Pınar Süt Mamülleri Sanayii A.Ş.
Independent Auditor's Report

(Convenience translation of independent auditors' report and financial statements originally issued in Turkish)

To the board of Directors of Pınar Süt Mamülleri Sanayii Anonim Şirketi

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

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Emphasis of Matters

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

Other Matter

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

Additional paragraph for convenience translation to English:

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

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

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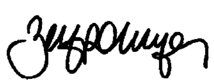

Zeynep Okuyan Gökyılmaz, SMMM

Partner

April 6, 2011

İstanbul, Türkiye

Pınar Süt Mamülleri Sanayii A.Ş.

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Pınar Süt Mamülleri Sanayii A.Ş.

Balance Sheet at December 31, 2010

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

	Notes	December 31, 2010	December 31, 2009
Assets			
Current assets		**192.370.268**	180.957.522
Cash and cash equivalents	6	**17.208.785**	3.317.054
Derivative financial instruments	7b-8	**352.500**	1.009.037
Trade receivables		**68.126.234**	70.237.691
- Due from related parties	37.i.a	**55.419.957**	55.535.417
- Other trade receivables	10a	**12.706.277**	14.702.274
Other receivables		**52.175.370**	66.167.470
- Due from related parties	37.i.b	**49.708.841**	63.775.698
- Other receivables	11a	**2.466.529**	2.391.772
Inventories	13	**50.138.989**	36.973.177
Other current assets	26a	**4.368.390**	3.253.093
Non-current assets		**340.222.449**	298.004.145
Other receivables		**11.694.751**	11.694.751
- Due from related parties	37.i.c	**11.694.000**	11.694.000
- Other receivables	11b	**751**	751
Available-for-sale investments	7a	**53.068.271**	37.742.060
Investments in associates accounted for using equity method	16	**44.170.404**	35.773.087
Property, plant and equipment	18	**230.610.002**	212.343.001
Intangible assets	19	**219.969**	337.196
Other non-current assets	26b	**459.052**	114.050
Total assets		**532.592.717**	478.961.667

The accompanying notes on pages 55 to 111 are an integral part of these financial statements.

Pınar Süt Mamülleri Sanayii A.Ş.

Balance Sheet at December 31, 2010

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

	Notes	December 31, 2010	December 31, 2009
Liabilities			
Current liabilities		**100.323.481**	83.448.666
Financial liabilities		**1.925.398**	5.293.256
- Current leasing obligations		**-**	502
- Other financial liabilities	8	**1.925.398**	5.292.754
Trade payables		**92.527.412**	72.351.048
- Due to related parties	37.i.d	**17.757.884**	13.025.461
- Other trade payables	10b	**74.769.528**	59.325.587
Other payables		**978.808**	199.574
- Due to related parties	37.i.e	**978.808**	199.574
Current income tax liabilities	35	**2.335.131**	2.377.206
Provisions	22a	**1.382.942**	1.580.244
Other current liabilities	26c	**1.173.790**	1.647.338
Non-current liabilities		**47.463.405**	45.311.482
Financial liabilities	8	**13.031.867**	14.754.180
Trade payables	10c	**6.837.858**	5.602.039
Other payables	11c	**48.534**	50.029
Provisions	22b	**203.804**	183.185
Provision for employment termination benefits	24	**5.609.212**	4.318.025
Deferred income tax liabilities	35	**21.732.130**	20.404.024
Total liabilities		**147.786.886**	128.760.148
Equity		**384.805.831**	350.201.519
Share capital	27	**44.951.051**	44.951.051
Adjustment to share capital	27	**16.513.550**	16.513.550
Reserves		**119.931.824**	97.240.789
- Revaluation reserves		**87.185.620**	81.339.774
- Revaluation reserves of investments-in-associates		**181.428**	185.355
- Fair value reserves of available-for investments		**28.318.434**	13.772.027
- Fair value reserves of investments-in-associates		**4.246.342**	1.943.633
Currency translation reserve		**(166.034)**	(67.213)
Restricted reserves		**22.873.461**	17.020.753
Distribution to shareholders		**(5.537.877)**	(5.537.877)
Retained earnings		**126.164.232**	122.258.847
Profit for the year	36	**60.075.624**	57.821.619
Total liabilities and equity		**532.592.717**	478.961.667

The accompanying notes on pages 55 to 111 are an integral part of these financial statements.

Pınar Süt Mamülleri Sanayii A.Ş.

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

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

	Notes	**January 1 - December 31, 2010**	January 1 - December 31, 2009
Revenue	28	**577.076.728**	480.746.723
Cost of sales	28	**(473.247.883)**	(374.268.811)
Gross profit	28	**103.828.845**	106.477.912
Research and development expenses	29a	**(4.665.136)**	(3.787.258)
Marketing, selling and distribution expenses	29b	**(28.510.138)**	(26.341.790)
General administrative expenses	29c	**(22.355.885)**	(20.013.371)
Other operating income	31a	**6.888.841**	5.277.246
Other operating expenses	31b	**(2.845.150)**	(3.984.346)
Operating profit		**52.341.377**	57.628.393
Share of results of investment-in-associates - net	16	**12.652.079**	8.841.862
Finance income	32	**10.289.873**	9.892.001
Finance expense	33	**(3.856.997)**	(5.207.445)
Profit before taxation on income		**71.426.332**	71.154.811
Income tax expense	35	**(11.350.708)**	(13.333.192)
- Taxes on income	35	**(12.027.803)**	(13.549.338)
- Deferred tax income	35	**677.095**	216.146
Profit for the year		**60.075.624**	57.821.619
Other comprehensive income/(expense):			
Increase/(decrease) in fair value reserve of available-for-sale investments-net	7	**14.546.407**	16.505.938
Currency translation differences	2 – 16	**(98.821)**	(107.996)
Increase/(decrease) in fair value reserve of investments-in-associates	16	**2.302.709**	786.025
Increase in revaluation reserve of property, plant and equipment of investments-in-associates	18	**8.797.836**	-
Other comprehensive income/(expense) for the year, net of tax		**25.548.131**	17.183.967
Total comprehensive income for the year		**85.623.755**	75.005.586
Earnings per share	36	**1,3365**	1,2863

The accompanying notes on pages 55 to 111 are an integral part of these financial statements.

Pınar Süt Mamülleri Sanayii A.Ş.

Statements of Changes in Equity for the Year Ended at December 31, 2010

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

	Share capital	Adjustment to share capital	Revaluation reserves	Revaluation reserves of investments in associates	Fair value reserves of available-for- sale investments	Fair value reserves of investments -in-associates (*)	Currency translation reserves	Restricted reserves	Distribution to shareholders	Retained earnings	Profit for the year	Total equity
January 1 2010	**44.951.051**	**16.513.550**	**81.339.774**	**185.355**	**13.772.027**	**1.943.633**	**(67.213)**	**17.020.753**	**(5.537.877)**	**122.258.847**	**57.821.619**	**350.201.519**
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-	-	-	-	**57.821.619**	**(57.821.619)**	-
Legal Reserves	-	-	-	-	-	-	-	**5.852.708**	-	**(5.852.708)**	-	-
Dividends paid (Notes 27 and 37.ii.h)	-	-	-	-	-	-	-	-	-	**(51.019.443)**	-	**(51.019.443)**
Increase in fair value reserves of investments-in associates – net (Note 16)	-	-	-	-	-	**2.302.709**	-	-	-	-	-	**2.302.709**
Depreciation transfer of investments-in-associates-net (Note 16)	-	-	-	**(3.927)**	-	-	-	-	-	**3.927**	-	-
Increase in fair value reserves of available-for-sale investments (Note 7.a)	-	-	-	-	**15.326.211**	-	-	-	-	-	-	**15.326.211**
Deferred tax calculated on the basis of fair value reserves of available-for-sale investments (Notes 7.a and 35)	-	-	-	-	**(779.804)**	-	-	-	-	-	-	**(779.804)**
Increase in fixed asset revaluation fund (Note 18)	-	-	**10.023.233**	-	-	-	-	-	-	-	-	**10.023.233**
Tax impact of increase in fixed asset revaluation fund (Note 18)	-	-	**(1.225.397)**	-	-	-	-	-	-	-	-	**(1.225.397)**
Fund outflow arising from sale of fixed asset – net (Note 18)	-	-	**(344.441)**	-	-	-	-	-	-	**344.441**	-	-
Currency translation reserve (Note 16)	-	-	-	-	-	-	**(98.821)**	-	-	-	-	**(98.821)**
Depreciation transfer (Note 18)	-	-	**(2.607.549)**	-	-	-	-	-	-	**2.607.549**	-	-
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	**60.075.624**	**60.075.624**
December 31, 2010	**44.951.051**	**16.513.550**	**87.185.620**	**181.428**	**28.318.434**	**4.246.342**	**(166.034)**	**22.873.461**	**(5.537.877)**	**126.164.232**	**60.075.624**	**384.805.831**

	Share capital	Adjustment to share capital	Revaluation reserves	Revaluation reserves of investments in associates	Fair value reserves of available for- sale investments	Fair value reserves of investments-in-associates (*)	Currency translation reserves	Restricted reserves	Distribution to shareholders	Retained earnings	Profit for the year	Total equity
January 1 2009	44.951.051	16.513.550	85.883.408	440.962	(2.733.911)	1.157.608	40.783	13.981.411	(5.537.877)	93.026.259	34.185.418	281.908.662
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-	-	-	-	34.185.418	(34.185.418)	-
Legal reserves	-	-	-	-	-	-	-	2.563.807	-	(2.563.807)	-	-
Transfer to restricted reserves (Note 27)	-	-	-	-	-	-	-	475.535	-	(475.535)	-	-
Dividends paid (Note 37.ii. h)	-	-	-	-	-	-	-	-	-	(6.712.729)	-	(6.712.729)
Increase in fair value reserves of investments-in associates – net (Note 16)	-	-	-	-	-	786.025	-	-	-	-	-	786.025
Depreciation transfer of investments-in-associates-net (Note 16)	-	-	-	(255.607)	-	-	-	-	-	255.607	-	-
Increase in fair value reserves of available-for-sale investments (Note 7.a)	-	-	-	-	17.287.431	-	-	-	-	-	-	17.287.431
Deferred tax calculated on the basis of fair reserves of available-for-sale investments (Notes 7.a and 35)	-	-	-	-	(781.493)	-	-	-	-	-	-	(781.493)
Sales of investment property (Notes 17 and 18)	-	-	(1.961.952)	-	-	-	-	-	-	1.961.952	-	-
Depreciation transfer (Note 18)	-	-	(2.581.682)	-	-	-	-	-	-	2.581.682	-	-
Currency translation reserve (Note 16)	-	-	-	-	-	-	(107.996)	-	-	-	-	(107.996)
Total comprehensive income	-	-	-	-	-	-	-	-	-	-	57.821.619	57.821.619
December 31, 2009	44.951.051	16.513.550	81.339.774	185.355	13.772.027	1.943.633	(67.213)	17.020.753	(5.537.877)	122.258.847	57.821.619	350.201.519

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

The accompanying notes on pages 55 to 111 are an integral part of these financial statements.

