology, and a highly flexible structure, Pınar Et's cold and frozen foods chain is the biggest in Turkey.

73.9% of Pınar Et's sales are made through Yaşar Birleşik Pazarlama, the Yaşar Holding sales and distribution company.

Yaşar Birleşik Pazarlama

Turkey's biggest sales and distribution network

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

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

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

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

Logistics

Improvements in Pınar Et's nationwide sales and distribution activities continued in 2012 to enhance the efficiency of and customers' satisfaction with logistical processes while also supporting Green Logistics concepts.

Improvements in shipping management

Efforts to further improve Pınar Et's nationwide sales and distribution activities continued in 2012 in line with the company's desire to enhance the efficiency of and customers' satisfaction with its logistical processes while also lending support to Green Logistics concepts.

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

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

The service quality and performance of firms to which the company outsources its logistical services are also measured on a monthly basis within the framework of the Lean Six Sigma program.

Pınar Communication Center

Adhering to a customer-focused business approach, Pınar gives the utmost importance to and carefully examines customers' requests, suggestions, and complaints. Accessible on 444 7627 via fixed and mobile lines from anywhere in Turkey without the need for dialing an area code, the Pınar Communication Center receives and responds to incoming calls without interruption between the hours of 07:00 and 23:00 seven days a week. Live operators on duty at the Pınar Communication Center respond to these calls and ensure that callers are provided with the information that they need as quickly as possible.

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

92%

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

For our suppliers…

262

Pınar Et procures most of the red meat that it uses in its products from 262 suppliers.

Suppliers with which the company has entered into strong and long-term collaborative relationships are essential to Pınar Et's commitment to keeping its customers provided with safe and hygienic products.

6

Pınar Et obtains the meat it needs from live animals procured from local fattening farms located in all six of Turkey's geographical regions.

Raw material procurements are the crucial first step of Pınar Et's production processes. Suppliers with which the company has entered into strong and long-term collaborative relationships are essential to Pınar Et's commitment to keeping its customers provided with safe and hygienic products.

Pınar Et itself carries out all of its own slaughtering in its own facilities for all of the meat that it uses in its production. The company obtains the meat it needs from live animals procured from local fattening farms located in all six of Turkey's geographical regions.

Pınar Et originally developed and continues to support the "contractual stock farming" system in order to ensure that we procured only the best-quality beef cattle raised under veterinary care. Pınar Et procures most of the red meat that it uses in its products from just 262 suppliers.

All of our live turkeys and some of our other meat livestock are obtained from Çamlı Yem Besicilik, a Yaşar Group company that is engaged in agricultural production.

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

The expanding volume of Pınar Et's own business is such as to support the growth and development of its suppliers' business operations within the framework of the agreements which it has entered into with them. Regularly conducted inspections for example lead to the joint development of new materials and techniques that are better suited to food safety and this in turn provides suppliers with opportunities to move into new business lines. An all-embracing information network keeps suppliers up to date on the latest sectoral innovations and possible developments, allows the formation of quality and innovation circles, and encourages the introduction and use of innovations as soon as they appear.

For our employees...

Pınar Et believes that human resources play a vital role in its ability to achieve its objectives of operational excellence and sustainable growth.

In 2012

745

Pınar Et had 745 people on its payroll as of end-2012.

The fundamental mission of human resources management at Pınar Et is to ensure that the company employs a sufficient number of people who are innovative, who are committed to the total quality approach, who have the ability to easily keep pace with changes and developments, and who give the company a competitive advantage at the global level.

Human resources management at Pınar Et is grounded in the following essential tenets:

- Staffing at Pınar Et is determined according to the criteria of business economics.
- Pınar Et conducts intramural and extramural training programs within the framework of plans that are formulated for each position level in order to ensure the progression of its employees.
- Pınar Et is mindful of equality of opportunity in all promotions and appointments throughout its organization. As a matter of principle, appointments to position vacancies are filled from within the company if possible.
- By means of a career planning system in which progression plans are implemented, Pınar Et employees who have potential are provided with the broadest possible opportunities for advancement.
- Every Pınar Et employee's performance is evaluated on the basis of their fulfillment of objectives and their demonstrated competencies.
- Job descriptions and performance criteria have been documented for positions at every level from the highest to the lowest at Pınar Et. These standards provide a well-defined basis for the systematic conduct of employee evaluations.
- Employee opinion surveys are conducted regularly every year at Pınar Et. In these surveys, employees are asked for their views about such issues as working conditions, management, social activities, compensation, training, performance evaluation, career planning, participatory decision-making, and company satisfaction. The feedback from these surveys is used as input for making improvements.
- A safe workplace and safe working conditions are matters to which Pınar Et gives great importance. Under the company's occupational health and safety regulations, all legally mandated measures are taken to prevent work-related risks, to ensure health and safety, and to eliminate risk and accident factors.
- Pınar Et strives to maintain its existence as a company which complies with laws and the rules of ethics and which subscribes to the total quality philosophy, and which adheres to a participatory style of management.
- A fundamental principle at Pınar Et is that all employees are to be treated equally and without making any distinctions among them with respect to language, race, color, sex, political beliefs, philosophy, creed, religion, or sect or on any other similar grounds.

Objectives- and competencies-based performance evaluations

Pınar Et plans and carries out its training and development activities so as to incorporate a wide range of methods whereby its employees may maximize their performance while helping the company to achieve its strategic objectives.

Average training time per employee at Pınar Et in 2012 was 10 hours with total training time amounting to 7,470 hours in the course of the year. Three main categories of training took place: Personal Development, Vocational Development, and Management Skill Development.

Recognizing the importance of qualified manpower, Pınar Et takes part in university campus career days in order to have access to potential employees. The company also provides students with traineeship opportunities. Last year Pınar Et provided traineeship positions for 88 university and 53 lycee students.

7,470

Pınar Et employees received a total of 7,470 hours of training in 2012.

Innovations that add zest to life...

For the environment and the community

CO_2

Committed to reducing the carbon footprint by 15% by 2020.

Pınar Et is a pioneering and exemplary corporate citizen who balances its economic interests with its environmental and social responsibilities.

A responsible corporate citizen

Pınar Et is a pioneering and exemplary corporate citizen who balances its economic interests with its environmental and social responsibilities. Regarding economic, environmental, and social sustainability as being essential to its own long-term, healthy, and profitable performance, Pınar Et formulates its corporate strategies and objectives along those lines.

Pınar Et is at least as mindful of protecting the environment and respecting nature as it is of its economic performance. At every stage from procuring raw materials to transporting them and from the consumption of its products to recycling and recovering their waste, the company continuously strives to minimize the environmental impact of its activities.

Pınar Et is at least as mindful of protecting the environment and respecting nature as it is of its own economic performance.

Improvements in production technologies

Making productive use of natural resources and abiding by practices that assign value to environmental matters are very important elements of Pınar Et's environment policy. When improving production and operational quality, the company is careful not to have an adverse impact on the environment. Thus Pınar Et engages in efforts to improve its production technologies in order to increase the efficiency of both its production operations and its energy consumption. Such activities are carried out by Yaşar Holding sustainability teams in which Pınar Et personnel also take part.

The environmental management programs that are formulated for this purpose include energy efficiency, monitoring and reducing water consumption, waste recycling and management, and maximizing habitat protection.

Reductions in energy consumption

Energy efficiency is a high-priority issue at Pınar Et. The Yaşar Holding Energy Committee, whose membership consists of representatives from all Yaşar Group companies, is responsible for the conduct of all group-spanning projects involving improvements in energy and water use and waste management. The underlying aim of these projects is to use less energy and water and to generate less waste in production and in this way reduce the carbon footprint of each unit of product.

Greenhouse gas emissions

Pınar Et has identified the sources of its greenhouse gas emissions in order to quantify them, has defined operational limits, and has begun working emission quantification. Once it has determined its own greenhouse gas emission values, Pınar Et intends to assess ways in which to reduce its carbon emissions, to begin working on projects to achieve this, and to reduce its carbon footprint by at least 15% between now and 2020.

The projects undertaken so far have resulted in improvements in production processes while also reducing the carbon footprint (the amount of CO_2 generated) of each unit of product by 8.47% since 2010. Data concerning the company's energy consumption in 2012 show that while the amount of electricity used per ton of product remained the same year-on, there was a 6.31% drop in the amount of natural gas use by the same measure.

Savings in electricity use

Substantial savings in electricity use have been achieved at Pınar Et through projects aimed at preventing energy consumption losses. Some of the most important of these are summarized below.

- A closed-loop water cooling tower was purchased and installed to cool the compressor fluids used in industrial refrigeration plants.
- The use of frequency-controlled devices was expanded.
  The tube type heat exchanger used to supply plants with the cold water they need was replaced with plate-type heat exchangers.
- Losses and leakages are reduced by replacing plumbing and insulation every year.

40%

The amount of Pınar Et product packaging recovered has reached the 40% level over the years.

Efficient water use

A vital component of Pınar Et's environmental management systems and programs is the efficient use of water in all production processes.

The amounts of water used for each unit of product made in Pınar Et's plant is carefully monitored and whenever there is a significant deviation, importance is given to discovering the reasons for it. A variety of projects are also formulated and carefully undertaken in order to use water more productively and to minimize the amount that is discharged as waste.

Energy savings also result from reducing the amounts of waste water generated by production at Pınar Et plants and from subjecting treatment plants to lower levels of contaminants.

Automatic sample collectors and flow meters installed at discharge outlets allow plants' waste water performance to be constantly monitored.

Reducing water use

- Regularly checking the water pipes connecting to ammonia refrigeration condensers and steam boilers results in less water being used.
- Savings in water consumption are achieved by means of closed-loop water chillers installed on production machinery.
- An automated closed-loop steam-cycle heating system is now being used instead of the hot water system which used to be used to liquidize the fat needed to deep-fry further-processed products. This has result in the use of less electricity as well as less water.

Packaging waste management

Packaging waste management at Pınar Et rests on reducing the amounts of waste at source and on reusing or recycling such elements as are recoverable.

To facilitate the collecting and sorting of waste resulting from Pınar Et's production processes, three separate categories of bins have been installed, one for each type of waste.

Discarded drums, cans, electrical and electronic equipment and fittings, machine and vegetable oil, and other waste of a hazardous nature is sent to licensed firms for proper recycling/disposal. Medical waste as well as discarded batteries, fluorescent tubes, and other waste are sorted at source and disposed of as required by laws and regulations.

In addition to using recyclable/recoverable and environment-friendly packaging wherever feasible in its products, Pınar Et also develops and carries out projects to use fewer packaging materials without sacrificing food quality or safety. One of these involved reducing the weight ratings of the foil that is used in the packaging of the company's products. Scheduled maintenance and replacement of machinery and equipment also results in less wasteful use of technology.

Pınar-ÇEVKO collaboration

Pınar Et has entered into an agreement with the ÇEVKO Foundation (Environmental Protection and Packaging Waste Recovery and Recycling Trust), an organization which is authorized and licensed by the Ministry of Environment and Urbanism to engage in waste management. Amounts of packaging waste corresponding to legally mandated percentages of the packaging of Pınar Et products that are supplied to market are collected and recovered/recycled by the foundation on the company's behalf. Another benefit of this agreement is that Pınar Et products are entitled to carry the "Green Dot" on their packaging.

As a result of this Pınar Et-ÇEVKO collaboration, 840 tons of paper and cardboard, 74 tons of plastics, and 349 tons of composites corresponding to the waste resulting from the consumption of Pınar Et products was collected and put to economic use through recovery/recycling. Pınar Et also contributes towards ÇEVKO's efforts in such areas as education, public awareness, and supporting the environmental activities of municipalities.

Type of packaging	(%) recovered in 2010	(%) recovered in 2011	(%) recovered in 2012
Paper & cardboard	37	38	40
Plastic	37	38	40

Social responsibility

Pınar Et generates as much value for society as a whole through the direct and indirect employment opportunities that it creates, the investments that it undertakes, the goods and services that it purchases, and the taxes that it pays as it does through the products that it makes. In addition to all of this, the company also regards its ongoing support for and contributions to art, education, sport, and culture as vital and indispensable in the fulfillment of its principle of giving back to society.

Pınar Children's Theater in its 25th year

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

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

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

Source: GfK Flavored Dairy Products Tracking Survey

Pınar Art Competition

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

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

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

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

Source: GfK Flavored Dairy Products Tracking Survey

Mystery Boxes Project

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

20%

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

PINAR ÇOCUK TİYATROSU

Pınar & UNICEF Hand-In-Hand

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

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

Pınar Institute

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

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

Pınar Et Professional Training Unit

The Pınar Et Professional Training Unit was set up as part of Pınar Et in 1998 to give professional education in meat and meat product operations and management in order to provide trained people for a business line that lacks any other source of professional training in our country.

The first such undertaking of its kind in Turkey, the Pınar Et Professional Training Unit's objectives are to provide young people in the 15-18 age group who have completed primary school education and who must go to work with theoretical and practical training to make them qualified to pursue a profession for which there is considerable unsatisfied demand in the country. Such training also has a number of other objectives and benefits such as inculcating a sense of work ethic and discipline among young people and raising professional standards, production quality standards, and worker productivity in general throughout the country.

In 2012, 24 apprenticeship students completed their studies in meat and meat product operations and management at the professional training unit having acquired their skills under the watchful eyes of master instructors. All of them were awarded journeyman certification. Ten of the year's graduates were hired into positions at Pınar Et.

At end-2012, 44 students were undergoing training at the Pınar Et Professional Training Unit, which had graduated a total of 305 people as of the same date.

Support for sport

Pınar KSK

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

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

Publications

Yaşam Pınarım

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

Pınar

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

Fairs & congresses

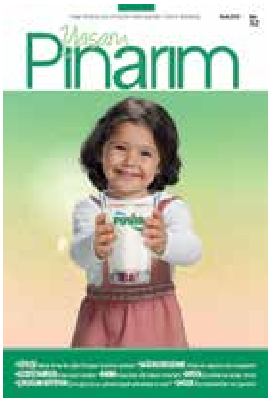
Pınar Süt exhibited its products at the Yaşar Group Food & Beverages Division's stand at the 81st İzmir International Fair in 2012.