Pınar Süt Mamülleri Sanayii A.Ş.

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

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

	Notes	January 1 - December 31, 2010	January 1 - December 31, 2009
Operating activities:			
Profit before taxation on income		**71.426.332**	71.154.811
Adjustments to reconcile net cash generated from operating activities to profit before taxation on income:			
Operating activities:			
Depreciation and amortization	18-19	**13.269.742**	13.183.311
Interest income	32	**(7.865.011)**	(7.500.923)
Interest expense	33	**2.610.785**	3.512.987
Provision for employment termination benefits	24	**1.861.388**	1.348.035
Share of results of investments-in-associates-net	16	**(12.652.079)**	(8.841.862)
Inventory profit elimination	16	**4.846**	(597)
Impairment on intangible assets	31b	**-**	348.677
Management bonus provision		**500.000**	1.325.000
Reversal of management bonus provision		**-**	(25.000)
Provisions for doubtful trade receivables	31b	**4.543**	-
Collections of doubtful trade receivables	31a	**80.049**	162.537
Gain on termination of supplier contract	31a	**-**	(1.888.103)
Loss on sales of property, plant and equipment and investment property - net	31b	**998.876**	1.347.212
		70.239.471	74.126.085
Changes in assets and liabilities:			
Decrease in trade receivables	10	**1.991.454**	(4.134.139)
Decrease/(increase) in inventory	13	**(13.165.812)**	3.059.593
Increase in due from related parties	37	**35.411**	(9.851.236)
Decrease in other short and long term receivables and other current and non-current assets	11-26	**(1.551.907)**	28.952
Decrease/(increase) in trade payables	10	**16.679.760**	9.738.070
(Decrease)/increase in trade payables to related parties	37	**4.732.423**	(5.084.431)
(Decrease)/increase in other short and long- term payables and liabilities		**(1.151.726)**	(4.200.340)
Employment termination benefit paid	24	**(570.201)**	(829.017)
Taxes paid	35	**(12.069.878)**	(13.066.199)
Net cash generated from operating activities		**65.168.995**	49.787.338
Investing activities:			
Interest received		**7.881.862**	7.088.324
Increase in non-trade receivables from related parties	37	**14.066.857**	(39.330.712)
Purchase of tangible and intangible assets	18-19	**(22.512.730)**	(5.394.352)
Cash received from sales of tangible and intangible assets		**117.571**	2.183.868
Dividend received	16	**6.453.804**	4.759.757
Net cash provided by/(used in) investing activities		**6.007.364**	(30.693.115)
Financing activities:			
(Redemption of)/increase in borrowings and leasing obligations		**(4.412.891)**	(9.173.938)
Dividends paid	27	**(51.019.443)**	(6.712.729)
Redemption of non-trade payables to related parties	37	**779.234**	(1.043.525)
Interest paid		**(2.631.528)**	(4.115.327)
Net cash used in financing activities		**(57.284.628)**	(21.045.519)
Net increase/(decrease) in cash and cash equivalents		**13.891.731**	(1.951.296)
Cash and cash equivalents at January 1	6	**3.317.054**	5.268.350
Cash and cash equivalents at December 31,	6	**17.208.785**	3.317.054

The accompanying notes on pages 55 to 111 are an integral part of these financial statements.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

1. Organization and nature of operations

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

96% (2009 - 96%) of sales and distribution of the Company's products in the domestic market are performed by its investment-in-associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), and substantial portion of its exports are performed by Yaşar Dış Ticaret A.Ş., ("Yataş") which are both Yaşar Group Companies (Note 37).

The Company is subject to the regulations of the Capital Market Board ("CMB") and 37,95% (2009 - 37,95%) of its shares are quoted on the Istanbul Stock Exchange ("ISE"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 61,19% shares of the Company

(2009: 61,19%) (Note 27).

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

Şehit Fethi Bey Caddesi No: 120
Alsancak/İzmir

2. Basis of preparation of financial statements

2.1 Basis of Presentation of Financial Statements

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

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

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

Comparative information and classifications on the prior period financial statements

For the purpose of comparability, certain reclassifications were made on 2009 financial statements. The financial income in 2009 amounting to TL 117.000 in the 'foreign exchange gains arising from the swap operation 'account, have been classified to foreign exchange loss account under financial expenses. Furthermore, derivative financial liabilities amounting to TL 258.763 classified under current liabilities and derivative financial assets amounting to TL 1.267.800 classified under non-current assets have been classified as derivative financial instruments under current assets.

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

For the period ended December 31, 2009 included in the sales revenues amounting to TL 205.374, the Undersecretaries of Foreign Trade Turquality project revenue have been netted against selling and marketing costs. In addition, un-incurred financial expense from credit sales classified under financial income as at December 31, 2009 amounting to TL 673.085 have been re-classified under financial expenses.

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

Changes in accounting policies

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

Changes in accounting policy and disclosures

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

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

- **IFRIC 17 Distributions of Non-cash Assets to Owners**

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

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

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

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

- **Improvements to IFRSs (April 2009)**

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

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

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

- IFRS 2 Share-based Payment
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 8 Operating Segment Information
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 17 Leases
- IAS 18 Revenue
- IAS 36 Impairment of Assets
- IAS 38 Intangible Assets
- IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 9 Reassessment of Embedded Derivatives
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation

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

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

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

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

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

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

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

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

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

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

- **IFRS1 First-time adoption,** effective for annual periods beginning on or after 1 January 2011
- **IFRS 3 Business Combinations,** effective for annual periods beginning on or after 1 July 2010
- **IFRS 7 Financial Instruments:** Disclosures, effective for annual periods beginning on or after 1 January 2011.
- **IAS 1 Presentation of Financial Statements,** effective for annual periods beginning on or after 1 January 2011.
- **IAS 27 Consolidated and Separate Financial Statements,** effective for annual periods beginning on or after 1 July 2010.
- **IAS 34 Interim Financial Reporting,** effective for annual periods beginning on or after 1 January 2011.
- **IFRIC 13 Customer Loyalty Programmes,** effective for annual periods beginning on or after 1 January 2011.

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

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

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

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

Pınar Süt Mamülleri Sanayii A.Ş.

Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

Basis of consolidation

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

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

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

	Shareholding (%)	
Investments-in-associates	**2010**	2009
Yaşar Birleşik Pazarlama Dağıtım Tur. ve Tic. A.Ş. (YBP)	**31,95**	31,95
Desa Enerji Elektrik Üretimi Otoprodüktör Grubu ("Desa Enerji")	**30,52**	30,52
Pınar Foods GmbH ("Pınar Foods")	**44,94**	44,94
Pınar Anadolu Gıda Sanayi ve Ticaret A.Ş. ("Pınar Anadolu")	**20,00**	20,00

Foreign currency translation

i) Transactions and balances

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

ii) Translation of financial statements of foreign associate

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

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

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Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

Offsetting

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

Significant accounting estimates and judgments

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

a) Income taxes

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

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

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

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

Following the negotiations with the Bornova Municipality Housing Department regarding the building development scheme, the square feet of the plots in Pınarbaşı- Izmir, the site of the Company's land, buildings and land improvements are located in the industrial zone have reached to a conclusion. Therefore, as of December 31, 2010, the land and land improvements and buildings on Pınarbaşı- Izmir site, were stated at their new fair values, based on valuations as of the same date.

Other than the property in Pınarbaşı – İzmir stated above, land and land improvements, buildings, machinery and equipment were stated at fair value, based on valuations at December 31, 2008. The fair values of land and land improvements, buildings, machinery and equipment are estimated as of December 31, 2008 to approximate to values as of December 31, 2010, as there is no change in the market conditions in 2010.

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

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

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

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2. Basis of preparation of financial statements (continued)

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

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

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

d) Employee termination benefits:

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

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

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

Summary of significant accounting policies

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

Revenue

Sale of goods

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

Interest income

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

Rent income

Rent income is recognized on an accrual basis.

Dividend income

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

Cash and cash equivalents

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

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Notes to the Financial Statements at December 31, 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

2. Basis of preparation of financial statements (continued)

Inventories

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Depreciation is provided on the restated or revalued amounts of property, plant and equipment on a straight-line basis (Note18).

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

2. Basis of preparation of financial statements (continued)

Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of property, plant and equipments are as follows:

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

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

Intangible assets

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

Impairment of assets

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

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

Financial assets

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

a) Loans and receivables

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

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Notes to the Financial Statements at December 31, 2010

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2. Basis of preparation of financial statements (continued)

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

b) Available-for-sale financial assets

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

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

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

Derivative financial instruments

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

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

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

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Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

Borrowings and borrowings costs

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

Trade payables

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

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

Accounting of financial assets and liabilities

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

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

Impairment of financial assets

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

Assets carried at amortized cost

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

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

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

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

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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Notes to the Financial Statements at December 31, 2010

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2. Basis of preparation of financial statements (continued)

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

- Significant financial difficulty of the issuer or obligor;

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

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

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

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

Provisions, contingent liabilities and contingent assets

i) Provisions

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

ii) Contingent assets and liabilities

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

Related parties

Parties are considered related to the Company if;

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

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

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

(iii) has joint control over the Company;

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

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

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

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

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

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2. Basis of preparation of financial statements (continued)

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

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

Leases

(1) The Company as the lessee

Finance Leases

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

Operating Leases

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

(2) The Company as the lessor

Operating Leases

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

Government grants and incentive

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

Accounting policies, errors and changes in accounting estimates

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

Share capital and dividends

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

Earnings per share

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

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Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

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

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

Subsequent events

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

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

Business combinations

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

Segment reporting

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

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

Income taxes

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

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

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

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

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

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Notes to the Financial Statements at December 31, 2010

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

2. Basis of preparation of financial statements (continued)

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

Provision for Termination Indemnities/Defined benefit plans

a) Defined benefit plans:

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

b) Defined contribution plans:

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

c) Seniority incentive bonus

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

Statement of cash flow

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

3. Business combinations

None (2009 - None).

4. Joint ventures

None (2009 - None).

5. Segment reporting

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

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

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Notes to the Financial Statements at December 31, 2010

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6. Cash and cash equivalents

	December 31, 2010	December 31, 2009
Cash in hand	**20.334**	27.530
Banks	**17.188.451**	3.289.524
- Time deposits	**17.077.000**	3.120.000
- Demand deposits	**111.451**	169.524
	17.208.785	3.317.054

As of December 31, 2010, time deposits amounting to TL 17.077.000 (2009 - TL 3.120.000) mature in less than one month (2009 - less than one month) and bear the effective weighted average interest rates of 8,21% per annum ("p.a.") (2009 - 7,47% p.a.). As of December 31, 2010, the Company does not have any time deposits in foreign currency.

7. Financial assets

a) Available-for sale investments:

	December 31, 2010		December 31, 2009	
	TL	**%**	TL	%
Pınar Entegre Et ve Un Sanayi A.Ş. ("Pınar Et")	**37.071.915**	**12,58**	24.096.744	12,58
Çamlı Yem Besicilik San. ve Tic. A.Ş. ("Çamlı Yem")	**10.059.689**	**5,47**	7.527.014	5,47
Pınar Su San. ve Tic. A.Ş. ("Pınar Su")	**5.397.520**	**8,77**	5.666.858	8,81
Yataş	**459.780**	**1,76**	369.691	1,76
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	**60.006**	**1,33**	62.392	1,33
Other	**19.361**	**-**	19.361	-
	53.068.271		37.742.060	

Pınar Et and Pınar Su are stated in financial statements at quoted market prices as they are listed on ISE; Çamlı Yem, Yataş and Bintur are stated in financial statements at their fair values which are determined based on the discounted cash flows technique which is one of the generally accepted valuation techniques.

The discount and growth rates used in discounted cash flow models as at December 31, 2010 and 2009 are as follows:

	Discount rate		**Growth rate**	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009
Çamlı Yem	**11,01%**	12,74%	**2%**	2%
Yataş	**9,68%**	11,37%	**0%**	0%
Bintur	**11,70%**	15,60%	**1%**	1%

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Notes to the Financial Statements at December 31, 2010

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

7. Financial assets (continued)

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

	2010	2009
January 1,	**37.742.060**	20.454.629
Fair value gain/(loss)		
Pınar Et	**12.975.171**	13.084.206
Pınar Su	**(269.338)**	2.592.167
Çamlı Yem	**2.532.675**	2.030.053
Yataş	**90.089**	(397.653)
Bintur	**(2.386)**	(21.342)
December 31	**53.068.271**	37.742.060

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

	December 31, 2010	December 31, 2009
January 1	**13.772.027**	(2.733.911)
Fair value gain/(loss)	**15.326.211**	17.287.431
Deferred income tax on fair value reserve of available-for-sale investments (Note 35)	**(779.804)**	(781.493)
December 31,	**28.318.434**	13.772.027

b) Other financial assets:

As of December 31, 2010; other financial assets amounted to TL 352.500 (2009 – TL 1.009.037) consist of receivables from derivative financial instruments and have been disclosed in detail in Note 8.

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Notes to the Financial Statements at December 31, 2010

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

8. Financial liabilities and other financial liabilities

	Effective weighted average interest rate p.a.%		Original currency value		TL equivalent	
	December 31, 2010	December 31, 2009	**December 31, 2010**	December 31, 2009	**December 31, 2010**	December 31, 2009
Short- term borrowings:						
TL borrowings (*)	**-**	10,25	**651.907**	4.034.689	**651.907**	4.034.689
Short-term portion of long-term bank borrowings:						
EUR Borrowings (**)	**5,07**	5,62	**344.192**	350.472	**705.283**	757.125
CHF Borrowings (***)	**2,27**	2,27	**345.667**	345.667	**568.208**	500.940
Total short –term borrowings					**1.925.398**	5.292.754
Derivative financial (assets)/ liabilities:						
Currency swaps from foreign currency to TL		-	**-**	-	**(352.500)**	(1.009.037)
Total financial derivatives					**1.572.898**	4.283.717
Long-term:						
EUR borrowings (**)	**6,65**	6,49	**6.359.800**	6.597.806	**13.031.867**	14.253.240
CHF borrowings (***)	**-**	2,27	**-**	345.667	**-**	500.940
Total long-term liabilities					**13.031.867**	14.754.180

(*) TL denominated short-term bank borrowings are comprised of spot borrowing without interest charge that is amounting to TL 651.907 (2009 - TL 534.689).

(**) EUR denominated bank borrowings are comprised of borrowing with semi-annually floating rates according to Euribor+5.60% p.a. that is amounting to EUR 6.000.000 equivalent of TL 12.294.600 (2009 - EUR 6.103.729 equivalent of TL 13,185,886) and borrowings with fixed interest rate between 4.58%-5.55% p.a. fixed interest rate that are amounting to EUR 359.800 equivalent of TL 737.266 (2009 - EUR 844.549 with 5.20% p.a. fixed interest rate equivalent of TL 1.824.479).

(***) CHF denominated bank borrowings are comprised of borrowings with 2.27% p.a. fixed interest rate (2009 - 2.27% p.a.).

Based on the loan agreement undersigned on September 27, 2006 between the Company and Morgan Stanley International Limited, the Company received a borrowing amounting to EUR6.000.000 with a maturity date of September 27, 2013 and with an interest rate of Euribor + 5,60% p.a. Yaşar Holding, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş., DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş. have undersigned this loan agreement as the guarantors of this borrowing obtained. With respect to a long term borrowing of EUR6.000.000, the Company signed a cross currency swap agreement with Morgan Stanley & Co. International Limited together with the undersigned International Swaps and Derivatives Association ("ISDA") master agreements, related appendices and corresponding swap confirmation documents. In line with this agreement, the Company swapped the borrowing amounting to EUR6.000.000 with the interest rate of Euribor + 5,60% p.a., with a currency swap amounting to TL 11.694.000, using the interest rate of TL swap curve +8,50% p.a. The gain or loss relating to the cross currency swaps is recognized in the statement of comprehensive income in finance income and finance expenses (Note 7.b).

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Notes to the Financial Statements at December 31, 2010

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

8. Financial liabilities and other financial liabilities (continued)

With respect to the scope of the loan agreement signed with Morgan Stanley International Limited regarding borrowing amounting to EUR6.000.000; there are particular financial ratios which the main shareholder, Yaşar Holding A.Ş., has to comply. Based on the unaudited consolidated financial statements of Yaşar Holding A.Ş. as of December 31, 2010, the Company management expects to meet those financial ratios. Thus, the loan maturing in 2013 has been recognising as long-term bank borrowings in the financial statements.

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

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

	December 31, 2010	December 31, 2009
2011	**-**	996.227
2012	**358.827**	397.176
2013	**12.558.061**	13.360.777
2014	**114.979**	-
	13.031.867	14.754.180

9. Other financial liabilities

None (December 31, 2009 – None).

10. Trade receivables and payables

a) Short- term trade receivables:

	December 31, 2010	December 31, 2009
Customer current accounts	**5.014.004**	3.441.662
Cheques and notes receivable	**7.084.050**	11.774.361
Other	**1.183.850**	14.807
	13.281.904	15.230.830
Less: Provisions for doubtful receivables	**(462.724)**	(458.181)
Unearned finance income	**(112.903)**	(70.375)
	12.706.277	14.702.274

The effective weighted average interest rate on TL denominated trade receivables is 7,09% p.a. as of December 31, 2010 (2009 - 6,85% p.a.). Customer current accounts and notes receivable are all short term and maturing within 2 months (2009 - 2 months).

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Notes to the Financial Statements at December 31, 2010

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10. Trade receivables and payables (continued)

The aging analysis of overdue trade receivables at December 31, is as follows;

		Overdue receivables without provision for doubtful receivables				
	Not due	**1-30 days**	**1-3 month**	**3-12 month**	**1-5 year**	**Total**
December 31, 2010	**12.353.614**	**352.663**	**-**	**-**	**-**	**12.706.277**
December 31, 2009	14.231.020	471.254	-	-	-	14.702.274

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

	2010	2009
January 1	**458.181**	553.604
Charged to the statement of comprehensive income (Note 31.b)	**4.543**	-
Collections	**-**	(95.423)
December 31	**462.724**	458.181

b) Short-term trade payables:

	December 31, 2010	December 31, 2009
Supplier current accounts	**75.027.030**	59.538.329
Less: Unincurred finance cost	**(257.502)**	(212.742)
	74.769.528	59.325.587

Average maturity of the trade payables is 2 month (2009 - 2 months). Discounted cost value is calculated with using interest rates 6,63% for TL, 0,23% for USD and 0,71% for EUR (2009-TL: 6,68%, USD: 0,24%, EUR: 0,52%)

c) Long- term trade payables:

	December 31, 2010	December 31, 2009
Supplier current accounts	**6.837.858**	5.602.039
	6.837.858	5.602.039

Long term trade payables consist of Euro payables from the purchase of property, plant and equipment and the effective weighted average interest rate is 6,2% (2009 - 5,81%).