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

Activities & events sponsored by Pınar Et in 2012

Pınar Et regards sponsorships as one of the most important ways in which it is able to fulfill its social responsibilities to the community. Among the events and activities sponsored by Pınar Et last year, mention should be made of:

- "The 4th International Golden Cap Chefs Competition", which was organized jointly by the Turkish Federation of Cooks and the Antalya Chefs Association at the Antalya Expo Fair and Congress Center and in which nearly 2,500 cooks from all over Turkey took part
- "The National Gastronomy & Cooking Competition" organized by the Uludağ Professional Chefs' Association, which was held at the Merinos Fair & Congress Center in Bursa and in which early 300 chefs from all over Turkey took part
- "World Food Day", organized by the Turkish Food Industry Employers' Association at İstanbul Grand Cevahir Congress & Exhibition Center in İstanbul
- "1st Safe Food Days" organized by KalDer İzmir
- "Marketing in the Age of the Customer Summit" at the Lütfi Kırdar Congress & Exhibition Center in İstanbul
- "13th In Search Of Excellence Symposium", organized by the İzmir Quality Association at Swissôtel Grand Efes in İzmir in May
- "Foods R & D Project Market", organized by the Aegean Exporters' Association at Swissôtel Grand Efes in İzmir on May 29th
- "Turkish Cruise Forum", organized by Seatrade and the İzmir Chamber of Commerce at Swissôtel Grand Efes in İzmir on July 4th
- "11th Management Summit" at the İstanbul Maslak Sheraton on November 15th
- "1st International İzmir Theater Festival" held on 7-17 December with the support of the Foundation for Social Research, Culture and Art
- "3rd Boğaziçi Regional Partnership Summit" held at Çırağan Sarayı on 13-15 December



Corporate Governance Practices and Financial Information

Corporate Governance

Financial Information

Management

BOARD OF DIRECTORS

İdil Yiğitbaşı
Chairperson

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

Yılmaz Gökoğlu
Vice Chairperson

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

Turhan Talu
Independent Director

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

Ali Yiğit Tavas
Independent Director

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

Dr. Mehmet Aktaş
Director

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

Management

Levent Rıza Dağhan
Director

Levent Rıza Dağhan received his bachelor's degree in public finance from Ankara University, Faculty of Political Sciences in 1986. The same year, he worked as an assistant manager and branch manager in Turkey operations of the UK-based International Leisure Group and as Manager for Turkey Operational Planning and Analysis at the London Head Office. He joined the Yaşar Group in 1991, where he worked as an auditor, audit coordinator and Vice President of Audit in the Audit Department. He was appointed as Vice President of Financial Affairs and Finance responsible for Coatings and Chemicals Division Companies (2001-2003), and held seats on the boards of directors of some companies under the Yaşar Group (1998-2003). From 2004 until 2009, Mr. Dağhan functioned as the CFO of Öger Group, and actively as a board member and Vice Chairman at Öger Group's companies, primarily Öger Holding and Atlasjet International Aviation. He has been serving as the President of Financial Affairs and Budget Control of Yaşar Group since 2009. Mr. Dağhan has been holding seats on the boards of directors of Yaşar Group Companies for the last three years.

Ergun Akyol
Director

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

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

SENIOR MANAGEMENT

Tunç Tuncer
General Manager

Tunç Tuncer got his bachelor's degree in agriculture technology from Ege University, Faculty of Agriculture in 1985. He started his business life in 1985 as a production manager at Pınar Et, where he subsequently worked as Production Supervisor, Assistant Production Manager, and Meat Products Production Manager. He functioned as Technical Director from 1999 until 2012. He has been serving as Pınar Et General Manager since June 2012.

Mustafa Şahin Dal
Financial Affairs and Budget Control Director

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

Muzaffer Bekar
Finance Director

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

Hakan İshakoğlu
Plant Director

Hakan İshakoğlu received his bachelor's degree in food engineering from Ege University, Faculty of Engineering in 1992. He began his business life as Frozen Meat Products Production Engineer at Pınar Et in 1992, where he later worked as Frozen Meat Products Production Supervisor, and Meat Products Production Manager. He has been serving as Pınar Et Plant Director since June 2012.

Risk Management, Internal Control System and Internal Audit Activities

RISK MANAGEMENT

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

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

Risk Management Policy of the Company

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

Activities of the Early Detection of Risk Committee

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

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

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

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

Along the line,

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

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

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

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

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

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

Legal Disclosures

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

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

Affiliated Companies Report

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

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

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

Donations and Grants

The company, from time to time, makes donations to foundations established for various purposes and to similar persons and/or institutions within the frame of the borders set by the relevant requirements of the Capital Market Law.

During 2012, the company's donations and grants to various organizations and institutions amounted to TL 173.075,24.

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

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

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

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

Changes in the Articles of Incorporation during the Reporting Period

It has been approved to amend "Article 7 - Board of Directors", "Article 8 - Duration of the Board of Directors", "Article 9 - Board of Directors Meetings", "Article 12 - Remuneration of the Board of Directors", "Article 21 - Announcements" and to supplement "Article 34 - Compliance with Corporate Governance Principles" to the company's articles of incorporation by the T.R. Prime Ministry Capital Markets Board letter no. 3920 dated 06 April 2012 and T.R. Ministry of Customs and Trade General Directorate of Domestic Trade permission no. 2656 dated 10 April 2012; the same have been laid down for the approval of shareholders, and unanimously approved and ratified, at the ordinary general assembly meeting held on 14 May 2012.

It has been approved to amend "Article 15 - General Assembly" of the company's articles of incorporation by the T.R. Prime Ministry Capital Markets Board letter no. 2054 dated 04 March 2013, and T.R. Ministry of Customs and Trade General Directorate of Domestic Trade preliminary permission no. 1530 dated 06 March 2013; the same has been laid down for the approval of shareholders, and unanimously approved and ratified, at the extraordinary general assembly meeting held on 25 March 2013.

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

Financial rights provided to the chairperson, members of the Board of Directors and Senior Executives are determined within the frame of the Remuneration Policy posted on our website. In the twelve months that ended on 31 December 2012, remunerations and similar payments made to the members of the Board of Directors and senior executives amounted to TL 2,453,175.

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

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

The Company's Shareholders' Equity

The shareholders' equity worth TL 316,174,385 as at 31 December 2012 indicates that the issued capital of TL 43,335,000 has been very well maintained.

Agenda

1. Opening and electing the Presiding Committee,
2. Authorizing the Presiding Committee to sign the minutes of the General Assembly Meeting minutes,
3. Reading, deliberating and approving the Annual Report 2012 by the Company's Board of Directors,
4. Reading and deliberating the Statutory Auditors' Report and Independent Auditor's Report for 2012 fiscal year,
5. Reading, deliberating and approving the financial statements for 2012 fiscal year,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2012 operations,
7. Acquitting statutory auditors of their fiduciary responsibility for 2012 operations,
8. Deliberating and deciding on amending "Article 2 - Company Name", "Article 3 - Objective and Scope of the Company", "Article 4 - Company Head Office and Branches", "Article 5 - Duration of the Company", "Article 6 - Registered Capital", "Article 7- Board of Directors", "Article 8 - Duration of the Board of Directors", "Article 9 - Board of Directors Meetings", "Article 10 - Representing and Administering the Company", "Article 11 - Duties of the Board of Directors Members", "Article 16 - Place of Meeting", "Article 18 - Meeting Quorum", "Article 19 - Votes", "Article 20 - Appointment of Proxies", "Article 21 - Announcements", "Article 22 - Manner of Voting", "Article 25 - Annual Accounts", "Article 26 - Distribution of Profit", "Article 27 - Dividend Distribution Timing", "Article 30 - Legal Provisions", "Article 31 - Jurisdiction", and "Article 33 - Bond Profit Sharing Certificate (Participation Bond) and Financial Bill Issue", and deleting "Article 13 - Auditors", "Article 14 - Duties of Auditors", "Article 17 - Presence of a Commissioner at the Meeting", "Article 23 - Amending the Articles of Incorporation", "Article 24 - Annual Reports" "Article 29 - Printing the Articles of Incorporation" and "Article 32 - Signing the Articles of Incorporation" from the articles of incorporation subject to the approval of the Capital Markets Board and the T.R. Ministry of Customs and Trade,
9. Determining the number of Board directors and their terms of office; making elections in accordance with the number of Board directors so determined; designating independent Board members,
10. Determining the rights provided to the Board directors such as compensation and attendance fees, bonuses and premiums pursuant to Article 408 of the Turkish Commercial Code,
11. Informing shareholders, pursuant to Capital Markets Board ruling 28/780 dated 9 September 2009, about guarantees, pledges, or mortgages that have been granted by the Company in favor of third parties as well as about any income and benefits that may have been acquired on account of such guarantees, pledges, or mortgages.
12. Informing shareholders about any donations that were made during the year and laying down the donation limit set under the Capital Market legislation for the approval of the General Assembly,
13. Submitting information to the General Assembly regarding transactions with the related parties during 2012 under the Capital Markets Board regulations
14. Reading the Internal Regulations about the General Assembly meetings prepared pursuant to Article 419 of the Turkish Commercial Code and laying it down for the approval of the General Assembly,
15. Deliberating and voting on matters pertaining to the year's profits,
16. Presenting the Company's Dividend Policy for 2012 and thereafter for the information of the General Assembly,
17. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,
18. Wishes and comments.

Profit Distribution Proposal

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

"The company's net distributable profit for 2012 is calculated as TL 31,041,386. This amount is arrived at as follows:

"TL 30,541,386 is shown as consolidated net profit for 2012 in the company's financial statements, which have been prepared taking into account the requirements of the Turkish commercial law, of capital markets laws and regulations, of the corporation tax law, of the income tax law, and of other laws, regulations, and administrative provisions as well as of the provisions of the company's articles of incorporation pertaining to the distribution of profits, and which have been independently audited in accordance with International Financial Reporting Standards.

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

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

"We submit for your consideration and approval the following proposal concerning the allocation of the TL 31,041,386 in distributable profit as calculated above:

- TL 6,242,892 will be distributed among shareholders as a first dividend. This corresponds to 20% of distributable profit when the TL 173,075 that was paid out as charitable donations during the year in line with CMB rules is taken into account.
- Of the remainder, an allocation of not more than 5% will be set aside for the Board of Directors as prescribed by the company's articles of incorporation.
- Of the remainder, the amount of TL 21,491,508 will be distributed among shareholders as a second dividend. The combined total of first and second dividends amounts to TL 27,734,400. This corresponds to 64% of our issued capital, which amounts to TL 43,335,000.
- Of the remainder, TL 2,606,765 will be set aside as a second statutory reserve.
- Of the final amount remaining, all will be set aside as an extraordinary reserve.

"A detailed presentation of the foregoing is shown on page 53 of this annual report.

"If this proposal is approved, the company will be paying out a gross cash dividend amounting to TL 0.6400, which is to say a net cash dividend of TL 0.5440, on each share of its stock with a par value of TL 1.00."

Please be advised.

Profit Distribution Table

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
2012 PROFIT DISTRIBUTION TABLE (TL)

1.	Paid-in/Issued Capital		43,335,000
2.	Total Statutory Reserves (according to legal records)		22,352,865
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	36,062,100	43,234,190
4.	Taxes Payable (-)	(5,520,714)	(7,833,110)
5.	Net Profit for the Period (=)	30,541,386	35,401,080
6.	Losses in Prior Years (-)	0	0
	Net effect of reserves set aside in the financial statements for allocation for the Board of Directors (+)	500,000	
7.	First Statutory Reserves (-)	0	0
8.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**31,041,386**	**35,401,080**
9.	Donations during the Year (+)	173,075	
10.	**Net Distributable Profit for the Period Including Donations, Based on Which First Dividend will be Computed**	**31,214,461**	
11.	First Dividend to Shareholders	6,242,892	
	- Cash	6,242,892	
	- Bonus Shares		
	- Total	6,242,892	
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	21,491,508	
16.	Second Statutory Reserves	2,606,765	
17.	Statutory Reserves	0	
18.	Special Reserves		
19.	**EXTRAORDINARY RESERVES**	**200,221**	**4,559,915**
20.	Other Resources to be Distributed		
	- Previous Year Profit		
	- Extraordinary Reserves		
	- Other Distributable Reserves as per the Law and Articles of Incorporation		

INFORMATION ON EARNINGS PER SHARE

	CLASS	TOTAL DIVIDENDS (TL)	DIVIDENDS PER SHARE WITH NOMINAL VALUE OF TL 1 EACH — AMOUNT (TL)	RATIO (%)
GROSS	There are no privileged share classes for profit distribution.	27,734,400	0.6400	64.00%
NET		23,574,240	0.5440	54.40%

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
27,734,400	89%

Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles:

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

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

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

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

PART I: SHAREHOLDERS

2) Investor Relations Department

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

Information about the Shareholder Relations Unit is provided below.

Capital Markets Coordinator: Senem Demirkan

Investor Relations Specialist: Gökhan Kavur

Tel : +90 232 482 2200

Fax : +90 232 489 1562

Email : investorrelations@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. Investor Relations Specialist Gökhan Kavur holds a Capital Market Activities Advanced Level License.

The duties of the Investor Relations Department are listed below:

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

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

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

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

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

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

Ensure that investor relations activities are properly conducted.

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

The Unit participated in two investors conferences in 2012, during which it held one-on-one contacts with 27 investors, and had one-on-one meetings with about 15 others during the rest of the year. Moreover, more than 350 queries were responded by phone or e-mail during the reporting period. In addition, two analysts' meetings have been organized, which was open to participation of all analysts; addressing the Company's activities and financial results in the 12-month period of 2011 and the 6-month period of 2012; one of these two meetings was in webcast format. "Investor Presentations" drawn up in Turkish and English languages concerning the company's periodic results were published on the company's website. The website and investor presentations have been updated regularly to make sure that up-to-date information is made available to the investors at all times. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests

3. Shareholders' exercise of their right to obtain information

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

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

4. General Assembly Meetings:

The 2011 annual General Assembly meeting took place on 14 May 2012. Pursuant to article 19 ("Meeting quorums") of the company's articles of incorporation, the quorum requirements at ordinary and extraordinary General Assembly meetings are subject to the provisions of the Turkish Commercial Code. At the 2011 annual General Assembly meeting, 66.89% of the company's capital was represented. During the meeting, no attending shareholders or their proxies advanced any motions and all questions that were raised were responded to by the Presiding Committee. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

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

The company's General Assembly meeting announcements were published in the Turkish Trade Registry Gazette twenty-one days (not including the announcement and meeting dates) prior to the meeting date under the provisions of Article 368 of the TCC and as per "Article 21 - Announcement" of the articles of incorporation. The announcement was also published on the corporate website and in a local newspaper. Shareholders whose addresses were on record with the company were sent letters in which they were informed about the meeting date, location, and agenda. Prior to the General Assembly meetings, the meeting date, place and agenda, the profit distribution proposal that the Board of Directors intends to submit to General Assembly as well as the identity of independent auditors selected by the Board of Directors are publicly disclosed in material disclosures.

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

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

Corporate Governance Principles Compliance Report

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

5. Voting Rights and Minority Rights:

Article 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. Minority rights are not represented on the Board of Directors.

6. Entitlement to Dividends:

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

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

7. Transfer of shares

Transfers of bearer shares are subject to the related provisions 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 legislation and of Borsa İstanbul regulations.

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

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

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

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

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

10. Annual Report:

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

PART III: STAKEHOLDERS

11. Disclosure to Stakeholders:

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

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

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

12. Stakeholder Participation in Management:

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

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

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

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

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

Corporate Governance Principles Compliance Report

13. Human Resources Policy:

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

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

Basic human resources policies

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

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

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

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

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

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

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

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

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

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

There are two shop stewards at Pınar Et company, namely Vefa Acar, who is also the Production Shift Supervisor, and Hamdi Bulut.

The duties of these representatives are to:

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

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

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

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

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

14. Rules of Ethics and Social Responsibility:

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 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.

The company seeks to make contributions that are beneficial to employees and to the community in the areas of culture, art, sport, and education through its newspaper Pınar, and its magazine Yaşam Pınarım. The company supports education by collaborating with organizations such as Yaşar University and Yaşar Education Foundation.

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

PART IV: BOARD OF DIRECTORS

15. Structure and Formation of the Board of Directors:

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

Name	Position	Independent Director or Not	Executive Director or Not	Term of Office
İdil Yiğitbaşı	Chairperson	Non-independent Board Director	Non-executive	1 year
Yılmaz Gökoğlu	Deputy Chairperson	Non-independent Board Director	Non-executive	1 year
Mehmet Aktaş	Director	Non-independent Board Director	Non-executive	1 year
Ergun Akyol	Director	Non-independent Board Director	Non-executive	1 year
Levent Rıza Dağhan	Director	Non-independent Board Director	Non-executive	1 year
Turhan Talu	Director	Independent Board Director	Non-executive	1 year
Ali Yiğit Tavas	Director	Independent Board Director	Non-executive	1 year

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

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

16. Operating Principles of the Board of Directors:

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

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

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

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

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

Corporate Governance Principles Compliance Report

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

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

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

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

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

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

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

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

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

18. Risk Management and Internal Control Mechanism:

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

19. Strategic Goals of the Company:

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

20. Financial Rights:

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

Statutory Auditors' Report

TO THE GENERAL ASSEMBLY OF PINAR 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 İzmir
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 (14.05.2012 - one year) not a shareholder Erdem Çakırokkalı (14.05.2012 - one year) not a shareholder
Number of Board of Directors meetings participated in and of Board of Auditors meetings held	Board of Directors meetings: 36 Board of Auditors meetings: 12
Scope, dates and conclusions of the examination made on the accounts, books and documents of the company	At the end of each month, cash, cheques, bonds and receipts were counted, and the records and documents were screened on the basis of sampling method and no irregularities were found.
Number and results of the cash counts performed in the company's cashier's office pursuant to the related provisions of the Turkish Commercial Code	The cashier's office of the company was checked and counted 12 times and no irregularities were found.
Dates and results of the examinations made pursuant to the related provisions of the Turkish Commercial Code	Examination was performed at the end of each month, comments were provided for matters of uncertainty, and no irregularities were established.
Complaints and charges of fraud of which the company was advised and actions taken against them	None

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

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

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

Statutory Auditor
Kamil Deveci

Statutory Auditor
Erdem Çakırokkalı

Independent Auditor's Report

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

To the Board of Directors of

Pınar Entegre Et ve Un Sanayii A.Ş.

Report on the financial statements

1. We have audited the accompanying financial statements of Pınar Entegre Et ve Un Sanayii A.Ş (the "Company") which comprise the balance sheet as of 31 December 2012 and the statement of comprehensive income, the statement of changes in equity, the statement of 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

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matters

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

6. As explained in Note 42 to the financial statements, the accounting principles described in Note 2 to the financial statements differ from International Financial Reporting Standards ("IFRS") with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.

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

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Cansen Başaran Symes, SMMM
Partner
İstanbul, 14 March 2013

Pınar Entegre Et ve Un Sanayii A.Ş.

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Balance Sheets at 31 December 2012 and 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
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	Notes	31 December 2012	31 December 2011
ASSETS			
Current Assets		**137.176.345**	**138.615.741**
Cash and Cash Equivalent	6	480.596	4.131.878
Financial Assets	7	1.845.185	2.345.784
Trade Receivables		60.715.728	49.013.261
- Due From Related Parties	37	42.722.045	32.943.467
- Other Trade Receivables	10	17.993.683	16.069.794
Other Receivables		42.208.835	48.382.714
- Due From Related Parties	37	42.179.547	46.676.353
- Other Receivables	11	29.288	1.706.361
Inventories	13	30.510.192	32.289.336
Other Current Assets	26	1.415.809	2.452.768
Non - Current Assets		**275.374.993**	**285.018.042**
Other Receivables		-	9.745.131
- Due From Related Parties	37	-	9.745.000
- Other Receivables	11	-	131
Financial Assets	7	687.145	403.371
Investments in Associates Accounted for Using Equity Method	16	107.209.671	110.498.031
Property, Plant and Equipment	18	167.346.243	164.094.623
Intangible Assets	19	105.716	141.162
Other Non-Current Assets	26	26.218	135.724
TOTAL ASSETS		**412.551.338**	**423.633.783**

The financial statements at 31 December 2012 and for the year then ended have been authorized for issue by Board of Directors of Pınar Entegre Et ve Un Sanayii A.Ş. on 14 March 2013.

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

Pınar Entegre Et ve Un Sanayii A.Ş.

Balance Sheets at 31 December 2012 and 2011

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

	Notes	31 December 2012	31 December 2011
LIABILITIES			
Current Liabilities		**73.929.110**	**79.342.461**
Financial Liabilities	8	12.068.589	22.154.307
Trade Payables		56.536.682	50.884.104
- Due to Related Parties	37	8.909.608	5.304.389
- Other Trade Payables	10	47.627.074	45.579.715
Other Payables		178.720	1.035.746
- Due to Related Parties	37	148.720	933.640
- Other Payables	11	30.000	102.106
Current Income Tax Liabilities	35	1.457.116	975.786
Provisions	22	1.364.211	1.011.405
Other Current Liabilities	26	2.323.792	3.281.113
Non- Current Liabilities		**22.447.843**	**33.940.588**
Financial Liabilities	8	-	12.219.000
Provisions	22	223.934	208.512
Provisions for Employment Termination Benefits	24	9.892.871	6.877.385
Deferred Income Tax Liabilities	35	12.331.038	14.635.691
TOTAL LIABILITIES		**96.376.953**	**113.283.049**
EQUITY		**316.174.385**	**310.350.734**
Share Capital	27	43.335.000	43.335.000
Adjustment to Share Capital	27	37.059.553	37.059.553
Reserves		105.990.475	107.604.585
- Revaluation Reserve	18	97.364.859	101.311.294
- Fair Value Reserves of Available for Sale Investments	7	45.992	30.386
- Fair Value Reserves of Investments in Associates	16	8.579.624	6.262.905
Cash Flow Hedge on Fair Value Reserves of Investments in Associates	16	(229.937)	(162.253)
Currency Translation Reserve	2.3	382.081	519.951
Restricted Reserves	27	22.448.345	19.928.250
Retained Earnings	27	76.647.482	72.333.771
Profit for the Year		30.541.386	29.731.877
TOTAL LIABILITIES AND EQUITY		**412.551.338**	**423.633.783**

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

Pınar Entegre Et ve Un Sanayii A.Ş.

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

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

	Notes	1 January - 31 December 2012	1 January - 31 December 2011
Revenue	28	416.443.481	383.665.538
Cost of Sales	28	(344.089.735)	(323.392.020)
GROSS PROFIT	28	**72.353.746**	**60.273.518**
Research and Development Expenses		(1.061.293)	(956.368)
Selling and Marketing Expenses	29	(21.249.565)	(20.812.061)
General Administrative Expenses	29	(19.862.092)	(14.469.024)
Other Operating Income	31	1.107.876	1.251.848
Other Operating Expense	31	(786.759)	(1.699.590)
OPERATING PROFIT		**30.501.913**	**23.588.323**
Share of Results of Investment-in-Associates-net	16	1.111.545	9.167.044
Financial Income	32	10.961.687	9.066.908
Financial Expense	33	(6.513.045)	(6.592.126)
PROFIT BEFORE TAXATION ON INCOME		**36.062.100**	**35.230.149**
Income Tax Expense		(5.520.714)	(5.498.272)
- Taxes on Income	35	(7.833.110)	(6.169.970)
- Deferred Tax Income	35	2.312.396	671.698
PROFIT FOR THE YEAR		**30.541.386**	**29.731.877**
Other Comprehensive Income:			
Increase in Revaluation Reserve of Investment in Associates- net	16	-	3.769.839
Increase in Revaluation Reserve - net	18	-	27.753.456
Increase/(Decrease) in Fair Value Reserve of Available for Sale Investments	7 - 35	15.606	(93.132)
Currency Translation Differences	2 - 16	(137.870)	685.980
Cash Flow Hedge on Fair Value Reserves of Investments in Associates	16	(67.684)	(162.253)
Increase in Fair Value Reserve of Investment in Associates - net	16	2.316.719	810.973
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**2.126.771**	**32.764.863**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**32.668.157**	**62.496.740**
EARNINGS PER SHARE	36	**0,7048**	**0,6861**

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

Pınar Entegre Et ve Un Sanayii A.Ş.

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

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

Convenience Translation into English of Financial Statements Originally Issued in Turkish

	Notes	1 January - 31 December 2012	1 January - 31 December 2011
Cash flows from operating activities:			
Profit before taxation on income		36.062.100	35.230.149
Adjustments to reconcile profit before taxation on income to net cash generated from operating activities			
Depreciation and amortisation	18-19	7.410.431	8.048.209
Interest income	32	(5.988.471)	(3.889.559)
Interest expense	33	2.429.370	1.998.065
Provision for employment termination benefits	24	4.152.315	1.360.926
Reversal of impairment on property, plant and equipment	31	-	(92.198)
Inventory profit elimination	16	14.579	(19.690)
Management bonus provision	29	500.000	500.000
Share of results of investment in associates- net	16	(1.111.545)	(9.167.044)
Gain from sales of property, plant and equipment	31	(52.053)	(28.937)
Unrealized foreign exchange gain		643	(3.391)
		43.417.369	**33.936.530**
Changes in assets and liabilities:			
Increase in trade receivables	10	(1.923.889)	(8.534.568)
Decrease in inventory	13	1.779.144	9.055.325
Increase in due from related parties	37	(9.778.578)	(9.251.119)
Decrease in other receivables and other current assets		1.040.423	853.062
Decrease in other non-current assets		109.637	504.053
Increase in trade payables	10	2.047.359	14.811.174
Increase/(decrease) in due to related parties		3.605.219	(3.947.190)
(Decrease)/increase in other current and non-current liabilities		(945.507)	1.688.914
Employment termination benefit paid	24	(1.136.829)	(818.595)
Bonus paid	22	(215.692)	(492.705)
Taxes paid		(5.678.171)	(7.237.727)
Net cash generated from operating activities		**32.320.485**	**30.567.154**
Investing activities:			
Interest received		6.354.729	5.810.186
Dividend income received	37.ii.d	6.498.794	10.634.856
Purchases of property, plant and equipment and intangible assets	18-19	(10.726.497)	(5.478.474)
Proceeds from property, plant and equipment sales		178.981	128.278
Decrease/(increase) in non-trade due from related parties	37	13.873.245	(25.439.587)
Net cash generated from/(used in) investing activities		**16.179.252**	**(14.344.741)**
Financing activities:			
(Redemption)/increase in financial liabilities	8	(21.539.042)	21.201.596
(Decrease)/increase in non-trade due to related parties		(784.920)	80.400
Dividends paid	37	(26.867.700)	(33.367.950)
Interest paid		(2.694.447)	(1.762.579)
Participation to capital increase in available-for-sale investments		(264.267)	-
Net cash used in financing activities		**(52.150.376)**	**(13.848.533)**
(Decrease)/increase in cash and cash equivalent-net		**(3.650.639)**	**2.373.880**
Cash and cash equivalents at 1 January		4.131.878	1.754.607
Effect of foreign exchange on cash and cash equivalents		(643)	3.391
Cash and cash equivalents at 31 December	6	**480.596**	**4.131.878**

The accompanying notes 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 31 December 2012 and 2011

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

Convenience Translation into English of Financial Statements Originally Issued in Turkish

	Share Capital	Adjustment to share capital	Revaluation reserve	Fair value reserves of available-for-sale investments
1 January 2011	**43.335.000**	**37.059.553**	**73.292.549**	**123.518**
Transfer of prior year income to retained earnings	-	-	-	-
Legal reserves	-	-	-	-
Dividends paid (Notes 27 and 37.ii.k)	-	-	-	-
Depreciation transfer of investments-in -associates-net (Note 18)	-	-	(1.084.232)	-
Depreciation transfer (Note 18)	-	-	(2.420.318)	-
Total comprehensive income	-	-	31.523.295	(93.132)
31 December 2011- as previously reported	**43.335.000**	**37.059.553**	**101.311.294**	**30.386**
Correction (Note 2.6.11)	-	-	(846.722)	-
1 January 2012- as corrected	**43.335.000**	**37.059.553**	**100.464.572**	**30.386**
Transfer of prior year income to retained earnings	-	-	-	-
Legal reserves	-	-	-	-
Dividends paid (Notes 27 and 37.ii.k)	-	-	-	-
Depreciation transfer of investments-in-associates-net (Note 18)	-	-	(246.282)	-
Depreciation transfer (Note 18)	-	-	(2.853.431)	-
Total comprehensive income	-	-	-	15.606
31 December 2012	**43.335.000**	**37.059.553**	**97.364.859**	**45.992**

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

	Fair value reserves of investments- in associates	Cash Flow Hedge on Fair Value Reserves of investments in associates	Currency translation reserve	Restricted reserves	Retained earnings	Profit for the year	Total equity
	5.451.932	**-**	**(166.029)**	**15.063.386**	**67.530.304**	**39.531.731**	**281.221.944**
	-	-	-	-	39.531.731	(39.531.731)	-
	-	-	-	4.864.864	(4.864.864)	-	-
	-	-	-	-	(33.367.950)	-	(33.367.950)
	-	-	-	-	1.084.232	-	-
	-	-	-	-	2.420.318	-	-
	810.973	(162.253)	685.980	-	-	29.731.877	62.496.740
	6.262.905	**(162.253)**	**519.951**	**19.928.250**	**72.333.771**	**29.731.877**	**310.350.734**
	-	-	-	-	869.916	-	23.194
	6.262.905	**(162.253)**	**519.951**	**19.928.250**	**73.203.687**	**29.731.877**	**310.373.928**
	-	-	-	-	29.731.877	(29.731.877)	-
	-	-	-	2.520.095	(2.520.095)	-	-
	-	-	-	-	(26.867.700)	-	(26.867.700)
	-	-	-	-	246.282	-	-
	-	-	-	-	2.853.431	-	-
	2.316.719	(67.684)	(137.870)	-	-	30.541.386	32.668.157
	8.579.624	**(229.937)**	**382.081**	**22.448.345**	**76.647.482**	**30.541.386**	**316.174.385**

Pınar Entegre Et ve Un Sanayii A.Ş.