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Notes to the Financial Statements at December 31, 2010

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

11. Other receivables and payables

a) Short-term other receivables:

	December 31, 2010	December 31, 2009
VAT receivables	**2.236.364**	-
Receivables due to land sales (Note 18)	**-**	2.154.608
Receivables from insurance companies	**225.262**	225.262
Deposits and guarantees given	**1.180**	8.097
Other	**3.723**	3.805
	2.466.529	2.391.772

b) Long-term other receivables:

The long-term other receivables consist of deposits and guarantees given amounting to TL 751 as of December 31, 2010 (December 31, 2009 - TL 751).

c) Long-term other payables:

The long-term other payables consist of deposits and guarantees taken amounting to TL 48.534 as of December 31, 2010 (December 31, 2009 - TL 50.029).

12. Receivables and payables from finance sector operations

None (2009 – None).

13. Stocks

	December 31, 2010	December 31, 2009
Raw materials	**19.642.862**	15.940.698
- Stocks of raw materials	**16.172.906**	*14.949.303*
- Raw materials in transit	**3.469.956**	*991.395*
Work in progress	**10.601.374**	6.982.018
Finished goods	**16.377.384**	11.156.674
Trade goods	**309.896**	273.598
Spare parts	**2.431.684**	1.921.494
Other	**775.789**	698.695
	50.138.989	36.973.177

The cost of inventories recognized as expense and included in cost of sales amounted to TL 425.810.827 (2009: TL 333.977.105) (Note 30).

14. Biological assets

None (2009 - None).

15. Construction contract receivables

None (2009 - None).

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Notes to the Financial Statements at December 31, 2010

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

16. Investment in associates accounted for using equity method

Investments-in-associates:

	December 31, 2010		December 31, 2009	
	TL	**%**	TL	%
YBP	**36.837.502**	**31,95**	29.661.460	31,95
Desa Enerji	**3.848.200**	**30,52**	2.629.156	30,52
Pınar Foods	**2.790.087**	**44,94**	2.721.261	44,94
Pınar Anadolu	**694.615**	**20,00**	761.210	20,00
	44.170.404		35.773.087	

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

	2010	2009
January 1	**35.773.087**	31.012.356
Share of results of investments-in-associates- net	**12.652.079**	8.841.862
Increase/(decrease) in fair value reserves of associates-net	**2.302.709**	786.025
Currency translation reserve	**(98.821)**	(107.996)
Dividend income from investments-in-associates (Note 37.ii.ı)	**(6.453.804)**	(4.759.757)
Inventory profit elimination	**(4.846)**	597
December 31	**44.170.404**	35.773.087

Movements in revaluation reserve of investments-in-associates are as follows:

	2010	2009
January 1	**185.355**	440.962
Revaluation reserve change - net (Desa Enerji)	**(3.042)**	(254.722)
Revaluation reserve change - net (YBP)	**(885)**	(885)
December 31	**181.428**	185.355

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Notes to the Financial Statements at December 31, 2010

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

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

The financial information of the investments-in-associates are as follows:

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

17. Investment property

The property, plant and equipments in Işıkkent- Izmir has been transferred to real estate in order to increase its value as of 2009. The Company sold its investment properties in Işıkkent-Izmir to Çamlı Yem in consideration of TL 2.000.000 (Note 37.ii.n). The sales price was determined based on the independent valuer's report on October 27, 2009. Loss from sales of these investment properties amounting to TL 1.690.000 was recognized as other expense in statement of comprehensive income (Note 31.b).

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Notes to the Financial Statements at December 31, 2010

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

18. Property, plant and equipment

Movements of property, plant and equipment and accumulated depreciation in 2010 were as follows:

	January 1, 2010	Additions	Disposals	Revaluation	Transfers	December 31, 2010
Cost or valuation						
Land	55.389.975	24.938	-	5.195.000(*)	-	60.609.913
Buildings and land improvements	88.803.520	430.728	-	4.828.233(*)	2.207.202	96.269.683
Machinery and equipment	204.488.758	12.649.108	(12.329.642)	-	985.608	205.793.832
Motor vehicles	5.075.996	522.397	(178.342)	-	-	5.420.051
Leased motor vehicles	2.223.121	-	-	-	-	2.223.121
Furnitures and fixtures	34.948.071	3.322.650	(627.163)	-	8.914	37.652.472
Construction in progress	48.880	5.477.754	-	-	(3.201.724)	2.324.910
	390.978.321	22.427.575	(13.135.147)	10.023.233	-	410.293.982
Less: Accumulated depreciation						
Buildings and land improvements	(31.766.226)	(2.601.683)	-	-	-	(34.367.909)
Machinery and equipment	(114.351.826)	(7.949.975)	11.224.782	-	-	(111.077.019)
Motor vehicles	(4.978.225)	(156.806)	178.342	-	-	(4.956.689)
Leased motor vehicles	(1.382.647)	(118.714)	-	-	-	(1.501.361)
Furnitures and fixtures	(26.156.396)	(2.240.182)	615.576	-	-	(27.781.002)
	(178.635.320)	(13.067.360)	12.018.700	-	-	(179.683.980)
Net book value	212.343.001					230.610.002

(*) Following the negotiations with the Bornova Municipality Housing Department regarding the building development scheme, the square feet of the plots in Pınarbaşı- Izmir, the site of the Company's land, buildings and land improvements are located in the industrial zone have reached to a conclusion. Therefore, as of December 31, 2010, the land and land improvements and buildings on Pınarbaşı- Izmir site, were stated at their new fair values amounting to TL 67.680.000, based on valuations as of the same date.

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Notes to the Financial Statements at December 31, 2010

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

18. Property, plant and equipment (continued)

	January 1, 2009 Opening	Additions	Disposals	Transfers	Transfer to Investment property (Note 17)	Transfer from investment property (Note 17)	December 31, 2009 Closing
Cost or valuation:							
Land	63.160.001	-	(5.985.026)	-	(1.785.000)	-	55.389.975
Buildings and land improvements	89.953.938	127.310	-	-	(2.237.754)	960.026	88.803.520
Machinery and equipment	200.116.668	2.746.959	(274.862)	1.899.993	-	-	204.488.758
Motor vehicles	5.424.094	-	(348.098)	-	-	-	5.075.996
Leased motor vehicles	2.223.121	-	-	-	-	-	2.223.121
Furnitures and fixtures	34.272.307	1.012.969	(354.440)	17.235	-	-	34.948.071
Construction in progress	346.280	1.619.828	-	(1.917.228)	-	-	48.880
	395.496.409	**5.507.066**	**(6.962.426)**	**-**	**(4.022.754)**	**960.026**	**390.978.321**
Accumulated depreciation:							
Buildings and land improvements	(29.516.906)	(2.582.074)	-	-	332.754	-	(31.766.226)
Machinery and equipment	(107.395.342)	(7.156.553)	200.069	-	-	-	(114.351.826)
Motor vehicles	(5.224.618)	(101.705)	348.098	-	-	-	(4.978.225)
Leased motor vehicles	(1.107.324)	(275.323)	-	-	-	-	(1.382.647)
Furnitures and fixtures	(24.048.988)	(2.439.427)	332.019	-	-	-	(26.156.396)
	(167.293.178)	**(12.555.082)**	**880.186**	**-**	**332.754**	**-**	**(178.635.320)**
Net book value	**228.203.231**						**212.343.001**

Disposals from lands in 2009 are mainly comprised of lands in Manisa Organized Industrial Zone ("MOIZ") that were purchased in 2008. At December 31, 2009, the Company had receivable from MOIZ amounting to TL 2.154.608 (Note 11) with respect to this sale transaction. Gain from sale of these lands amounting to TL 256.134 was recognised as other income in the statement of comprehensive income. Main additions to machinery and equipment in 2009 were dairy products' manufacturing and packaging machinery.

There are no mortgages or other collaterals placed on property, plant and equipment as of December 31, 2010 (2009 - None).

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Notes to the Financial Statements at December 31, 2010

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

18. Property, plant and equipment (continued)

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

	December 31, 2010	December 31, 2009
Cost of sales	**10.144.831**	9.502.445
Cost of inventories	**503.235**	221.277
Selling and marketing costs (Note 29b)	**1.412.289**	2.106.347
General administrative expenses (Note 29c)	**926.530**	1.076.944
Research and development expenses (Note 29a)	**282.857**	276.298
	13.269.742	13.183.311

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

	2010	2009
January 1	**81.339.774**	85.883.408
Depreciation transfer upon revaluation reserve	**(3.259.436)**	(3.227.102)
Deferred income tax on depreciation transfer	**651.887**	645.420
Disposal from revaluation reserve due to sales of property, plant and equipment and investment property	**(344.441)**	(1.961.952)
Increase in revaluation reserve arising from revaluation of land, land improvements and buildings	**10.023.233**	-
Deferred income tax calculated on revaluation of land and buildings	**(1.225.397)**	-
December 31	**87.185.620**	81.339.774

The carrying amounts of each class of property, plant and equipment that would have been recognized if the assets have been carried under the cost model are as follows:

December 31, 2010	**Land**	**Land improvements and buildings**	**Machinery and equipment**
Cost	**9.576.708**	**40.223.533**	**181.032.307**
Less: Accumulated depreciation	-	**(13.032.938)**	**(103.871.273)**
Net book value	**9.576.708**	**27.190.595**	**77.161.034**

December 31, 2009	**Land**	**Land improvements and buildings**	**Machinery and equipment**
Cost	9.551.770	37.585.603	179.338.919
Less: Accumulated depreciation	-	(12.061.505)	(105.130.074)
Net book value	9.551.770	25.524.098	74.208.845

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19. Intangible assets

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

	January 1, 2010	**Additions**	**Disposals**	**December 31, 2010**
Costs:				
Rights	**9.269.015**	**85.155**	**-**	**9.354.170**
Accumulated amortisation	**(8.931.819)**	**(202.382)**	**-**	**(9.134.201)**
Net book value	**337.196**			**219.969**

	January 1, 2009	Additions	Disposals	December 31, 2009
Costs:				
Rights	9.547.981	69.711	(348.677)*	9.269.015
Accumulated amortisation	(8.303.590)	(628.229)	-	(8.931.819)
Net book value	1.244.391			337.196

(*) Note 31.b

20. Goodwill

None (2009 - None).