Notes to the Financial Statements at 31 December 2012 and 2011

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Pınar Entegre Et ve Un Sanayii A.Ş. (the "Company") was established in 1985 and is engaged in production of meat and by-products of cattle, sheep, poultry and fish, 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.

The Company is a member of Yaşar Group. Majority of the Company's sales in the domestic market amounting approximately 74%, (2011: 79%) are made to its investment-in-associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), and majority of the 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% (2011: 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 (2011: 54%) (Note 27).

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

Ankara Asfaltı 25. Km,

Kemalpaşa

İzmir

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

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

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

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

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

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

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land, land improvements and buildings, machinery and equipment, derivative financial instruments, which are measured at fair values.

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

2.2 Amendments in International Financial Reporting Standards

a) Amendments and new standards and interpretations effective from 1 January 2012 have not been presented since those are not relevant to the operations of the Company or have immaterial effects.

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

- Amendment to IAS 19, "Employee Benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Actuarial gains and losses arising from the calculations of provision for employment termination benefits will be classified under other comprehensive income without having an effect on the net profit/loss for the year. The Company is yet to assess IAS 19's full impact.
- Amendment to IAS 1, "Financial statement presentation" regarding other comprehensive income, 1 July 2012, The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Company is yet to assess IAS 1's full impact.
- IFRS 9, "Financial instruments", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement, and recognition of financial assets and financial liabilities. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Company will also consider the impact of the remaining phases of IFRS 9 when completed.
- IFRS 12, "Disclosures of Interests in Other Entities" is effective for annual periods beginning on or after 1 January 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose instruments and other off balance sheet instruments. The Company is yet to assess IFRS12's full impact.
- IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The Company is yet to assess IFRS 13's full impact.
- IAS 28 (revised), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11 "Joint arrangements". The amendment does not have a significant impact on the Company's financial statements.
- IAS 32 (amendment), "Financial instruments: Presentation", on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have a significant impact on the Company's financial statements.
- IFRS 7 (amendment), "Financial instruments: Disclosures", on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. The amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The amendment does not have a significant impact on the Company's financial statements.

c) New standards, amendments and interpretations issued but not effective or not relevant to the operations of the Company for the financial year beginning 1 January 2012 and not early adopted:

- IFRS 10, "Consolidated financial statements" is effective for annual periods beginning on or after 1 January 2013. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.
- IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2013. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. Proportional consolidation of joint ventures is no longer allowed.
- IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

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

2.3 Basis of Consolidation

The Company does not have any subsidiary to be consolidated in the financial statements. The investments-in-associates are accounted for using the equity method and are initially recognised at cost. 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 which not control. Unrealised gains on transactions between the Company has significant influence, but which 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, 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 statement of changes in equity and statement in comprehensive income.

When the carrying amount of the investment in an associated undertaking reaches zero, unless the Company has incurred obligations or guaranteed obligations in respect of the associates or significant influence of the Company ceases, cannot be expected more. Equity accounting is discontinued since the significant influence of the Company ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as cost thereafter.

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

	Shareholding (%)	
	2012	**2011**
Investments-in-associates		
YBP	38,05	38,05
Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş. (“Çamlı Yem”)	23,38	23,38
Pınar Foods GmbH (“Pınar Foods”)	44,94	44,94
Desa Enerji Elektrik Üretim A.Ş. (“Desa Enerji”)	26,41	26,41

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 income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

ii) Translation of financial statements of foreign associate

Financial statements of Pınar Foods operating in Germany 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, and the statement of comprehensive income items of foreign associate are translated into TL at the average foreign exchange rates in the period. As of 31 December 2012, the equivalent of EUR1 is TL2,3517 (2011: TL2,4438) and for the year then ended, the average equivalent of EUR1 is TL2,3046 (2011: TL2,3229). Exchange differences arising from re-translation of the opening net assets of investment-in-associate and the differences between the average and year-end rates are included in the “currency translation reserve” under the equity as a separate component.

2.4 Offsetting

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

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

2.5 Comparative Information

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 December 2012 on a comparative basis with balance sheet at 31 December 2011; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2012 on a comparative basis with financial statements for the period of 1 January - 31 December 2011.

2.6 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of the financial statements are summarised below:

2.6.1 Revenue recognition

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

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

2.6.2 Inventories

Raw materials of the Company mainly consist of meat and white meat as well as spices and animal fats, which are used in production of meat. Work in progress stocks mainly consists of processed turkey, cattle and sheep meat, finished goods consist of delicatessen, frozen and fresh meat product, other stocks mainly consists of spare parts.

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

2.6.3 Property, plant and equipment

The Company’s land and land improvements, buildings, machinery and equipment are stated at fair value, based on valuations by external independent valuer at 31 December 2011, namely Elit Gayrimenkul Değerleme A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Property, plant and equipment, except for land and land improvements, buildings, machinery and equipment, acquired before 1 January 2005 are carried at cost, in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less the subsequent depreciation and impairment loss, if any, as of 31 December 2012 (Note 18).

Increases in the carrying amount arising on the revaluation of property, plant and equipment are credited to the revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset’s original cost is transferred from the revaluation reserve to the accumulated losses. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount is restated to the revalued amount of the asset.

Buildings, machinery and equipment are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. At each balance sheet date, residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively. The advances given for the property, plant and equipment purchases are classified under the other non-current assets until the related asset is capitalised.

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

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (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	5-30
Machinery and equipments	5-20
Furniture and fixtures	5-10
Motor vehicles	5

Where the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount (Notes 2.6.5 and 18). If the property, plant and equipments that are impaired, are revalued, the impairment is charged to the revaluation reserves to the extent that the amount offsetting previous increases of the same asset charged in the revaluation reserves and all other decreases are recognised in the statement of comprehensive income (Note 31.a).

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

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value 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 ore recognised as separate asset, are depreciated based on their useful lives.

2.6.4 Intangible assets

Intangible assets comprise information systems and software. Intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any. Intangible assets 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. In case of an impairment, the carrying values of the intangible assets is written-down to their recoverable amounts (Note 2.6.5).

2.6.5 Impairment of assets

At each reporting date, the Company assess whether there is an impairment indication for the assets, except for the deferred income tax asset, and property, plant and equipment that are stated at revalued amounts as of reporting date. If there is an indication of impairment, the impairment test is performed more frequently. 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.

Goodwill on acquisitions of associates is included in the carrying amount of an investment-in-associate and not tested for impairment separately by applying the requirements for impairment testing of goodwill in IAS 36, "Impairment of Assets". Instead, the entire carrying amount of the investments is tested under IAS 36 Impairments, by comparing its recoverable amount (higher of value-in-use and fair value less cost to sell) with its carrying amount, whenever application of the requirements of IAS 39 indicates that the investment may be impaired. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", if there is an indication of impairment in investment in associates, the carrying amount of the investments is tested in accordance with IAS 36, by comparing its recoverable amount (higher of value-in-use and fair value less cost to sell) with its carrying amount and any additional impairment loss is recognised, if any.

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

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

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

- Significant financial difficulty of the issuer or obligor,
- A breach of contract, such as a default or delinquency in interest or principal payments,
- 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 reorganisation,
- Observable data indicating that there is a measurable decrease in the estimated future cash flows.

2.6.6 Borrowing and borrowing cost

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

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

2.6.7 Financial assets

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

a) Loans and receivables

Loans and receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. Loans and receivables arise, without held-for-sale intention, from the Company's supply of goods, service or direct fund to any debtor. If the maturity of these instruments are less than 12 months, these loans and receivables are classified in current assets and if more than 12 months, classified in non-current assets. The loans and receivables are included in Trade receivables and Other receivables in the balance sheet. Loans 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 less any impairment, if any. Short term loans and receivables without a determined interest rate are evaluated with the invoice amount if the effective interest rate is negligible.

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

b) Available-for-sale investments

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

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

When securities classified as available-for-sale are 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 income. Impairment losses recognised in the statement of comprehensive income on investments are not reversed through the statement of comprehensive income.

2.6.8 Earnings per share

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

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

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

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

2.6.9 Subsequent events

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

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

2.6.10 Provisions, contingent liabilities and contingent assets

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

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

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

2.6.11 Accounting policies, errors and change in accounting estimates

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

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

- The Company management assessed the useful lives of property, plant and equipments and changed useful lives of buildings and land improvements, machinery and equipment as of 1 January 2012. The effect of change in accounting estimate is recognised prospectively. Had the Company management not changed the estimation, the depreciation expense for the year ended 31 December 2012, would be higher by TL3.374.444.

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

	Estimated Useful Lives	
	Before Change	After Change
Buildings and land improvements	15-50 years	5-30 years
Machinery and equipment	5-30 years	5-20 years

- The Company management has changed certain actuarial assumptions and estimations for employment termination benefits provision as of 1 January 2012. The effect of change in accounting estimate is recognised prospectively. Had the Company management not changed the estimations, the provision for employment termination benefits for the year ended 31 December 2012, would be lower by TL746.968.

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

b) Prior year corrections:

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

Understatement in property, plant and equipment (Note 18)	27.036
Understatements of deferred income tax liability (Note 35)	(3.842)
Overstatements of revaluation fund (Note 18)	846.722
Total effect on retained earnings	(869.916)
Total effect on equity	23.194

2.6.12 Related parties

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

2.6.13 Segment reporting

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

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

2.6.14 Leases

(1) The Company as the lessee

Finance Leases

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

Operating Leases

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

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

(2) The Company as the lessor

Operating Leases

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

2.6.15 Taxation on income

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

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

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

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

2.6.16 Provision for employment termination benefits

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

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

2.6.17 Statement of cash flow

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

2.6.18 Share capital and dividends

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

2.6.19 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).

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

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

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

2.6.20 Critical accounting estimates and judgements

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

a) Income taxes

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

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

The generally accepted valuation techniques used in fair value determination of available-for-sale investments for which there is no quoted market price exists, consist of several assumptions, which are based on the management’s best estimates and fair value available-for-sale investments could be different when the purchase/sales of the transactions incurred (Note 7).

c) Impairment test of goodwill and distribution network recognised as investments in associates

The Company management used several estimations and assumptions in the impairment test of assets in the impairment tests which are based on discounted cash flow technique as stated in IAS 36 “Impairment of Assets” (Note 16).

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

As of 31 December 2012, land and land improvements, buildings, machinery and equipment were stated at fair value less subsequent depreciation of land improvements, buildings, machinery and equipment, based on valuations performed by external independent valuer namely Vakıf Gayrimenkul Değerleme A.Ş. based on the Company’s assumption that those values do not significantly differ from their fair values as of 31 December 2011 (Note 18). As there were no recent similar buying/selling transactions nearby, revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements and machinery and equipment were based on the method of cost approach and based on the following valuation techniques and assumptions;

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements and machinery and equipment were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.
- In the market reference comparison method, current market information was 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 lands subject to the valuation. The similar pieces of land found were compared in terms of location, accessibility, size, settlement status, changes in 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.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

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

- Regarding the valuation of the machinery and equipment, technologic conditions, economic and commercial useful life, capacities, technological and actual tear, commercial attributes and industrial positions as well as dismantling and assembling costs were taken into account.
- Since a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment. Such machinery and equipment were reviewed and assessed by their line.

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

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

NOTE 3 - BUSINESS COMBINATIONS

None (2011: None).

NOTE 4 - JOINT VENTURES

None (2011: None).

NOTE 5 - SEGMENT REPORTING

Please see Note 2.6.13

NOTE 6 - CASH AND CASH EQUIVALENT

	31 December 2012	31 December 2011
Cash in hand	37.228	57.062
Banks	443.368	4.074.816
- demand deposits	103.368	285.816
- time deposits	340.000	3.789.000
	480.596	**4.131.878**

As of 31 December 2012, time deposits amounting to TL340.000 (2011: TL3.789.000) mature less than one month (2011: less than one month) and bear the effective weighted average interest rates of 7,18% per annum ("p.a.") (2011: 11,40% p.a.).

Demand deposits at 31 December 2012 include foreign currency denominated balances comprised of USD219, equivalent of TL390 (2011: USD4.526, equivalent of TL8.549), whereas cash in hand at 31 December 2012 comprised of USD2.105 and EUR4.305, equivalent of TL13.876 (2011: USD1.910 and EUR3.000, equivalent of TL10.939).

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

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NOTE 7 - FINANCIAL ASSETS

a) Available-for-sale investments:

	31 December 2012		31 December 2011	
	TL	%	TL	%
Yataş	620.014	1,76	346.278	1,76
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	67.131	1,33	57.093	1,33
	687.145		**403.371**	

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 31 December 2012 and 2011, the discount and growth rates used in discounted cash flow models are as follows;

	Discount rate		Growth rate	
	2012	2011	2012	2011
Bintur	9,60%	11,06%	1%	1%
Yataş	7,58%	9,07%	0%	0%

Movements of available-for-sale investments in 2012 and 2011 are as follows;

	2012	2011
1 January	**403.371**	**519.786**
Fair value change - Yataş	9.469	(113.502)
Fair value change - Bintur	10.038	(2.913)
Contribution to the capital increase of Yataş	264.267	-
31 December	**687.145**	**403.371**

Movements of fair value reserve of available-for-sale investments in 2012 and 2011 are as follows:

1 January	**30.386**	**123.518**
Change in fair value - net	19.507	(116.415)
Deferred income tax effect on fair value reserve of available-for-sale investments (Note 35)	(3.901)	23.283
31 December	**45.992**	**30.386**

b) Other financial assets

As of 31 December 2012, other financial assets amounting to TL1.845.185 (2011: TL2.345.784) consist of receivables from derivative financial instruments, and have been further disclosed in Note 8.

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NOTE 8 - FINANCIAL LIABILITIES

	31 December 2012	31 December 2011
Short-term bank borrowings	124.460	21.922.678
Short-term portion of long-term bank borrowings	11.944.129	231.629
Derivative financial assets	(1.845.185)	(2.345.784)
Short-term financial liabilities ve derivative financial assets	**10.223.404**	**19.808.523**
Long-term bank borrowings	-	12.219.000
Long-term financial liabilities and derivative financial assets	-	12.219.000
Total financial liabilities and derivative financial assets	**10.223.404**	**32.027.523**

a) Bank borrowings and other financial liabilities:

	Effective weighted average interest rate p.a. %		Original currency		TL equivalent	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Short-term bank borrowings:						
EUR borrowings (*)	-	5,54	-	5.049.684	-	12.340.418
USD borrowings (**)	-	6,20	-	5.072.931	-	9.582.260
TL borrowings (***)	-	-	124.460	-	124.460	-
					124.460	**21.922.678**
Short-term portion of long-term bank borrowings:						
Short-term portion of long-term EUR borrowings (****)	6,05	7,34	5.078.934	94.782	11.944.129	231.629
Total short-term bank borrowings					**12.068.589**	**22.154.307**
Derivative financial assets:						
Cross currency swaps	-	-	(1.845.185)	(2.345.784)	(1.845.185)	(2.345.784)
Total short-term bank borrowings and derivative financial assets					**10.223.404**	**19.808.523**
Long-term bank borrowings:						
EUR borrowings (****)	-	7,34	-	5.000.000	-	12.219.000
Total long-term bank borrowings					**-**	**12.219.000**

(*) As of 31 December 2011, there is EUR denominated short-term bank borrowings at three months floating interest rates of Euribor +3.75% p.a.

(**) As of 31 December 2011, there is USD denominated short-term bank borrowings at fixed interest rates of 6.20% p.a.

(***) TL denominated short-term bank borrowings as of 31 December 2012 consists of interest-free spot (2011: TL short-term borrowings consist of spot borrowing without interest charge).

(****) As of 31 December 2012, there is EUR denominated long term bank borrowings at six months floating interest rates of Euribor +5.60% p.a. (2011: at six months floating interest rates of Euribor +5.60% p.a.).

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NOTE 8 - FINANCIAL LIABILITIES (Continued)

Based on the loan agreement undersigned on 27 September 2006 between the Company and Morgan Stanley Bank International Limited, the Company received a borrowing EUR5.000.000 with a maturity date of 27 September 2013 and with an interest rate of Euribor +5,60% p.a. Yaşar Holding A.Ş., Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Süt Mamülleri Sanayii A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret have undersigned this loan agreement as the guarantors of this borrowing obtained. With respect to a long term borrowing of EUR5.000.000, the Company signed a cross currency swap agreement with Morgan Stanley & Co. International Limited together with the undersigned International Limited and 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 EUR5.000.000 with the interest rate of Euribor + 5,60% p.a. with a currency swap amounting to TL9.745.000, 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 statements of comprehensive income in finance income and finance expenses. The notional principal amount of the cross currency swap amounts to TL21.503.500 as at 31 December 2012 (2011: TL21.964.000).

The loan agreement signed with Morgan Stanley International Limited is subject to covenant clauses, whereby Yaşar Holding, is required to meet certain key performance indicators. Considering any non- compliance with the certain key performance indicators for 2012, Yaşar Holding obtained a waiver from Morgan Stanley International Limited on 23 November 2012 stating that the Company will continue to make its payments in line with the original redemption schedule, which is in 2013, and conditions as stated in the loan agreement.

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

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

	31 December 2012	31 December 2011
2013	-	9.745.000
	-	**9.745.000**

The carrying amounts of the bank borrowings including derivative financial instruments, with floating and fixed rates which were classified in terms of periods remaining to contractual repricing dates are as follows:

	Up to 3 months	Total
31 December 2012:		
Bank borrowings with floating rates	10.098.944	10.098.944
Bank borrowings with fixed rates	-	124.460
Total	**10.098.944**	**10.223.404**

	Up to 3 months	Total
31 December 2011:		
Bank borrowings with floating rates	22.445.264	22.445.264
Bank borrowings with fixed rates	-	9.582.259
Total	**22.445.264**	**32.027.523**

According to the interest rate sensitivity analysis performed at 31 December 2012, if interest rates on bank borrowings had been 1% higher while all other variables being constant, net profit for the year would be TL 25.445 (2011: TL25.175) lower as a result of additional interest expense that would be incurred on bank borrowings with floating rates.

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NOTE 8 - FINANCIAL LIABILITIES (Continued)

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

	Carrying Amounts		Fair Values	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Bank borrowings other financial liabilities-net	10.223.404	32.027.523	10.247.757	31.278.378

The fair values are based on cash flows discounted using the rate based on the TL borrowing rate of 14.42% p.a. (2011: The fair values are based on cash flows discounted using the rate based on the borrowing respectively for TL, EUR and USD denominated bank borrowings as of 31 December 2011 are 16,58% p.a., 4,62% p.a. ve 4,75% p.a.).

NOTE 9 - OTHER FINANCIAL LIABILITIES

None (2011: None).

NOTE 10 - TRADE RECEIVABLES AND PAYABLES

	31 December 2012	31 December 2011
a) Short-term trade receivables:		
Customer current accounts	13.418.986	10.752.813
Cheques and notes receivable	5.005.359	5.797.349
	18.424.345	**16.550.162**
Less: Provision for impairment of receivables	(303.499)	(303.499)
Unearned finance income	(127.163)	(176.869)
	17.993.683	**16.069.794**

The effective weighted average interest rate on TL denominated trade receivable is 7,57% as of 31 December 2012, (2011: 11,00%) maturing within two months (2011: within one month).

The agings of trade receivables as of 31 December 2012 and 2011, over which no provision for impairment is provided, are as follows:

	31 December 2012	31 December 2011
Overdue	2.089.989	688.207
0-30 days	6.629.594	7.925.835
31-60 days	6.873.270	5.761.100
61-90 days	687.471	505.400
91days and over	1.713.359	1.189.252
	17.993.683	**16.069.794**

As of 31 December 2012, trade receivables of TL2.089.989 (2011: TL688.207), over which no provision for impairment is provided, were past due. The Company management does not expect any collection risk regarding those receivables based on its past experience (Note 38.a).

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NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	31 December 2012	31 December 2011
0-30 days	2.089.989	688.207
	2.089.989	**688.207**
b) Short-term trade payables		
Supplier current accounts	46.943.441	44.835.108
Cheques	812.500	925.335
	47.755.941	**45.760.443**
Less: Unincurred finance cost	(128.867)	(180.728)
	47.627.074	**45.579.715**

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

TL denominated trade payables	7,56%	11,00%
USD denominated trade payables	2,21%	0,36%
EUR denominated trade payables	2,91%	1,04%

Trade payables mature within one month (2011: one month).

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

	31 December 2012	31 December 2011
a) Other short-term receivables:		
VAT receivables	-	1.673.609
Other	29.288	32.752
	29.288	**1.706.361**
b) Long-term other receivables		
Deposits and guarantees given	-	**131**
c) Short-term other payables		
Deposits and guarantees received	**30.000**	**102.106**

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NOTE 12 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2011: None).

NOTE 13 - INVENTORIES

	31 December 2012	31 December 2011
Raw materials	6.240.242	6.516.345
Raw materials in transit	878.365	1.350.074
Work in progress	11.899.362	12.709.387
Finished goods	7.730.127	8.579.234
Spare parts	3.184.513	2.716.504
Other (*)	577.583	417.792
	30.510.192	**32.289.336**

(*) Other stocks mainly consists of palettes.

The costs of inventories recognised as expense and included in cost of sales amounted to TL296.906.638 (2011: TL283.014.775) (Note 30). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell.

NOTE 14 - BIOLOGICAL ASSETS

None (2011: None).

NOTE 15 - CONSTRUCTION CONTRACT RECEIVABLES

None (2011: None).

NOTE 16 - INVESTMENTS IN ASSOCIATES ACCOUNTED FOR USING EQUITY METHOD

Investments-in-associates:

	31 December 2012		31 December 2011	
	TL	%	TL	%
YBP	80.163.710	38,05	82.486.931	38,05
Çamlı Yem	17.311.323	23,38	19.455.048	23,38
Desa Enerji	6.018.887	26,41	4.858.544	26,41
Pınar Foods	3.715.751	44,94	3.697.508	44,94
	107.209.671		**110.498.031**	

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

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

	2012	2011
1 January	**110.498.031**	**106.839.645**
Increase in fair value reserves- net	2.316.719	810.973
Share of profit/(loss) before taxation of investments-in-associates	1.389.431	11.458.804
Share of income taxation on investments-in-associates	(277.886)	(2.291.760)
Increase in revaluation reserve of investments-in-associates - net	-	3.769.839
Cash flow hedge - net	(67.684)	(162.253)
Dividend income from investments-in-associates	(6.496.491)	(10.632.887)
Currency translation reserve	(137.870)	685.980
Inventory profit elimination	(14.579)	19.690
31 December	**107.209.671**	**110.498.031**

The Company acquired 23% (equivalent to 4.601.731.996 units of shares) and 6% (equivalent to 4.801.800.000 units of shares) of YBP shares in 2004 and in 2005, in consideration of TL25.175.996 and TL8.167.862 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 fair values regarding to purchases of 23% and 6% of YBP shares are based on the valuation range determined by an independent valuer.

The distribution network, which is a component of fair value and stated in the financial statements as a result of 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 31 December 2012, distribution network and the goodwill amounted to TL 39.162.384 (2011: TL39.162.384). As of 31 December 2011, 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 8,60% p.a. whereas the growth rate is 1% p.a. (2011: The discount rate applied for the discounted cash flow is 10,06% p.a. whereas the growth rate is 1% p.a.).

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

	2012	2011
1 January	**6.262.905**	**5.451.932**
Change in fair value- net (Çamlı Yem)	150.699	47.044
Change in fair value- net (YBP)	2.166.020	763.929
31 December	**8.579.624**	**6.262.905**

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

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

	31 December 2012			31 December 2011		
	Assets	Liabilities	Profit/(loss) for the year	Assets	Liabilities	Profit for the year
YBP	348.852.634	240.507.505	5.344.195	344.096.708	229.684.187	20.944.618
Çamlı Yem	210.921.375	136.878.079	(9.247.351)	174.364.619	91.152.267	2.323.938
Desa Enerji	25.987.656	3.197.476	4.393.568	21.536.172	3.139.566	1.017.269
Pınar Foods	11.635.476	3.367.228	177.499	9.704.011	1.476.356	858.076

NOTE 17 - INVESTMENT PROPERTY

None (2011: None).

NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2012 Opening	Additions (*)	Disposals	Transfers	31 December 2012 Closing
Cost/revaluation:					
Land	54.816.000	-	-	-	54.816.000
Buildings and land improvements	50.650.000	201.660	-	-	50.851.660
Machinery and equipment	51.896.827	7.711.153	-	81.633	59.689.613
Furniture and fixtures	29.891.640	2.619.864	(1.363.596)	-	31.147.908
Motor vehicles	2.079.101	81.768	(119.315)	-	2.041.554
Construction in progress	165.115	109.683	-	(81.633)	193.165
	189.498.683	**10.724.128**	**(1.482.911)**	**-**	**198.739.900**
Accumulated depreciation:					
Buildings and land improvements	-	(1.373.270)	-	-	(1.373.270)
Machinery and equipment	-	(4.379.916)	-	-	(4.379.916)
Furniture and fixtures	(23.451.009)	(1.526.109)	1.236.668	-	(23.740.450)
Motor vehicles	(1.953.051)	(66.285)	119.315	-	(1.900.021)
	(25.404.060)	**(7.345.580)**	**1.355.983**		**(31.393.657)**
Net book value	**164.094.623**				**167.346.243**

(*) See Note 2.6.11

Main additions to machinery and equipment in 2012 are related with the investments to production line of delicatessen products whereas main additions to furniture and fixtures are related with the fridge purchases.

Leased machinery and equipment, leased furniture and fixtures, leased motor vehicles has been merge with the related fixed asset line item since the leasing obligation of the Company has been matured.

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NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	1 January 2011 Opening	Additions	Disposals	Transfers	Revaluation	Reversal of impairment (Not 31.b)	31 December 2011 Closing
Cost/revaluation:							
Land	48.851.000	-	-	-	5.965.000	-	54.816.000
Buildings and land improvements	44.446.673	197.152	-	486.737	5.519.438	-	50.650.000
Machinery and equipment	45.875.790	2.939.051	(98.033)	93.848	2.993.973	92.198	51.896.827
Furniture and fixtures	28.512.201	1.485.322	(105.883)	-	-	-	29.891.640
Motor vehicles	2.148.044	23.998	(92.941)	-	-	-	2.079.101
Construction in progress	38.548	707.152	-	(580.585)	-	-	165.115
	169.872.256	**5.352.675**	**(296.857)**	**-**	**14.478.411**	**92.198**	**189.498.683**
Accumulated depreciation:							
Buildings and land improvements	(3.090.976)	(1.430.483)	-	-	4.521.459	-	-
Machinery and equipment	(9.460.346)	(5.120.519)	7.352	-	14.573.513	-	-
Furniture and fixtures	(22.184.118)	(1.364.448)	97.557	-	-	-	(23.451.009)
Motor vehicles	(1.954.041)	(91.617)	92.607	-	-	-	(1.953.051)
	(36.689.481)	**(8.007.067)**	**197.516**	**-**	**19.094.972**	**-**	**(25.404.060)**
Net book value	**133.182.775**						**164.094.623**

The Company eliminated the accumulated depreciation against the gross carrying amount of the relevant asset, in line with IAS 16 "Property, plant and equipment" and accordingly revised the movements of property, plant and equipment for the comparative period, accordingly.