21. Government grants

In accordance with bulletin of Ministry of Agriculture and Rural Affairs, numbered 2009/40, regarding the utilisation of milk powder, the Company was provided TL 2.187.080 government incentive, based on the production of milk powder. The relevant incentive amount was reflected to the statement of comprehensive income by netting off against the cost of sales (2009 - TL 909.000).In addition, under Turquality project, the government incentive has been contributed by Undersecretariat of Foreign Trade as of 2010 and 2009 for branding of Turkish goods and building Turkish goods image in foreign markets.

22. Provisions, contingent assets and contingent liabilities

a) Short-term provisions:

	December 31, 2010	December 31, 2009
Management bonus accruals	**1.140.045**	1.325.000
Provision for litigations	**76.000**	127.394
Provision for seniority incentive bonus	**120.474**	60.678
Other	**46.423**	67.172
	1.382.942	1.580.244

b) Long-term provisions:

The long-term provisions consist of provision for seniority incentive bonus amounting to TL 203.804 as of December 31, 2010 (December 31, 2009 - TL 183.185).

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

c) Guarantees given:

	2010	2009
Bails	**619.935.397**	605.508.327
Letters of guarantee	**6.292.532**	4.069.440
Guarantee notes	**4.500.000**	2.000.000
	630.727.929	611.577.767

The Company jointly guarantees with Yaşar Group companies the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR 95.059 thousands and USD 275.000 thousands (equivalent of TL 619.935.397) (2009 – EUR 280.289 thousands, equivalent of TL 605.508.327).

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

	December 31, 2010			
	Total TL equivalent	**TL**	**USD**	**EUR**
A. Total amount of CPM given for the Company's own legal personality	**10.792.532**	**10.792.532**	**-**	**-**
Collateral	*10.792.532*	*10.792.532*	-	-
Pledge	-	-	-	-
Mortgage	-	-	-	-
B. Total amount of CPM given on behalf of fully consolidated companies	**-**	**-**	**-**	**-**
Collateral	-	-	-	-
Pledge	-	-	-	-
Mortgage	-	-	-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	**-**	**-**	**-**	**-**
D. Total amount of other CPM	**652.422.964**	**32.487.567**	**275.000.000**	**95.059.000**
i. Total amount of CPM given on behalf of the majority shareholder	542.352.497	-	250.000.000	76.059.000
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C.	110.070.467	32.487.567	25.000.000	19.000.000
iii. Total amount of CPM given on behalf of third parties which are not in scope of C.	**-**	**-**	**-**	**-**
Total	**663.215.496**	**43.280.099**	**275.000.000**	**95.059.000**

The ratio of total amount of other CPM to Equity is 169,55%.

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

	December 31, 2009			
	Total TL equivalent	TL	USD	EUR
A. Total amount of CPM given for the Company's own legal personality	6.069.440	6.069.440	-	-
Collateral	6.069.440	6.069.440	-	-
Pledge	-	-	-	-
Mortgage	-	-	-	-
B. Total amount of CPM given on behalf of fully consolidated companies	-	-	-	-
Collateral	-	-	-	-
Pledge	-	-	-	-
Mortgage	-	-	-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-
D. Total amount of other CPM	629.796.285	24.287.958	-	280.289.000
i. Total amount of CPM given on behalf of the majority shareholder	391.638.627	-	-	181.289.000
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C.	238.157.658	24.287.958	-	99.000.000
iii. Total amount of CPM given on behalf of third parties which are not in scope of C.	-	-	-	-
Total	635.865.725	30.357.398	-	280.289.000

The ratio of total amount of other CPM to Equity is 179,84%.

d) Guarantees received:

	December 31, 2010	December 31, 2009
Bails	**12.294.600**	12.961.800
Guarantee cheques	**747.023**	835.291
Letters of guarantee	**2.462.410**	698.539
Guarantee notes	**157.504**	488.705
	15.661.537	14.984.335

As of December 31, 2010, bails received are related with joint guarantees provided to the Company by Yaşar Holding A.Ş. and its affiliates for repayment of borrowings obtained by the Company from international capital markets amounting to EUR 6.000.000 (2009 - EUR 6.000.000).

Foreign currencies denominated guarantees received were as follows:

		December 31, 2010	December 31, 2009
Guarantees received	EUR	**6.642.090**	6.210.065
	USD	**145.267**	105.717

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Notes to the Financial Statements at December 31, 2010

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

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

e) Contingent liabilities

None.

23. Commitments

a) Purchase commitments:

As of December 31, 2010, the Company has purchase commitments of 1.049.872 kilogram of tomato sauce equivalent of TL 2.203.451; 2.306.776 kilogram of concentrated fruit juice equivalent of TL 5.103.635 and packaging materials amounting to EUR 5.615.687 equivalent of TL 11.507.103 (2009 - 770 tons of tomato sauce equivalent of TL 1.258.374; 1,532 tons of concentrated fruit juice equivalent of TL 3.668.585 and packaging materials amounting to EUR 6.905.711 equivalent of TL 14.918.407).

b) Other commitments:

As a result of the agreement undersigned by the Company's associate, YBP, with one of its suppliers, the Company has guaranteed the redemption of YBP's payable to this supplier amounting to TL 32.487.567 as of December 31, 2010 (2009 - TL 24.287.958).

24. Employee benefits

Provision for employment termination benefits

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 TL 2.567,16 for each year of service as of December 31, 2009 (2009 - TL 2.365,16). 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 TL 2.623,23 which is effective from January 1, 2011 (January 1, 2010 – TL 2.427,04) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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

	December 31, 2010	December 31, 2009
Discount rate (%)	**4,66**	5,92
Probability of retirement (%)	**96,67**	96,73

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24. Employee benefits (continued)

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

	2010	2009
January 1	**4.318.025**	3.799.007
Interest costs	**201.220**	224.902
Actuarial losses	**721.787**	299.163
Paid during the year	**(570.201)**	(829.017)
Annual charge during the year	**938.381**	823.970
December 31	**5.609.212**	4.318.025

The total of interest costs, actuarial losses and annual charge for the year amounting to TL 1.861.388 (2009 - TL 1.348.035) was included in general administrative expenses (Note 29.c).

25. Pension plans

None (2009 – None).

26. Other assets and liabilities

a) Other current assets:

	December 31, 2010	December 31, 2009
Taxes and funds deductible	**1.712.240**	2.066.205
Prepaid expenses	**1.499.922**	1.145.094
Income accruals (*)	**991.855**	-
Order advances given	**69.206**	20.731
Other	**95.167**	21.063
	4.368.390	3.253.093

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

b) Other non-current assets:

The other non-current assets consist of advances given for purchase of property, plant and equipment amounting to TL 434.525 and prepaid expenses amounting to TL 24.527 as of December 31, 2010 (December 31, 2009 - TL 114.050).

c) Other current liabilities:

	December 31, 2010	December 31, 2009
Witholding taxes and funds payable	**1.050.377**	972.542
Payable to personnel	**86.034**	636.792
Other	**37.379**	38.004
	1.173.790	1.647.338

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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 TL1. The Company's historical authorised registered share capital at December 31, 2010 and 2009 is as follows:

	December 31, 2010	December 31, 2009
Registered share capital (historical values)	**80.000.000**	80.000.000
Share capital with a nominal value	**44.951.051**	44.951.051

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

	December 31, 2010		December 31, 2009	
	Share (%)	**TL**	Share (%)	TL
Yaşar Holding (A, B, C)	**61,19**	**27.503.258**	61,19	27.503.258
Public quotation (C)	**37,95**	**17.060.367**	37,95	17.060.367
Other	**0,86**	**387.426**	0,86	387.426
Share capital	**100**	**44.951.051**	100	44.951.051
Adjustment to share capital		**16.513.550**		16.513.550
Total paid-in capital		**61.464.601**		61.464.601

Adjustment to share capital amounting to TL16.513.550 (2009 - TL16.513.550) represents the remaining amount after net-off the accumulated losses of 2003 from the difference between restated (inflation adjusted) share capital and historical cost of share capital (before inflation adjustment).

As of December 31, 2010, there are 44.951.051 (2009 - 44.951.051) units of shares with a face value of TL1 each.

The Company's capital is composed of 1.728 units of A type shares and 1.260 units of B type shares and 44.948.063 units of C type shares, and the C type shares are traded on the ISE. Based on the Company's Articles of Association, the Board of Directors comprises five to nine members elected by the General Assembly from among the Company's shareholders or from outside the Company personnel, in accordance with the provisions of the Turkish Commercial Code. In the event the Board of Directors comprises of five members, three are elected from among candidates nominated by shareholders bearing A type shares, one from those nominated by shareholders bearing B type shares and one from those nominated by shareholders bearing C type shares. In the event the Board of Directors comprises of seven members, four are elected from among candidates nominated by shareholders bearing A type shares, two from those nominated by shareholders bearing B type shares, and one from those nominated by shareholders bearing C type shares. In the event the Board of Directors comprises of nine members, five are elected from among the candidates nominated by shareholders bearing A type shares, two from those nominated by shareholders bearing B type shares, and two from those nominated by shareholders bearing C type shares. Moreover, the chairman of the board and the executive director are selected among shareholders of A type shares.

Board of Directors has authority to classify new shares as registered or bearer separately in accordance with the CMB regulations. Companies can increase their share capital by way of bonus issue to existing shareholders in proportion of their shareholding rates.

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

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27. Equity (continued)

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. On the other hand, in case of the distribution of the total net distributable profit as dividend, limited only for such case, the second legal reserve is appropriated at the rate of 9% per annum of net distributable profit in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. At December 31, 2010, the restricted reserves of the Company amount to TL 22.873.461 (2009 – TL 17.020.753). The extraordinary funds as unrestricted reserves of the Company, amounting to TL 38.139.677 (2009 – TL 38.001.934), is classified in the retained earnings.

According to Turkish Corporate Income Tax Law numbered 5520, effective from June 21, 2006, a 75% portion of the gains derived from the sale 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 consideration has to be collected up until the end of the second calendar year following the year the sale was realised. In this respect, TL475.535 which was 75% of gain from sale of investment property amounted to TL 634.047 recognised as a special fund in the statutory financial statements prepared in accordance with the Tax Procedure Law; was not subject to the profit distribution since such special fund will be transfer to share capital within next five years.

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 (like 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 "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 in accordance with the CMB Financial Reporting Standards.

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

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

Based on the CMB Decree No. 02/51, dated January 27, 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. On the other hand, according to the Company's Article of Association, the followings could be applied for additional allocation of retained earnings;

- Based on the approval of the General Assembly, up to 3% of retained earnings after dividend distribution could be allocated to plant investments designated in accordance with article of 468 in TCC,

- Up to 5% of retained earnings after dividend distribution could be allocated to the Board of Directors as necessary,

- Up to 5% of retained earnings after dividend distribution could be allocated to donations, bonuses etc.

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27. Equity (continued)

Based on the decision of General Assembly meeting on May 14, 2010, the Company has distributed TL 51.019.443 as dividend from the distributable net profit for the year ended December 31, 2009.

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

	December 31, 2010	December 31, 2009
Extraordinary reserves	**56.038.395**	55.900.652
Retained earnings	**5.602.056**	5.456.411
Profit for the year	**56.475.977**	58.334.894
	118.116.428	119.691.957

28. Sales and cost of sales

	January 1 - December 31, 2010	January 1 - December 31, 2009
Domestic sales	**713.534.078**	565.036.972
Export sales	**43.670.966**	46.088.437
Merchandise goods sales	**14.872.034**	16.028.986
Gross Sales	**772.077.078**	627.154.395
Less: Discounts	**(184.077.996)**	(137.209.915)
Returns	**(10.922.354)**	(9.197.757)
Net sales	**577.076.728**	480.746.723
Cost of sales	**(473.247.883)**	(374.268.811)
Gross profit	**103.828.845**	106.477.912

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

	January 1 - December 31, 2010	January 1 - December 31, 2009
a) Research and development expenses:		
Staff costs	**2.175.681**	1.664.338
Material usage	**1.380.895**	740.015
Outsourced services	**562.196**	713.235
Depreciation and amortisation (Notes 18 and 19)	**282.857**	276.298
Consultancy charges	**-**	32.261
Other	**263.507**	361.111
	4.665.136	3.787.258
b) Marketing, selling and distribution expenses:		
Advertisement	**15.057.275**	13.555.117
Transportation	**4.017.508**	3.721.584
Outsourced services	**2.766.021**	2.310.673
Depreciation and amortisation (Notes 18 and 19)	**1.412.289**	2.106.347
Staff costs	**2.489.088**	2.091.007
Rent cost	**877.035**	854.689
Other	**1.890.922**	1.702.373
	28.510.138	26.341.790
c) General administrative expenses:		
Consultancy charges	**7.564.041**	6.566.561
Staff costs	**6.509.065**	5.814.599
Employment termination benefits (Note 24)	**1.861.388**	1.348.035
Depreciation and amortisation (Notes 18 and 19)	**926.530**	1.076.944
Outsourced services	**844.421**	797.055
Maintenance and repair	**691.948**	553.992
Taxes (Corporate tax excluded)	**670.780**	405.305
Management bonus	**500.000**	1.325.000
Rent costs	**596.201**	492.387
Energy costs	**549.952**	327.681
Communication costs	**266.620**	236.230
Travel costs	**222.719**	134.365
Insurance costs	**102.277**	100.606
Other	**1.049.943**	834.611
	22.355.885	20.013.371
Total operating expenses	**55.531.159**	50.142.419

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30. Expenses by nature

	January 1 - December 31, 2010	January 1 - December 31, 2009
Direct material costs (Note 13)	**425.810.827**	333.977.105
Staff costs	**28.412.104**	25.398.284
Advertisement	**15.057.275**	13.555.117
Energy	**14.394.719**	14.290.733
Depreciation and amortization (Note 18 and 19)	**12.766.508**	12.962.034
Consultancy	**7.771.223**	6.752.461
Repair and maintenance	**7.027.218**	6.312.118
Outsourced services	**5.732.597**	3.972.450
Rent	**2.280.366**	1.960.173
Employment termination benefits (Note 24)	**1.861.388**	1.348.035
Taxes, dues and fees	**730.944**	449.030
Insurance premium	**152.433**	168.029
Other	**6.781.440**	3.265.661
	528.779.042	424.411.230

31. Other operating income/expenses

a) Other operating income:

	January 1 - December 31, 2010	January 1 - December 31, 2009
Dividend income (Note 37.ii.d)	**4.604.650**	1.121.806
Rent income	**1.396.255**	1.321.529
Income from sales of scrap	**553.457**	227.581
Collections of doubtful trade receivables and due from related parties (Note 37.i.a)	**80.049**	162.537
Gain on termination of supplier contract (*)	**-**	1.888.103
Gain on property, plant and equipment sales	**-**	342.788
Other	**254.430**	212.902
	6.888.841	5.277.246

(*) Based on the minute of Board of Director dated August 29, 2009, the Company cancelled a license agreement undersigned with a supplier in prior years, and the supplier wrote off its respective long and short term receivables from the Company amounting to TL 1.393.334 (equivalent of EUR 645.000) and TL 494.709 (equivalent of EUR 229.000). As a result of the cancellation, the Company derecognised total liability of TL 1.888.103 by recognising other income in the statement of comprehensive income.

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31. Other operating income/expenses (continued)

b) Other operating expense:

	January 1 - December 31, 2010	January 1 - December 31, 2009
Loss from sales of property, plant and equipment	**(998.876)**	-
Donations	**(866.998)**	(981.711)
Overdue charges upon unpaid taxes	**(331.511)**	(376.881)
Loss from sales of scrap	**(193.902)**	(10.872)
Rent cost	**(154.915)**	(154.915)
Chamber fees	**(97.964)**	(84.226)
Cost of provision for doubtful receivables (Note 10.a)	**(4.543)**	-
Impairment on intangible assets (Note 19)	**-**	(348.677)
Loss on sales of investment property	**-**	(1.690.000)
Other	**(196.441)**	(337.064)
	(2.845.150)	(3.984.346)

In 2010, donations amounting to TL750.000 were given related parties (Note 37.ii.k) (2009 - TL 908.650).

32. Finance income:

	January 1 - December 31, 2010	January 1 - December 31, 2009
Interest income	**7.865.011**	7.500.923
Bail income from related parties	**941.910**	1.420.584
Foreign exchange gain	**884.553**	121.255
Interest income on term purchase	**598.399**	849.239
	10.289.873	9.892.001

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33. Finance expense:

	January 1 - December 31, 2010	January 1 - December 31, 2009
Interest expense	**(2.610.785)**	(3.512.987)
Foreign exchange loss	**(199.437)**	(514.106)
Bail expenses	**(147.294)**	(29.545)
Interest expense on term sales	**(714.391)**	(673.085)
Other	**(185.090)**	(477.722)
	(3.856.997)	(5.207.445)

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

None (2009 – None).

35. Tax assets and tax liabilities

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

	December 31, 2010	December 31, 2009
Corporation taxes currently payable	**12.027.803**	13.549.338
Less: Prepaid corporate tax	**(9.692.672)**	(11.172.132)
Current income tax liabilities	**2.335.131**	2.377.206

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

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

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35. Tax assets and tax liabilities (continued)

Transfer pricing

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

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

In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalised and paid.

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

	January 1 - December 31, 2010	January 1 - December 31, 2009
Current corporation tax expense	**(12.027.803)**	(13.549.338)
Deferred tax income	**677.095**	216.146
Taxes on income	**(11.350.708)**	(13.333.192)

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35. Tax assets and tax liabilities (continued)

The reconciliations of the taxation on income for are as follows:

	January 1 - December 31, 2010	January 1 - December 31, 2009
Profit before tax	**71.426.332**	71.154.811
Tax calculated at tax rates applicable to the profit	**(14.285.266)**	(14.230.962)
Non-deductible expenses	**(221.753)**	(769.584)
Tax effect upon the results of investment-in-associates	**2.530.416**	1.768.372
Income not subject to tax	**920.930**	177.887
Other	**(295.035)**	(278.905)
Taxation on income	**(11.350.708)**	(13.333.192)

Deferred income taxes

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

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

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

	December 31, 2010		December 31, 2009	
	Cumulative temporary differences	**Deferred income tax assets/ (liabilities)**	Cumulative temporary differences	Deferred income tax assets/ (liabilities)
Differences of economic useful lives and indexation of property, plant and equipment and intangible assets	**51.345.191**	**(10.254.370)**	51.821.572	(10.364.315)
Revaluation of machinery and equipment	**13.867.007**	**(2.773.402)**	15.928.087	(3.185.617)
Revaluation of buildings	**34.713.453**	**(6.942.691)**	31.513.195	(6.302.639)
Differences from revaluation of buildings	**51.033.205**	**(2.551.659)**	45.838.205	(2.291.910)
Deferred income tax calculated on fair value reserves of available-for-sale investments	**31.170.309**	**(1.390.374)**	15.842.303	(610.570)
Provisions for impairment on machinery and equipment	**(2.093.578)**	**418.716**	(2.218.303)	443.660
Provision for employment termination benefits	**(5.609.212)**	**1.121.842**	(4.318.025)	863.605
Other	**(3.199.041)**	**639.808**	(5.218.810)	1.043.762
Deferred income tax assets		**2.180.366**		2.351.027
Deferred income tax liabilities		**(23.912.496)**		(22.755.051)
Deferred income tax liabilities-net		**(21.732.130)**		(20.404.024)

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35. Tax assets and tax liabilities (continued)

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

	2010	2009
January 1	**(20.404.024)**	(19.838.677)
Charged to fair value reserve of available-for-sale investments (Note 7.a)	**(779.804)**	(781.493)
Charged to revaluation reserve	**(1.225.397)**	-
Credited to statement of comprehensive income	**677.095**	216.146
December 31	**(21.732.130)**	(20.404.024)

36. Earnings per share

		January 1- December 31, 2010	January 1- December 31, 2010
Profit for the period	A	**60.075.624**	57.821.619
Weighted average number of shares (Note 27)	B	**44.951.051**	44.951.051
Earnings per share with a TL1 face value	**A/B**	**1,3365**	1,2863

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

37. Transactions and balances with related parties

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

i) Balances with related parties:

a) Trade receivables from related parties:

	December 31, 2010	December 31, 2009
YBP (*)	**50.072.210**	49.100.405
Yaşar Dış Ticaret A.Ş. (Yataş) (**)	**5.717.864**	6.769.886
	55.790.074	55.870.291
Less: Unearned finance income from credit sale	**(370.117)**	(254.826)
Provisions for doubtful trade receivables	**-**	(80.048)
	55.419.957	55.535.417

(*) Associate
(**) Financial investments

As of December 31, 2010, the effective weighted average interest rates applied to short term trade receivables from related parties is 6,72% (December 31, 2009 - 6,85%) with 2 months maturity (December 31, 2009 - 2 months).