As of 31 December 2012 and 2011, the Company has no mortgages given for loans obtained from several financial institutions (2011: None).

Current year's depreciation and amortisation charges were allocated to cost of goods sold by TL5.492.597 (2011: TL6.122.686), to the cost of inventories by TL128.996 (2011: TL116.641), to general administrative expenses by TL587.569 (2011: TL539.359) (Note 29), to selling and marketing expenses by TL1.149.857 (2011: TL1.056.511) (Note 29), to research and development expenses by TL51.412 (2011: TL213.012).

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NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

1 January 2011	**73.292.549**
Depreciation on revaluation reserve transferred to retained earnings	(3.025.398)
Deferred income tax calculated on depreciation transfer transferred to retained earnings	605.080
Depreciation transfer of investments-in-associates - net	(1.084.232)
Increase in revaluation reserve arising from revaluation of machinery and equipment	17.567.486
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements	16.005.897
Deferred income tax calculated on increase in revaluation reserve (Note 35)	(5.819.927)
Increase in revaluation reserves of investments-in-associates - net	3.769.839
31 December 2011 - previously reported	**101.311.294**
Correction (See Note 2 "Prior year corrections")	(846.722)
Depreciation transfer of investments -in-associates-net	(246.282)
Depreciation on revaluation reserve transferred to retained earnings	(3.566.789)
Deferred income tax calculated on depreciation transfer transferred to retained earnings	713.358
31 December 2012	**97.364.859**

The carrying amounts of each class of property, plant and equipments that would have been recognised if the assets have been carried under the cost model at 31 December 2012 and 2011, are as follows:

31 December 2012:	**Land**	**Land improvements and buildings**	**Machinery and equipment**
Cost	11.383.443	26.498.241	107.079.992
Less: Accumulated depreciation	-	(13.925.016)	(80.573.950)
Net book value	**11.383.443**	**12.573.225**	**26.506.042**

31 December 2011:	**Land**	**Land improvements and buildings**	**Machinery and equipment**
Cost	11.383.443	26.296.581	99.287.206
Less: Accumulated depreciation	-	(13.540.870)	(78.771.699)
Net book value	**11.383.443**	**12.755.711**	**20.515.507**

NOTE 19 - INTANGIBLE ASSETS

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

	1 January 2012 Opening	**Additions**	**31 December 2012 Closing**
Costs:			
Rights	17.406.293	29.405	17.435.698
Accumulated amortisation	(17.265.131)	(64.851)	(17.329.982)
Net book value	**141.162**	**(35.446)**	**105.716**

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NOTE 19 - INTANGIBLE ASSETS (Continued)

	1 January 2011 Opening	Additions	31 December 2011 Closing
Costs:			
Rights	17.280.494	125.799	17.406.293
Accumulated amortisation	(17.223.989)	(41.142)	(17.265.131)
Net book value	**56.505**	**84.657**	**141.162**

NOTE 20 - GOODWILL

None (2011: None).

NOTE 21 - GOVERNMENT GRANTS

In the scope of Turquality Project implemented in 2012 and 2011 by Undersecreteriat of Foreign Trade to support brandization of products made in Turkey in foreign markets and to settle the image of Turkish goods, the Company was provided TL86.865 (2011: TL83.806) government incentive. The incentive amount is accounted as other income.

NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	31 December 2012	31 December 2011
a) Short-term provisions:		
Management bonus accruals	1.148.549	864.241
Provision for seniority incentive bonus	134.784	86.964
Provision for litigations	60.200	60.200
Other	20.678	-
	1.364.211	**1.011.405**

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

	2012	2011
1 January	**864.241**	**856.946**
Provision for management bonus (Note 29.b)	500.000	500.000
Payment of management bonus	(215.692)	(492.705)
31 December	**1.148.549**	**864.241**

	31 December 2012	31 December 2011
b) Long-term provisions:		
Provisions for seniority incentive bonus	**223.934**	**208.512**
c) Guarantees given:		
Bails	654.834.000	690.513.500
Letters of guarantee	1.344.559	781.289
	656.178.559	**691.294.789**

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

As of December 2012 and 2011, guarantees given are mainly related with joint guarantees provided by the Company along with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Pınar Süt Mamülleri Sanayii A.Ş. ve Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. for repayment of borrowings obtained by Yaşar Group companies from international capital markets amounting to EUR70.000.000 and USD275.000.000, equivalent of TL654.834.000 (2011: EUR70.000.000 and USD275.000.000, equivalent of TL690.513.500).

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2012 and 2011 were as follows:

	31 December 2012			31 December 2011		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
CPM provided by the Company:						
A. Total amount of CPM given for the Company's own legal personality	TL	1.344.559	1.344.559	TL	781.289	781.289
B. Total amount of CPM given on behalf of fully consolidated companies	-	-		-	-	
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	-	-		-	-	
D. Total amount of other CPM			**654.834.000**			**690.513.500**
i. Total amount of CPM given to on behalf of the majority shareholder			445.650.000			472.225.000
	USD	*250.000.000*	*445.650.000*	*USD*	*250.000.000*	*472.225.000*
ii. Total amount of CPM given to on behalf of other Group companies which are not in scope of B and C			**209.184.000**			**218.288.500**
	USD	25.000.000	44.565.000	*USD*	25.000.000	47.222.500
	EUR	70.000.000	164.619.000	*EUR*	70.000.000	171.066.000
iii. Total amount of CPM given on behalf of third parties which are not in scope of C		-	-		-	-
TOTAL			**656.178.559**			**691.294.789**
Total amount of other CPM/Equity			207%			222%

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

	31 December 2012			31 December 2011		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
d) Guarantees received:						
Bails	EUR	5.000.000	11.758.500	EUR	5.000.000	12.219.000
Mortgages	TL	200.000	200.000	TL	562.000	562.000
Letters of guarantee	TL	923.000	923.000	TL	436.000	436.000
	EUR			EUR	57.360	140.176
Guarantee notes	USD	59.000	105.173	USD	59.000	111.445
	TL	5.000	5.000			
			12.991.673			**13.468.621**

e) Contingent liabilities

Based on 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 - İzmir, the site of the Company's land, buildings and land improvements, are located within an industrial zone. As of 31 December 2012, the fair value of the aforementioned properties located on the plots amounts to TL90.378.614. This plan was announced by the Industry and Trade Office of İzmir 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 estimation therefore 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.

f) Major litigations

Based on the result of the tax inspection by Ministry of Finance, İzmir Hasan Tahsin Tax Office initiated a legal action against the Company and charged tax penalties amounting to TL1,628,950 comprising of TL659.119 VAT penalty and TL969.831 tax loss penalty for the transactions in fiscal years in between 2006 and 2011. The Company applied to İzmir Tax Court for cancellation of those tax penalties which resulted in favour of the Company. Tax Office applied to the supreme court and the case is pending at the Court of Appeal as of 31 December 2012. The Company management and legal counselor of the Company believe that the likelihood of losing the cases is considered to be remote. As a result, no provision was accounted for in the financial statements as of 31 December 2012.

NOTE 23 - COMMITMENTS

As of 31 December 2012, the Company has purchase commitments amounting to TL418.097, equivalent of EUR177.785 relating to 395.569 m^2 of packaging material (2011: TL499.078, equivalent of EUR204.222 relating to 454.393 m^2 of packaging material).

NOTE 24 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 December 2012	31 December 2011
Provision for employment termination benefits	9.892.871	6.877.385
	9.892.871	**6.877.385**

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

The amount payable consists of one month's salary limited to a maximum of TL3.033,98 for each year of service as of 31 December 2012. (2011: TL2.731,85). The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL3.129,25 which is effective from 1 January 2013 (1 January 2012: TL2.805,04) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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NOTE 24 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	31 December 2012	31 December 2011
Discount rate (%)	3,50	4,66
Probability of retirement (%)	98,69	98,64

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

	2012	2011
1 January	**6.877.385**	**6.335.054**
Interest costs	240.708	295.214
Actuarial losses	2.094.379	348.933
Paid during the year	(1.136.829)	(818.595)
Annual charge	1.817.228	716.779
31 December	**9.892.871**	**6.877.385**

The total of interest costs, actuarial losses and annual charge for the year amounting to TL4.152.315 (2011: TL1.360.926) was included in general administrative expenses (Note 29).

NOTE 25 - PENSION PLANS

None (2011: None).

NOTE 26 - OTHER ASSETS AND LIABILITIES

	31 December 2012	31 December 2011
a) Other current assets:		
Prepaid expenses	1.118.454	1.275.496
Income accrual	151.858	177.419
Order advances given	128.852	384.323
Tax and funds deductible	-	586.094
Other	16.645	29.436
	1.415.809	**2.452.768**
b) Other non-current assets:		
Advances for property, plant and equipment purchases	-	109.546
Other	26.218	26.178
	26.218	**135.724**
c) Other current liabilities:		
Witholding taxes and fund payable	2.134.178	1.332.951
Order advances received	146.906	233.959
Expense accrual	14.504	20.996
Payable to personnel	6.143	1.824
Taxes payable - not netted off yet	-	1.673.609
Other	22.061	17.774
	2.323.792	**3.281.113**

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NOTE 27 - EQUITY

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of TL 1. The Company's historical authorised registered capital at 31 December 2012 and 2011 is as follows:

	31 December 2012	31 December 2011
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

In Turkey, companies may exceed registered share capital nonrecurringly -except for cash injection- through capital increase from internal sources. Registered share capital may not be exceeded through capital increase by cash injection.

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

	31 December 2012		31 December 2011	
	Share (%)	TL	Share (%)	TL
Yaşar Holding (A, B)	54	23.476.893	54	23.476.893
Pınar Süt (A, B)	13	5.451.752	13	5.451.752
Public quotation (A, B)	33	14.406.355	33	14.406.355
Share capital		**43.335.000**		**43.335.000**
Adjustment to share capital		37.059.553		37.059.553
Total paid-in capital		**80.394.553**		**80.394.553**

Adjustment to share capital amounting to TL37.059.553 (2011: TL37.059.553) 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).

There are 4.333.500.000 (2011: 4.333.500.000) units of shares with a face value of Kr1 each (2011: Kr1 each).

The Company's capital is composed of 1.500.000 units of A type bearer share and 4.332.000.000 units of B type bearer share, and the B type bearer shares are traded on ISE. Based on the Company's Articles of Association, the Board of Directors comprises five to nine members elected by the General Assembly from among the Company's shareholders or from outside the Company personnel in accordance with the provisions of the 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.

Retained earnings and certain reserves according to the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below:

According to Turkish Commercial Code, interest may not be paid for capital; and profit share may only be distributed from net profit for the period and free reserves. Five percent of the annual profit shall be reserved as general reserve fund until it this sum reaches the twenty percent of the paid-in capital. After reaching this threshold:

a) The portion of the premium arising out of issuance of new shares, which has not been used for issuing expenditures, amortization provisions and charity-related payments.

b) The portion of the amount paid for the common stocks which have been cancelled due to foreclosing after deducting the issuance expenditures of new stocks to be issued instead of those,

c) Ten percent of the total amount to be distributed to persons to get a share from the profit after five percent of dividend is paid to the shareholders shall be added to general legal reserves.

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NOTE 27 – EQUITY (Continued)

General statutory reserve funds shall be spent only on recovering losses, maintaining the activities of the enterprise or preventing unemployment, unless it exceeds half of the share capital or the issued capital. The company allocates reserves in the amount that covers acquisition value of the shares acquired. These reserve funds may only be spent in proportion with the acquisition value of the bought back shares once transferred or extinguished. The article related to revaluation fund states that revaluation funds and other funds included in the liabilities of the company may be spent when converted into capital and when the assets re-evaluated are amortised or transferred.

The articles of association may regulate that more than five percent of the annual profit may be reserved as reserve funds, and that reserve funds may exceed twenty percent of the paid-in capital. Additionally, the articles of association may provide other reserve funds and determine their allocation and in which conditions they may be spent.

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

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. At 31 December 2012, the restricted reserves of the Company amount to TL22.448.345 (2011: TL19.928.250). The unrestricted reserves of the Company, amounting to TL41.181.934 (2011: TL38.574.051), is classified in the "Retained Earnings".

In accordance with the Communiqué No: XI-29 and related announcements of CMB "Share Capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences (e.g. the differences raises from inflation adjustments) shall be classified as follows:

- the difference arising from the "Paid-in-Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under "Retained Earnings". Other equity items shall be carried at the amounts calculated based on the CMB Financial Reporting Standards.

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

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

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 Articles of Association 5% of the retained earnings after dividend distribution can be allocated to Board of Directors in necessary conditions.

Based on the decision of General Assembly meeting on 14 May 2012, the Company has decided to distribute net income for the year 2011 amounting TL26.867.700 as dividend. As of 31 December 2012 all the dividends were paid. In context of this dividend distribution, Company separate TL2.520.095 from 2011 profit as "Restricted Reserve".