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37. Transactions and balances with related parties (continued)

The Company sells a substantial portion of its products to its related party and associate, YBP, which is the general distributor of the Company in Turkey. Export sales and distribution was performed by its related party, Yataş.

b) Short term other trade receivables from related parties:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**49.295.221**	63.154.722
DYO Boya Fab. A.Ş. ("DYO Boya") (***)	**365.917**	479.405
Viking Kağıt ve Selüloz A.Ş. ("Viking") (***)	**-**	49.186
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yabim") (***)	**40.103**	35.980
Yataş (**)	**-**	34.388
Other	**7.600**	22.017
	49.708.841	63.775.698

(*) Parent
(**) Financial investments
(***) Other related parties

Other receivables from Yaşar Holding amounting to TL 3.500.000 consist of TL denominated loans and respective interest accruals obtained from various banks and financial institutions by the Company, and were transferred to Yaşar Holding with the same conditions. The effective weighted average interest rates applied to those TL denominated loans is 10,25% p.a.

As of December 31, 2010 Company has other non-trade receivables from Yaşar Holding and applied interest rate for these receivables is 0,75% monthly-net (December 31, 2009 - 0,83%).

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

c) Long-term other receivables from related parties:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**11.694.000**	11.694.000

(*) Parent

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

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37. Transactions and balances with related parties (continued)

d) Trade payables to related parties:

	December 31, 2010	December 31, 2009
Yadex Export-Import und Spedition GmbH ("Yadex") (****)	**11.090.437**	4.617.688
Yaşar Holding A.Ş. (*)	**2.112.436**	2.227.828
Hdf FZ Co. ("Hdf") (****)	**1.838.960**	1.685.087
Çamlı Yem (***)	**1.594.319**	2.722.650
Desa Enerji (**)	**889.115**	842.463
Other	**248.313**	948.374
	17.773.580	13.044.090
Less: Unincurred finance cost	**(15.696)**	(18.629)
	17.757.884	13.025.461

(*) Parent
(**) Associate
(***) Financial investments
(****) Other related parties

TL11.090.437 (2009 - TL4.617.688) of due to related parties is the payable to Yadex arising from import transactions and promotion charges respectively, conducted by these companies on behalf of the Company. Trade payables to Çamlı Yem mainly consist of trade payable due to purchase of cattle feed that are sold to raw milk suppliers.

The average term of related party payables is 2 months (December 31, 2009 – 2 Months) and the effective interest rate is 6,53% p.a (December 31, 2009 – 6,91% p.a).

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

	December 31, 2010	December 31, 2009
Yaşar Üniversitesi (*)	**757.160**	5.664
Dividend payables	**198.960**	141.733
Other	**22.688**	52.177
	978.808	199.574

(*) Other related company

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37. Transactions and balances with related parties (continued)

ii) Transactions with related parties:

a) Product sales:

	December 31, 2010	December 31, 2009
YBP (*)	**503.785.033**	413.102.066
Yataş (**)	**43.632.952**	46.088.437
Pınar Et (**)	**508.391**	994.188
Other	**986.851**	699.287
	548.913.227	460.883.978

(*) Associates
(*) Financial investment

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

b) Service sales:

	December 31, 2010	December 31, 2009
Çamlı Yem (**)	**283.651**	279.886
Pınar Entegre Et ve Un Sanayi A.Ş. ("Pınar Et") (**)	**131.773**	100.235
YBP (*)	**70.052**	12.033
Other	**176.192**	195.183
	661.668	587.337

(*) Associates
(**) Financial investments

c) Product purchases:

	December 31, 2010	December 31, 2009
Yadex (**)	**16.572.870**	9.577.865
Çamlı Yem (***)	**15.305.694**	15.698.283
Desa Enerji (*)	**7.982.142**	8.175.572
Pınar Anadolu (*)	**2.668.139**	121.989
Hedef Ziraat (**)	**1.880.702**	1.449.622
Other	**140.752**	69.513
	44.550.299	35.092.844

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

The Company imports raw materials through Yadex, purchases steam and electricity from Desa Enerji, and purchases seeds from Çamlı Yem to sell to its rare milk suppliers.

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37. Transactions and balances with related parties (continued)

d) Service purchases:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**7.242.891**	6.042.257
YBP (**)	**2.260.363**	767.358
Yataş (***)	**1.322.983**	1.296.411
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur") (***)	**322.321**	234.114
Hdf (****)	**-**	3.629.193
Other	**470.819**	204.064
	11.619.377	12.173.397

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

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

e) Finance expense:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**70.863**	69.147
Çamlı Yem (****)	**53.634**	375.373
YBP (**)	**40.130**	27.943
DYO Boya (***)	**17.140**	27.943
Viking (***)	**17.140**	27.943
Pınar Su San. ve Tic. A.Ş. ("Pınar Su") (****)	**17.140**	27.943
Other	**19.191**	27.943
	235.238	**584.235**

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

f) Finance income:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**6.154.782**	4.885.183
YBP (**)	**91.145**	333.848
DYO Boya (***)	**84.164**	434.216
Viking (***)	**46.745**	108.599
Other	**54.400**	151.252
	6.431.236	5.913.098

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

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37. Transactions and balances with related parties (continued)

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

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

g) Key management compensation:

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

	December 31, 2010	December 31, 2009
Salaries	**1.618.985**	1.734.940
Bonus and profit-sharing	**500.000**	1.325.000
Other long-term benefits	**23.070**	19.384
	2.142.055	3.079.324

h) Dividends paid:

	December 31, 2010	December 31, 2009
Yaşar Holding (*)	**31.216.198**	4.107.519
Publicly-held	**19.363.237**	2.547.481
Other	**440.008**	57.729
	51.019.443	6.712.729

(*) Parent

ı) Dividends received:

	December 31, 2010	December 31, 2009
YBP (**)	**6.137.887**	4.317.063
Pınar Et (*)	**3.979.779**	778.510
Pınar Su (*)	**403.974**	100.881
Pınar Anadolu (**)	**315.917**	442.694
Çamlı Yem (*)	**220.897**	240.790
Bintur (*)	**-**	1.625
	11.058.454	5.881.563

(*) Financial investments
(**) Associates

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37. Transactions and balances with related parties (continued)

j) Purchases of property, plant and equipment:

	December 31, 2010	December 31, 2009
YBP (*)	**70.284**	1.059
Dyo Boya (**)	**38.480**	-
Pınar Et (***)	**28.089**	2.508
Yataş (***)	**8.087**	-
Other	**55.156**	949
	200.096	4.516

(*) Associates
(**) Other related company
(***) Financial investments

k) Donations:

	December 31, 2010	December 31, 2009
Yaşar Üniversitesi (*)	**750.000**	350.000
Yaşar Eğitim Vakfı (*)	**30.900**	558.650
	780.900	908.650

(*) Other related companies

l) Bails given to related parties:

As of December 31, 2010, the Company jointly guarantees with Yaşar Holding A.Ş, the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR 95.059.000 and USD 275.000.000 (equivalent of TL 619.935.397) (2009 – EUR 280.289.000 equivalent of TL 605.508.327).

m) Other incomes from related parties:

	December 31, 2010	December 31, 2009
YBP (*)	**767.284**	747.267
Çamlı Yem (**)	**583.647**	591.479
Other	**43.903**	49.278
	1.394.834	1.388.024

(*) Associates
(**) Financial investment

Other income from YBP and Çamlı Yem are related to the rental income.

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37. Transactions and balances with related parties (continued)

n) Sales of investment property:

	December 31, 2010	December 31, 2009
Çamlı Yem (**)	**-**	2.000.000
	-	2.000.000

(**) Financial investment

38. Financial instruments and financial risk management

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

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

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

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

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

• Effective monitoring and minimizing risks sourced from counterparts.

a) Credit risk:

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

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38. Financial instruments and financial risk management (continued)

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

	Receivables					
December 31, 2010	**Trade receivables** (1)		**Other receivables**			
	Related parties	**Third parties**	**Related parties**	**Third parties**	**Bank deposits**	**Other**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**55.419.957**	**12.706.277**	**49.708.841**	**2.467.280**	**17.188.451**	
- The part of maximum credit risk covered with guarantees	-	-	-	-	-	-
A. Net book value of financial assets not due or not impaired (3)	54.210.381	12.353.614	49.330.160	2.467.280	17.188.451	
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired						
Net book value	1.209.576	352.663	378.681	-	-	-
- The part covered by guarantees	-	-	-	-	-	-
D. Net book value of assets impaired						
- Past due amount (gross book value)	-	462.724	-	-	-	-
- Impairment amount (-)	-	(462.724)	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables of the Company are mainly consist of receivables resulting sales of milk and dairy products.

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

(3) None.

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38. Financial instruments and financial risk management (continued)

	Receivables					
December 31, 2009	**Trade receivables** (1)		**Other receivables**			
	Related parties	**Third parties**	**Related parties**	**Third parties**	**Bank deposits**	**Other**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	55.535.417	14.702.274	75.469.698	2.392.523	3.289.524	-
- The part of maximum credit risk covered with guarantees	-	-	-	-	-	-
A. Net book value of financial assets not due or not impaired (3)	51.881.278	14.231.020	74.934.265	2.392.523	3.289.524	-
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						
Net book value	3.654.139	471.254	535.433	-	-	-
- The part covered by guarantees	-	-	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due amount (gross book value)	80.048	458.181	-	-	-	-
- Impairment amount (-)	(80.048)	(458.181)	-	-	-	-
- Collateral held as security and guarantees received	-		-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables of the Company are mainly consist of receivables resulting sales of milk and dairy products.

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

(3) None.

b) Liquidity risk:

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

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

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38. Financial instruments and financial risk management (continued)

	December 31, 2010				
	Carrying amount	**Total cash outflows per agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 – 5 years (III)**
Contractual maturity dates:					
Non-derivative financial liabilities					
Financial liabilities	**14.957.265**	**17.386.685**	**2.986.542**	**423.410**	**13.976.733**
Trade payables	**99.365.270**	**99.456.235**	**77.580.994**	**15.219.616**	**6.655.625**
Other payables	**1.027.342**	**1.027.342**	**277.342**	**750.000**	**-**
	115.349.877	**117.870.262**	**80.844.878**	**16.393.026**	**20.632.358**
Derivative financial instruments					
Financial (assets)/liabilities (Note 8)	**(352.500)**	**2.317.906**	**477.525**	**490.864**	**1.349.517**

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

	December 31, 2009				
	Carrying amount	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 – 5 years (III)
Contractual maturity dates:					
Non-derivative financial liabilities					
Financial liabilities	20.047.436	23.570.346	4.435.841	1.318.486	17.816.019
Trade payables	77.953.087	78.875.547	63.291.574	9.586.496	5.997.477
Other payables	249.603	249.603	249.603	-	-
	98.250.126	102.695.496	67.977.018	10.904.982	23.813.496
Derivative financial instruments					
Financial (assets)/liabilities (Note 8)	(1.009.037)	3.469.472	236.679	568.079	2.664.714

c) Market risk:

i) Foreign exchange risk

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

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38. Financial instruments and financial risk management (continued)

	Schedule for Foreign Currency Position							
	December 31, 2010				December 31, 2009			
	TL equivalent	**USD**	**EUR**	**Other (TL equivalent)**	TL equivalent	USD	EUR	Other (TL equivalent)
1. Trade Receivables	**5.246.857**	**2.995.720**	**66.973**	**478.239**	6.272.078	4.125.571	27.869	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	**6.951**	**2.137**	**1.780**	**-**	11.395	1.628	4.140	-
2b. Non-monetary Financial Assets	**-**	**-**	**-**	**-**	-	-	-	-
3. Other	**70.486**	**17**	**4.481**	**61.277**	-	-	-	-
4. Current Assets (1+2+3)	**5.324.294**	**2.997.874**	**73.234**	**539.516**	6.283.473	4.127.199	32.009	-
5. Trade Receivables	**-**	**-**	**-**	**-**	-	-	-	-
6a. Monetary Financial Assets	**-**	**-**	**-**	**-**	-	-	-	-
6b. Non-monetary Financial Assets	**-**	**-**	**-**	**-**	-	-	-	-
7. Other	**444.381**	**41.550**	**63.340**	**250.354**	-	-	-	-
8. Non-Current Assets (5+6+7)	**444.381**	**41.550**	**63.340**	**250.354**	-	-	-	-
9. Total Assets (4+8)	**5.768.675**	**3.039.424**	**136.574**	**789.870**	6.283.473	4.127.199	32.009	-
10. Trade Payables	**(21.419.687)**	**(5.735.787)**	**(6.125.694)**	**-**	(17.561.027)	(3.789.504)	(5.487.743)	-
11. Financial Liabilities	**(1.273.492)**	**-**	**(344.192)**	**(568.208)**	(1.258.566)	-	(350.704)	(500.940)
12a. Monetary Other Liabilities	**-**	**-**	**-**	**-**	-	-	-	-
12b. Non-monetary Other Liabilities	**-**	**-**	**-**	**-**	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**(22.693.179)**	**(5.735.787)**	**(6.469.886)**	**(568.208)**	(18.819.593)	(3.789.504)	(5.838.447)	(500.940)
14. Trade Payables	**(6.576.500)**	**-**	**(3.209.458)**	**-**	(5.602.039)	-	(2.593.176)	
15. Financial Liabilities	**(13.031.867)**	**-**	**(6.359.800)**	**-**	(14.754.180)	-	(6.597.806)	(500.940)
16a. Monetary Other Liabilities	**-**	**-**	**-**	**-**	-	-	-	-
16b. Non-monetary Other Liabilities	**-**	**-**	**-**	**-**	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**(19.608.367)**	**-**	**(9.569.258)**	**-**	(20.356.219)	-	(9.190.982)	(500.940)
18. Total Liabilities (13+17)	**(42.301.546)**	**(5.735.787)**	**(16.039.144)**	**(568.208)**	(39.175.812)	(3.789.504)	(15.029.429)	(1.001.880)
19. Net Asset/(Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**	-	-	-	-
19a. Amount of Hedged Asset	**-**	**-**	**-**	**-**	-	-	-	-
19b. Amount of Hedged Liability	**-**	**-**	**-**	**-**	-	-	-	-
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	**(36.532.871)**	**(2.696.363)**	**(15.902.570)**	**221.662**	(32.892.339)	337.695	(14.997.420)	(1.001.880)
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (IFRS 7.B23) (=1+2a+3+5+6a-10-11-12a-14-15-16a)	**(36.977.252)**	**(2.737.913)**	**(15.965.910)**	**(28.692)**	(32.892.339)	337.695	(14.997.420)	(1.001.880)
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**12.508.606**	**-**	**6.104.439**	**-**	13.185.886	-	6.103.729	-
23. Export	**43.632.952**	**25.852.858**	**492.885**	**3.883.613**	46.088.437	29.713.000	-	-
24. Import	**35.983.244**	**-**	**18.079.539**	**-**	22.330.529	-	10.381.545	-

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

38. Financial instruments and financial risk management (continued)

	Sensitivity analysis for foreign currency risk	
	Profit/Loss	
December 31, 2010	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change of USD by 10% against TL		
1- Asset/Liability denominated in USD - net	**(416.858)**	**416.858**
2- The part hedged for USD risk (-)		
3- USD Effect - net (1+2)	**(416.858)**	**416.858**
Change of EUR by 10% against TL		
4- Asset/Liability denominated in EUR - net	**(3.258.596)**	**3.258.596**
5- The part hedged for EUR risk (-)	**1.250.861**	**(1.250.861)**
6- EUR Effect - net (4+5)	**(2.007.735)**	**2.007.735**
Change of Other Currencies by average 10% against TL		
7- Assets/Liabilities denominated in other foreign currencies - net	**22.166**	**(22.166)**
8- The part hedged for other foreign currency risk (-)		
9- Other Foreign Currency Effect - net (7+8)	**22.166**	**(22.166)**
Total (3+6+9)	**(2.402.427)**	**2.402.427**

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38. Financial instruments and financial risk management (continued)

	Sensitivity analysis for foreign currency risk	
	Profit/Loss	
December 31, 2009	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL		
1- Asset/Liability denominated in USD - net	50.847	(50.847)
2- The part hedged for USD risk (-)	-	-
3- USD Effect - net (1+2)	50.847	(50.847)
Change of EUR by 10% against TL		
4- Asset/Liability denominated in EUR - net	(3.239.893)	3.239.893
5- The part hedged for EUR risk (-)	1.318.589	(1.318.589)
6- EUR Effect - net (4+5)	(1.921.304)	1.921.304
Change of Other Currencies by average 10% against TL		
7- Assets/Liabilities denominated in other foreign currencies - net	(100.188)	100.188
8- The part hedged for other foreign currency risk (-)	-	-
9- Other Foreign Currency Effect - net (7+8)	(100.188)	100.188
Total (3+6+9)	(1.970.645)	1.970.645

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38. Financial instruments and financial risk management (continued)

ii) Interest rate risk

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

	Interest rate position	
	December 31, 2010	December 31, 2009
Financial instruments with fixed interest rates		
Financial assets	**149.425.855**	152.228.949
Financial liabilities	**103.055.277**	86.073.277
Financial instruments with floating interest rates		
Financial liabilities	**12.294.600**	12.176.849

According to the interest rate sensitivity analysis performed as at December 31, 2010, if interest rates had been 1% higher while all other variables being constant, net income for the year would be TL 30.210 lower (2009 – TL 30.534) as a result of additional interest expense that would be incurred on financial instruments with floating rates.

iii) Price risk

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

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

The current risks are properly monitored by Board of Directors regularly and meat prices are closely monitored.

d) Capital risk management:

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

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

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38. Financial instruments and financial risk management (continued)

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

	December 31, 2010	December 31, 2009
Financial liabilities	**14.957.265**	20.047.436
Derivative financial assets	**(352.500)**	(1.009.037)
Trade payables	**99.365.270**	77.953.087
Other payables	**1.027.342**	249.603
Less: Cash and cash equivalents (Note 6)	**(17.208.785)**	(3.317.054)
Net debt	**97.788.592**	93.924.035
Total equity	**384.805.831**	350.201.519
Debt/equity ratio	**25%**	27%

The Company's strategy is to maintain low levels of balance sheet gearing and indebtedness consistent with its conservative financial profile. The reasons of decrease in net debt/equity ratio in 2010 are mainly increase in equity related to operational funds and paid financial debts partially. The Company management regularly monitors the debt/equity ratio.

39. Financial instruments (Fair value and financial risk management disclosures)

Classification of financial instruments

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

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.

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

39. Financial instruments (Fair value and financial risk management disclosures) (continued)

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

Financial assets

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

Financial liabilities

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

40. Subsequent events

As of January 18, 2011, the lease period (10 years) of the meat and milk integrated facility of Pınar Anadolu Gıda San. ve Tic. A.Ş. located in the province of Yozgat has expired. The subject facility's dairy products are continued to be produced in Eskişehir Factory of the Company.

41. Other Matters that may have a material effect on, or be explained for the clear understanding of the financial statements

None (2009 – None).