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

	31 December 2012	31 December 2011
Extraordinary reserves	35.330.530	32.722.647
Retained earnings	8.561.522	8.277.213
Profit for the year	35.401.081	32.495.678
	79.293.133	**73.495.538**

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NOTE 28 - SALES AND COST OF SALES

	1 January - 31 December 2012	1 January - 31 December 2011
Domestic sales	508.235.870	477.025.083
Export sales	7.774.082	5.731.901
Gross Sales	**516.009.952**	**482.756.984**
Less: Discounts	(86.647.418)	(87.139.196)
Returns	(12.919.053)	(11.952.250)
Net Sales	**416.443.481**	**383.665.538**
Cost of sales	**(344.089.735)**	**(323.392.020)**
Gross Profit	**72.353.746**	**60.273.518**

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

	1 January - 31 December 2012	1 January - 31 December 2011
a) Marketing, selling and distribution expenses:		
Advertisement	12.314.511	12.974.053
Staff costs	2.890.715	2.510.897
Depreciation and amortisation	1.149.857	1.056.511
Outsourced services	1.020.044	839.853
Utilities	1.013.556	1.311.846
Repair and maintenance	953.742	1.036.541
Transportation	480.985	40.674
Rent	415.420	423.786
Other	1.010.735	617.900
	21.249.565	**20.812.061**
b) General administrative expenses:		
Consultancy charges	6.133.634	5.337.809
Staff costs	5.472.765	4.281.658
Employment termination benefits	4.152.315	1.360.926
Outsourced services	765.079	700.206
Depreciation and amortisation	587.569	539.359
Management bonus	500.000	500.000
Repair and maintenance	319.396	278.139
Utilities	295.844	241.470
Taxes (Corporate Tax excluded)	196.448	223.686
Other	1.439.042	1.005.771
	19.862.092	**14.469.024**

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NOTE 30 - EXPENSE BY NATURE

	1 January - 31 December 2012	1 January - 31 December 2011
Direct material costs	296.906.638	283.014.775
Staff costs	31.161.938	25.002.133
Advertisement	12.314.511	12.974.053
Utilities	9.665.438	7.973.211
Outsourced services	8.201.564	7.416.827
Depreciation and amortisation	7.398.076	8.047.100
Consultancy charges	6.133.634	5.340.480
Repair and maintenance	4.305.186	3.895.568
Employment termination benefits	4.152.315	1.360.926
Rent	1.616.352	1.574.344
Taxes, dues and fees	254.685	282.321
Insurance	110.160	90.288
Other	4.042.188	2.657.447
	386.262.685	**359.629.473**

NOTE 31 - OTHER OPERATING INCOME/EXPENSES

	1 January - 31 December 2012	1 January - 31 December 2011
a) Other operating income:		
Income from sales of scrap	453.213	260.806
Rent income	428.852	563.157
Government grants	124.557	179.904
Income from sales of property, plant and equipment	52.053	28.937
Reversal of impairment on property plant and equipment	-	92.198
Other	49.201	126.846
	1.107.876	**1.251.848**
b) Other operating expense:		
Penalties	(285.052)	(285.720)
Donations	(173.075)	(1.044.453)
Other	(328.632)	(369.417)
	(786.759)	**(1.699.590)**

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NOTE 32 - FINANCIAL INCOME

	1 January - 31 December 2012	1 January - 31 December 2011
Interest income	5.988.471	3.889.559
Foreign exchange gain	3.131.183	3.574.287
Bail income (Note 37.ii.c)	1.147.876	1.131.429
Interest income on term purchase	694.157	471.633
	10.961.687	**9.066.908**

NOTE 33 - FINANCIAL EXPENSES

	1 January - 31 December 2012	1 January - 31 December 2011
Foreign exchange loss	(3.221.516)	(3.681.596)
Interest expense on borrowings	(2.429.370)	(1.998.065)
Interest expense on term sales	(570.565)	(687.832)
Bail expense (Note 37.ii.i)	(195.190)	(149.410)
Other	(96.404)	(75.223)
	(6.513.045)	**(6.592.126)**

NOTE 34 - NON-CURRENT ASSETS HELD FOR SALE AND DISCOUNTED OPERATIONS

None (2011: None).

NOTE 35 - TAX ASSETS AND TAX LIABILITIES

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

	31 December 2012	31 December 2011
Corporation taxes currently payable	7.833.110	6.169.970
Less: Prepaid corporate tax	(6.375.994)	(5.194.184)
Current income tax liabilities	**1.457.116**	**975.786**

Corporation tax is payable at a rate of 20% for 2012. (2011: 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

Dividends paid ton on-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to witholding tax. Otherwise, dividends paid are subject to witholding tax at the rate of 15% (2011: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur witholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2011: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2011: 17th) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offseting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

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NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

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

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

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

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

According to Turkish Corporate Income Tax Law numbered 5520, effective from 21 June 2006, a 75% portion of the gains derived from the sales of preferential rights, usufruct shares and founding shares from investment equity and real property, which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales considerations has to be collected up until the end of the second calendar year following the year the sale was realised.

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

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

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

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 in a disguised manner through transfer pricing completely or partially, will be assessed as distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalised and paid.

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NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

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

	1 January - 31 December 2012	1 January - 31 December 2011
Current corporation tax expense	(7.833.110)	(6.169.970)
Deferred tax income	2.312.396	671.698
Taxation on income	**(5.520.714)**	**(5.498.272)**
Profit before tax	**36.062.100**	**35.230.149**
Tax calculated at tax rates applicable to the profit	(7.212.420)	(7.046.030)
Expenses not deductible for tax purpose	(168.587)	(284.550)
Income not subject to tax	188.170	193.321
Tax effect upon the results of investments-in-associates	222.309	1.833.409
Recognition of deferred income tax asset on investment incentive	1.126.515	-
Other	323.299	(194.422)
Total taxation on income	**(5.520.714)**	**(5.498.272)**

Deferred income taxes

The company recognises deferred income tax assets and liabilities based upon temporary differences arising between its financial statements are reported in accordance with the CMB Financial Reporting Standards and its tax purpose financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (2011: 20%).

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

	Taxable cumulative temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Revaluation of property, plant and equipment	108.098.933	112.708.166	(15.080.472)	(16.026.750)
Restatement differences on tangible and intangible assets	4.410.404	2.430.729	(897.303)	(486.146)
Provision for employment termination benefits	(9.892.871)	(6.877.385)	1.978.574	1.375.477
Available for sale investments	(1.836.925)	(1.817.417)	367.384	363.483
Investment incentives (*)	(5.632.575)	-	1.126.515	-
Other	(871.320)	(691.227)	174.264	138.245
Deferred income tax assets			3.646.737	1.877.205
Deferred income tax liabilities			(15.977.775)	(16.512.896)
Deferred income tax liabilities- net			**(12.331.038)**	**(14.635.691)**

(*) The Company has investment incentive certificate relating with production line investment. As of 31 December 2012, based on the best estimate of the Company management, it is highly probable to utilize investment incentive amounted to TL1,126,515.

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NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

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

1 January 2011	**(9.510.745)**
Charged to fair value reserve of available-for-sale investments	23.283
Credited to statement of comprehensive income	671.698
Deferred tax on revaluation reserve	(5.819.927)
31 December 2011	**(14.635.691)**
Correction (Note 2.6.11)	(3.842)
Credited to statement of comprehensive income	2.312.396
Deferred income tax on available-for-sale investments	(3.901)
31 December 2012	**(12.331.038)**

NOTE 36 - EARNINGS PER SHARE

		1 January - 31 December 2012	1 January- 31 December 2011
Profit for the period	A	30.541.386	29.731.877
Weighted average number of shares (Note 27)	B	43.335.000	43.335.000
Basic earnings per 100 shares with a Kr1	**A/B**	**0,7048**	**0,6861**

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

NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties:

	31 December 2012	31 December 2011
a) Trade receivables from related parties- current:		
YBP	41.575.378	32.176.892
Yataş	1.347.670	1.117.545
	42.923.048	**33.294.437**
Less: Unearned finance income	(201.003)	(350.970)
	42.722.045	**32.943.467**

The effective weighted average interest rate on TL denominated short-term trade receivable is 7,57% p.a as of 31 December 2012, (2011: 11,00%) and mature within two months (2011: two months).

As of 31 December 2012, trade receivables of TL433.998 (2011: TL187.063), over which no provision for impairment is provided of overdue receivables and maturity is about one month. (2011: one month) (Note 38-a).

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

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

	31 December 2012	31 December 2011
Yaşar Holding	41.997.934	46.623.320
Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("Dyo Boya")	123.415	37.584
Viking Kağıt ve Selüloz A.Ş. ("Viking")	58.198	15.449
	42.179.547	**46.676.353**

As of 31 December 2012, the Company has short-term receivables from Yaşar Holding amounting to TL31.898.990 (2011: TL24.340.799) which are non-trade. The effective weighted average interest rate applied to those receivables is 8,25% p.a. (2011: 12,00% p.a.). Company management expects to collect other receivables from Yaşar Holding between three to twelve months.

Other receivables from Yaşar Holding amounting to TL10.098.944 consisting of principal and interest accrual of TL loan obtained from a financial institution by the Company and were transferred to related parties with the same terms and conditions, amounting to TL9.745.000 and TL353.944, respectively (2011: interest accrual amounting to TL359.843). The effective weighted average interest rate applied to TL denominated loan is 13,91% p.a. (2011: 14,29% p.a.).

As of 31 December 2011, other receivables of the Company from Yaşar Holding amounting to TL21,922,678 consist of principal and interest accruals of short-term USD and EUR denominated loans obtained from various banks and financial institutions by the Company, and were transferred to related parties with the same terms and conditions. The effective weighted average interest rate applied to the receivables are 6.20% p.a. and 5.54% p.a for USD and EUR denominated loans, respectively as of 31 December 2011.

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

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

	31 December 2012	31 December 2011
Yaşar Holding	-	9.745.000
	-	**9.745.000**

d) Due to related parties - trade - current:

Çamlı Yem	6.242.167	3.258.309
Yaşar Holding	1.433.633	1.409.782
Hedef Ziraat Ticaret A.Ş.	558.489	60.998
Yadex Export-Import und Spedition GmbH ("Yadex")	208.690	325.642
Pınar Su Sanayi ve Ticaret A.Ş. ("Pınar Su")	93.304	-
Other	410.015	311.329
	8.946.298	**5.366.060**
Less: Unincurred finance cost	(36.690)	(61.671)
	8.909.608	**5.304.389**

As of 31 December 2012 and 2011, the effective weighted average interest rate applied to those payables is 7,56% (2011: 11,00%) and maturity is two months (2011: 2 month).

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

e) Due to related parties - non trade - current:

	31 December 2012	31 December 2011
Dividend payable	148.720	133.640
Yaşar Üniversitesi	-	800.000
	148.720	**933.640**

ii) Transaction with related parties:

	1 January - 31 December 2012	1 January - 31 December 2011
a) Product sales:		
YBP	309.876.469	299.203.604
Yataş	7.774.082	5.731.901
Çamlı Yem	2.738.422	2.537.904
Other	9.442	31.645
	320.398.415	**307.505.054**

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

b) Service sales:

Pınar Süt	42.490	51.564
Çamlı Yem	39.167	1.550
YBP	35.188	12.542
Yataş	25.799	-
Other	11.674	7.080
	154.318	**72.736**

c) Finance income:

Yaşar Holding	3.991.244	2.393.718
YBP	89.334	103.634
Dyo Boya	134.159	97.883
Viking	66.434	35.425
Pınar Süt	19.930	20.336
Çamlı Yem	16.609	8.856
	4.317.710	**2.659.852**

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

As it is explained in Note 22, the majority of finance income consists of bail commission charges amounting to TL1.147.876 (2011: TL1.131.429), for the borrowings obtained by Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company (Note 32). The commission rates of bail and financing used in the associated intercompany charges is 0,50% p.a. (2011: 0,50% p.a.).

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.

	1 January - 31 December 2012	1 January - 31 December 2011
d) Dividends received:		
YBP	6.496.491	10.271.542
Bintur	2.303	1.969
Pınar Anadolu	-	237.163
Çamlı Yem	-	124.182
	6.498.794	**10.634.856**
e) Other incomes from related parties:		
YBP	426.152	389.747
Çamlı Yem	9.655	216.624
Other	2.700	30.721
	438.507	**637.092**

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

f) Product purchases:		
Çamlı Yem	36.353.232	36.899.251
Yadex	2.366.120	23.926.288
Hedef Ziraat	1.945.914	2.525.557
Pınar Süt	539.062	480.420
Pınar Anadolu	-	156.360
Other	51.167	107.068
	41.255.495	**64.094.944**
g) Service purchases:		
Yaşar Holding	5.845.125	5.190.520
YBP	2.207.505	1.747.203
Yataş	360.957	1.029.474
Bintur	228.196	157.822
HDF-FZCO	40.869	191.846
Pınar Süt	33.300	8.440
Other	93.546	64.669
	8.868.368	**8.389.974**

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

Service purchases from YBP are related to promotion and advertisement. Service purchases from Yaşar Holding are related to consultancy services. Service purchases from Yataş are comprised of export commissions and import service charges.

	1 January - 31 December 2012	1 January - 31 December 2011
h) Purchases of property, plant and equipment:		
YBP	18.679	7.647
Pınar Süt	2.691	16.062
Yaşar Holding	-	39.746
Pınar Anadolu	-	21.118
Other	6.460	3.212
	27.830	**87.785**

i) Finance expenses:

Çamlı Yem	208.684	125.871
Yaşar Holding	60.023	53.403
YBP	20.555	17.967
Pınar Süt	16.609	16.947
Pınar Su	16.609	16.947
Viking	16.609	16.947
Dyo Boya	16.609	16.947
	355.698	**265.029**

The finance expense mainly includes bail commission charges, which is related with borrowings obtained by the Company from international capital markets and various financial institutions with the guarantee of the related parties, which is amounting to TL195.190 (2011: TL149.410) (Note 33). The rates of bail commission and commission for financial services used in the charges are 0,50% p.a. per each (2011: 0,50% p.a. per each).

j) Other expenses from related parties:

YBP	126.910	474.636
Pınar Süt	5.786	8.386
Other	10.632	64.048
	143.328	**547.070**

k) Dividends paid:

Yaşar Holding	14.555.674	18.077.208
Pınar Süt	3.380.086	4.197.849
Other	8.931.940	11.092.893
	26.867.700	**33.367.950**

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

	1 January - 31 December 2012	1 January - 31 December 2011
l) Donations:		
Yaşar Eğitim Vakfı	42.525	187.660
Yaşar Üniversitesi	-	800.000
	42.525	**987.660**

m) Key management compensation:

Key management includes, members of board of directors, general manager and directors. The compensation paid or payable to key management are shown below:

Short-term employee benefits	1.771.011	1.513.545
Bonus and profit-sharing	590.100	500.000
Termination benefits	-	135.077
Post-employment benefits	16.928	-
Other long-term benefits	75.136	15.669
	2.453.175	**2.164.291**

n) Bails given to related parties:

The Company jointly guarantees with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Pınar Süt Mamülleri Sanayii A.Ş. and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş., the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR70.000.000 and USD275.000.000, equivalent of TL654.834.000) (2011: EUR70.000.000 and USD275.000.000, equivalent of TL690.513.500) (Note 22).

o) Bails received from related parties:

As of 31 December 2012, guarantees received from related parties are related with joint guarantees provided to the Company by Yaşar Holding, Çamlı Yem, Dyo Boya, Viking, Pınar Su, Pınar Süt and YBP for repayment of borrowings obtained by the Company from international capital markets amounting to EUR5.000.000 equivalent of TL11.758.500 (2011: EUR5.000.000 equivalent of TL12.219.000)

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

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

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

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risks arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Majority of the Company’s sales in domestic market are made to its investments in associate, YBP, and its exports are made to Yataş, which are both Yaşar Group Companies. In line with past experiences and current condition trade receivables are monitored by the Company Management and necessary provisions for impairment is recognised. The Company management believes that credit risk arises from receivables is well managed. The Company management believes that there is no risk for non-trade receivables from related parties since they are mainly comprised of receivables from shareholders (Note 37.i.b). The credit risk analysis of the Company as of 31 December 2012 and 2011 are as follows:

	Receivables					
	Trade Receivables [1]		Other Receivables			
31 December 2012	**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]	**42.722.045**	**17.993.683**	**42.179.547**	**29.288**	**443.368**	**-**
- The part of maximum credit risk covered with guarantees	-	-	-	-	-	-
A. Net book value of financial assets not due or not impaired [3]	42.288.047	15.903.694	42.179.547	29.288	443.368	-
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired [3]	-	-	-	-	-	-
C. Net book value of assets past due but not impaired [4]	433.998	2.089.989	-	-	-	-
- 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	-	-	-	-	-	-

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

	Receivables					
	Trade Receivables (1)		Other Receivables			
31 December 2011	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]	**32.943.467**	**16.069.794**	**46.676.353**	**1.706.361**	**4.074.816**	**-**
- The part of maximum credit risk covered with guarantees	-	-	-	-	-	-
A. Net book value of financial assets not due or not impaired [3]	32.756.404	15.381.587	46.676.353	1.706.361	4.074.816	-
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired [3]	-	-	-	-	-	-
C. Net book value of assets past due but not impaired [4]	187.063	688.207	-	-	-	-
- 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	-	-	-	-	-	-

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

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

	Receivables		
31 December 2012	**Related Parties**	**Third Parties**	**Total**
1-30 days overdue	296.488	2.024.066	2.320.554
1-3 months overdue	137.510	65.923	203.433
3-6 months overdue	-	-	-
Over 6 months overdue	-	-	-
The part of credit risk covered with guarantees	-	-	-
	433.998 (*)	**2.089.989 (**)**	**2.523.987**

	Receivables		
31 December 2011	**Related Parties**	**Third Parties**	**Total**
1-30 days overdue	181.978	688.207	870.185
1-3 months overdue	5.085	-	5.085
3-6 months overdue	-	-	-
Over 6 months overdue	-	-	-
The part of credit risk covered with guarantees	-	-	-
	187.063	**688.207**	**875.270**

(*) A total amount of TL284.973of the overdue but not impaired receivables from related parties has been collected as of the approval date of the financial statements.
(**) A total amount of TL1.977.630 of the overdue but not impaired receivables from third parties has been collected as of the approval date of the financial statements.

b) Liquidity risk:

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

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

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

	31 December 2012				
	Carrying Value	Total Cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 monhts (II)	1 - 5 years (III)
Contractual maturity dates:					
Non-Derivative financial liabilities:					
Bank borrowings	12.068.589	12.586.283	466.301	12.119.982	-
Trade payables	56.387.962	56.553.519	56.275.315	278.204	-
Other payables	178.720	178.720	178.720	-	-
	68.635.271	**69.318.522**	**56.920.336**	**12.398.186**	**-**
Derivative financial instruments					
Financial (assets)/ liabilities (Note 8)	(1.845.185)	(1.433.465)	171.713	(1.605.178)	-

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

	31 December 2011				
	Carrying Value	Total Cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 monhts (II)	1 - 5 years (III)
Contractual maturity dates:					
Non-Derivative financial liabilities:					
Bank borrowings	34.373.307	36.029.648	336.630	22.800.362	12.892.656
Trade payables	50.884.104	51.126.503	51.048.323	78.180	-
Other payables	1.035.746	1.035.746	1.035.746	-	-
	86.293.157	**88.191.897**	**52.420.699**	**22.878.542**	**12.892.656**
Derivative financial instruments					
Financial (assets)/liabilities (Note 8)	(2.345.784)	(1.468.952)	248.160	253.674	(1.970.786)

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

c) Market risk:

i) Foreign exchange risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities. The Company minimizes the risk through balancing foreign currency denominated assets and liabilities. These risks are monitored by analyses of the foreign currency position. Current risks are discussed by the Audit Committee and the Board of Directors regularly and the foreign exchange rates relevant to the foreign currency position of the Company are mentioned. When necessary derivative financial instruments (swap contracts) are used as a tool to hedge foreign exchange risk.

	Foreign Currency Position			
	31 December 2012			
	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Receivables	806.577	452.472	-	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	14.266	2.324	4.305	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	203.945	-	86.722	-
4. Current Assets (1+2+3)	**1.024.788**	**454.796**	**91.027**	**-**
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)	**1.024.788**	**454.796**	**91.027**	**-**
10. Trade Payables	(1.343.629)	(125.713)	(476.053)	-
11. Financial Liabilities	(11.944.129)	-	(5.078.934)	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short- Term Liabilities (10+11+12)	**(13.287.758)**	**(125.713)**	**(5.554.987)**	**-**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**(13.287.758)**	**(125.713)**	**(5.554.987)**	**-**
19. Net Asset/Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**
19a. Amount of Hedged Asset	-	-	-	-
19b. Amount of Hedge Liability	-	-	-	-
20. Net Foreign Currency Asset (Liability) Position (9-18+19)	**(12.262.970)**	**329.083**	**(5.463.960)**	**-**
21. Net Foreign Currency Asset (Liability) Position of Monetary Items (IFRS 7.B23) (=1+2a+3+5+6a-10-11-12a-14-15-16a)	**(12.262.970)**	**329.083**	**(5.463.960)**	**-**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**
23. Amount of Foreign Currency Denominated Assets Hedged	**-**	**-**	**-**	**-**
24. Amount of Foreign Currency Denominated Liabilities Hedged	**11.944.129**	**-**	**5.078.934**	**-**
25. Export	**7.774.082**	**4.347.560**	**-**	**-**
26. Import	**16.806.949**	**9.378.321**	**-**	**-**

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31 December 2011			
TL Equivalent	**USD**	**EUR**	**Other (TL Equivalent)**
611.816	303.274	15.943	-
19.488	6.436	3.000	-
-	-	-	
22.154.307	5.072.931	5.144.466	-
22.785.611	**5.382.641**	**5.163.409**	**-**
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	**-**	**-**	**-**
22.785.611	**5.382.641**	**5.163.409**	**-**
(1.707.270)	(101.565)	(618.104)	(4.901)
(22.154.307)	(5.072.931)	(5.144.466)	-
(27.106)	(14.350)	-	-
-	-	-	-
(23.888.683)	**(5.188.846)**	**(5.762.570)**	**(4.901)**
-		-	-
(12.219.000)	-	(5.000.000)	-
-	-	-	-
-	-	-	-
(12.219.000)	**-**	**(5.000.000)**	**-**
(36.107.683)	**(5.188.846)**	**(10.762.570)**	**(4.901)**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
(13.322.072)	**193.795**	**(5.599.161)**	**(4.901)**
(13.322.072)	**193.795**	**(5.599.161)**	**(4.901)**
-	**-**	**-**	**-**
-	**-**	**-**	**--**
12.450.629	**-**	**5.094.783**	**-**
5.731.901	**3.410.922**	**-**	**-**
36.323.575	**22.889.496**	**-**	**-**

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

	Sensitivity Analysis for Foreign Currency Risk			
	Profit/Loss		Equity	
31 December 2012	Appreciation of Foreign currency	Depreciation of Foreign currency	Appreciation of Foreign currency	Depreciation of Foreign currency
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD - net	58.662	(58.662)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect – net (1+2)	**58.662**	**(58.662)**	**-**	**-**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(1.284.959)	1.284.959	-	-
5- The part hedged for EUR risk (-)	1.194.412	(1.194.412)	-	-
6- EUR Effect - net (4+5)	**(90.547)**	**90.547**	**-**	**-**
Change of other currencies by average 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies - net	-	-	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**-**	**-**	**-**	**-**
TOTAL (3+6+9)	**(31.885)**	**31.885**	**-**	**-**

	Sensitivity Analysis for Foreign Currency Risk			
	Profit/Loss		Equity	
31 December 2011	Appreciation of Foreign currency	Depreciation of Foreign currency	Appreciation of Foreign currency	Depreciation of Foreign currency
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD - net	36.606	(36.606)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect – net (1+2)	**36.606**	**(36.606)**	**-**	**-**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(1.368.323)	1.368.323	-	-
5- The part hedged for EUR risk (-)	1.245.063	(1.245.063)	-	-
6- EUR Effect - net (4+5)	**(123.260)**	**123.260**	**-**	**-**
Change of other currencies by average 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies - net	(490)	490	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**(490)**	**490**	**-**	**-**
TOTAL (3+6+9)	**(87.144)**	**87.144**	**-**	**-**

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

ii) Interest rate risk

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

	Interest Rate Position	
	31 December 2012	31 December 2011
Financial instruments with fixed interest rate		
Financial assets	103.235.275	96.883.196
Financial liabilities	56.809.862	61.400.003
Financial instruments with floating interest rate		
Financial assets	-	12.340.418
Financial liabilities	10.098.944	22.445.264

According to the interest rate sensitivity analysis performed as at 31 December 2012, if interest rates had been 1% higher while all other variables being constant, net income for the year would be TL25.445 lower (2011: income for the current year would be TL25.175 lower) as a result of additional interest expense that would be incurred on financial instruments with floating rates.

iii) Price risk

The profitability of the Company's operations and the cash flows generated by those operations are affected by changes in the raw material prices and market competition that are closely monitored by the Company management and precautions for cost efficiency are taken. The Company does not anticipate that prices of 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 current risks are properly monitored by Board of Directors and Audit Committee regularly in considering the need for active financial risk management.

d) Capital Risk Management:

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

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

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

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

	31 December 2012	31 December 2011
Financial liabilities	12.068.589	34.373.307
Derivative financial assets	(1.845.185)	(2.345.784)
Other payables to related parties	148.720	933.640
Less: Cash and cash equivalents	(480.596)	(4.131.878)
Net debt	**9.891.528**	**28.829.285**
Total equity	**316.174.385**	**310.350.734**
Net debt/equity ratio	**3%**	**9%**

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 and try to lower this ratio. The Company management regularly monitors the debt/equity ratio. The Company management regularly monitors the debt/equity ratio.

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

Classification of financial assets

The Company's financial assets and liabilities classified as available-for-sale investments and loans and receivables. Cash and cash equivalents (Note 6), trade receivables (Notes 10 and 37) and other receivables (Notes 11 and 37) of the Company are classified as loans and receivables and measured at amortised cost using effective interest method. Available-for-sale investments are disclosed in Note 7. The Company's financial liabilities are classified as financial liabilities (Note 8), other financial liabilities (Note 9), trade payables (Note 10) and other payables (Notes 11 and 37).

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

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

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

Financial assets

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

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

Financial liabilities

Fair values of bank borrowings are disclosed in Note 8.

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

31 December 2012

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	-	-	687.145	687.145
Derivative financial instruments-designated as hedges	-	1.845.185	-	1.845.185
Total assets	**-**	**1.845.185**	**687.145**	**2.532.330**

31 December 2011

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	-	-	403.371	403.371
Derivative financial instruments- designated as hedges	-	2.345.784	-	2.345.784
Total assets	**-**	**2.345.784**	**403.371**	**2.749.155**

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

NOTE 40 - SUBSEQUENT EVENTS

None (2011: None).

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

None (2011: None).

NOTE 42 - EXPLANATION FOR CONVENIENCE TRANSLATION INTO ENGLISH

As of 31 December 2012 and 2011, the CMB Financial Reporting Standards differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.

Information for Investors

Stock Exchange

Pınar Entegre Et ve Un Sanayii A.Ş. shares are traded on the National Market of the Borsa Istanbul (BIST) 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 will take place on 14 May 2013 at 14:30 hours at the following address: Kemalpaşa Asfaltı No. 1 Pınarbaşı/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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Investor Relations Department
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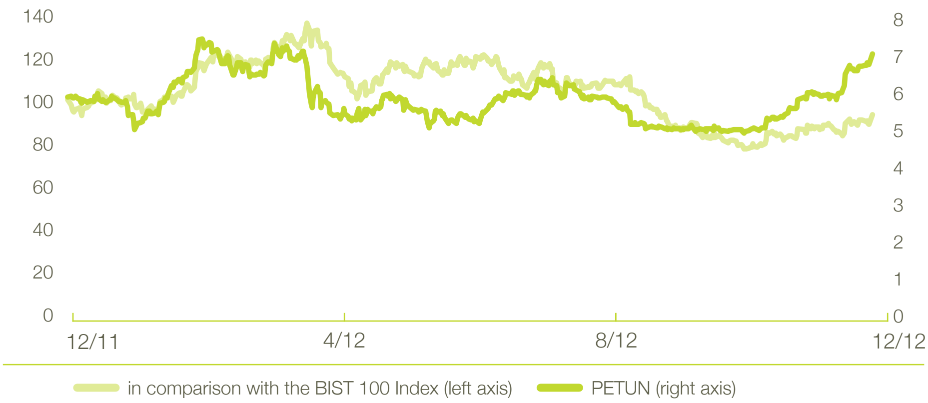
Pınar Et investor relations web page:

Pınar Et Share Performance in 2012 (in comparison with the BIST 100 Index)



* Adjusted share prices

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