

# PINAR ET

## 2015 ANNUAL REPORT



**PINAR**



**Yasar**

for a better life



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**Reporting Period**  
01/01/2015 - 12/31/2015

**Trade Name**  
Pinar Entegre Et ve Un Sanayii A.Ş.

**Trade Registry & Number**  
Izmir Trade Registry 45251 K:1912

**Authorized Capital**  
TL 100,000,000

**Paid-in Capital**  
TL 43,335,000

**Contact Information**  
**Headquarters**  
Şehit Fethi Bey Caddesi No: 120 Alsancak - İzmir  
Tel: (232) 495 00 00 Fax: (232) 484 17 89

**Factory**  
Ankara Asfaltı 25. Km Kemalpaşa - İzmir

**Işıkent Branch**  
Kemalpaşa Caddesi No: 250 Işıkent - İzmir

**Web Site - Social Media**  
www.pinar.com.tr  
Twitter: @PinarKurumsal

## One of Turkey's leading corporate groups...

Yaşar Group operates with its 20 companies, 24 factories and plants, and 2 charitable foundations with approximately 7,500 employees. “Durmuş Yaşar Müessesesi”, founded by Durmuş Yaşar in Izmir in 1927 to sell shipping equipment and paint, laid the foundations of Yaşar Group, one of Turkey's leading corporate groups.

### THE BEST-KNOWN BRANDS IN A NUMBER OF SECTORS

Yaşar Group's principle business lines consist of food & beverages and coatings. The Group is also active in the business lines of agriculture, paper, tourism, foreign trade, and energy with its many well-known Turkish brands. Turkey's leading brands Pinar and Dyo enjoy top-level rankings as Turkey's “best known consumer brands”. Pinar Süt, Pinar Et, Pinar Su, Dyo Boya, Viking Kağıt and Altın Yunus Çeşme are all subsidiaries of Yaşar Holding A.Ş. and are listed on Borsa Istanbul.

### A CORPORATE GROUP THAT HAS AUTHORED MANY FIRSTS

Yaşar Group is technology-focused and, with its innovative approach, has continuously been the author of many firsts in Turkey.

In Turkey, Yaşar Group created/established:

- The first national paints brand,
- The first printing ink production,
- The first 1,100 bed capacity hotel,
- The first privately-owned dairy plant conforming to international standards,
- The first privately-owned paper brand,
- The first mineral water supplied in non-returnable packaging,
- The first privately-owned integrated meat processing & packing plant,
- The first aquaculture fishing and fish production facility and much more.

#### FOOD & BEVERAGES GROUP

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



#### COATINGS GROUP

- Dyo Boya Fabrikaları
- Kemipex Joint-Stock Co.
- S.C. Dyo Balkan SRL
- Dyo Africa Paints and Varnishes

#### TISSUE PAPER GROUP

- Viking Kağıt

#### TRADE & SERVICES GROUP

- Altın Yunus Çeşme
- Bintur
- Yaşar Dış Ticaret
- Yaşar Bilgi İşlem ve Ticaret A.Ş.
- Yadex International GmbH
- Desa Enerji
- Arev Gayrimenkul

#### FOUNDATIONS

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

### IN KEEPING WITH ITS ENVIRONMENTAL AND SOCIAL AWARENESS APPROACHES

Yaşar Group strives to minimize the environmental impact of all of its economic and commercial activities, and, in doing so, complies with all laws and regulations. The Group is also engaged in many social projects to support education, sports, culture, and art.

Yaşar Group joined the UN Global Compact Network on November 12, 2007, issuing Communication on Progress Reports for 2009 and 2010, and Sustainability Reports for 2011, 2012, 2013 and 2014. Communication on progress reports and sustainability reports, issued by the Group within the scope of the Global Compact Network, are available on the corporate web site [www.yasar.com.tr](http://www.yasar.com.tr).

The Group also signed the “CEO Statement of Support” on behalf of Women's Empowerment Principles in 2012 and committed to proper gender policies with their “Declaration of Workplace Equality” in 2013.

### YAŞAR GROUP'S MISSION

We offer superior quality products and services to our consumers' lives with our trusted brands.

## For a better life...

Healthy generations are raised with Pinar Et.

- We shape the course of our sector, increasing our advantage towards competition through innovative products.
- Our mission has always been to offer health, innovation and unique flavors to our consumers.
- We create added value for our stakeholders and the national economy by exporting goods to 15 countries.



## Chairperson's Message



“In 2015, Pinar Et maintained its leading position in the markets of charcuterie, frozen meat and frozen seafood products, offering tasty, wholesome and superior-quality products. The Company increased its net sales by 7.3% to TL 591.1 million, with a net profit of TL 66.5 million.”

### Esteemed Stakeholders,

The food industry provides services in one of the most essential areas of human life and therefore fulfils an extremely important role. Within this scope, the processed meats industry itself plays a significant part and holds a strategic position in terms of meeting dietary protein requirements. Pinar Et, Turkey's first privately-owned integrated meat processing plant has been offering wholesome, delicious, innovative and hygienic products to meet this requirement since 1985. Our product portfolio consists of charcuterie products as well as frozen meat products, dough products and seafood products, and the Company is among the most influential names in the food industry. Just as with other Yaşar Group companies, our services and products of red meat and poultry touch every area of life. While almost every

household contains one of our products in the fridge, our AFH brand Pinar Profesyonel can also be found in restaurants, hotels and schools. In short, our processed meat products make us the “Source of Life” of our consumers, both inside and outside home.

2015 was a year that included turbulent developments in global economy as well as important political and social developments both on domestic and global scales. Certain developments were of significant importance for the domestic and global economy. The decision of the Federal Reserve System (FED) with regards to the increase of interest rates, the European Central Bank's monetary expansion policies, the risk of effect of Greece's economic crisis had on the Eurozone, the break-down of the Chinese economy and ongoing geopolitical developments,

continuing its course in 2016, were among the main issues affecting the economy. The barrel price of petrol decreased to USD 30, which resulted in a diminishing purchasing power in oil exporting countries.

With the European Central Bank's signals of continuing loose monetary policies and the FED's interest rate increase in December, the first time after 9 years, the major factors behind uncertainty in the global markets beginning to diminish led to an optimistic atmosphere in the last quarter of the year.

Despite uncertainties resulting from numerous global economic and social turbulences as well as precarious risks and stiffer international competition, our country has a strong potential thanks to its dynamic domestic market, young population, cautious monetary policies, and fiscal discipline. In its Mid-Term Program, the Ministry of Development estimated that the year 2016 will have a growth of 4.5%, having a positive effect on the economy and purchasing power, in turn stimulating growth driven by domestic demand in the Turkish economy.

### Innovative products are a significant factor for a growing sector

In 2015, the total meat production in Turkey increased by 5.5% to 3.1 tons with 1 million tons of beef, 134,000 tons of lamb and mutton, 1.9 million tons of chicken, and 52,000 tons of turkey.

In 2015, Pinar Et maintained a stable performance with net sales increasing by 7.3% to TL 591.1 million, with 97.3% from domestic sales and 2.7% from exports. Pinar Et maintained its leading position in the charcuterie segment by raising its share of that market's total turnover to 23.7%. The Company increased its total assets by 17.2%, from TL 444.8 million in 2014 to TL 521.3 million in 2015.

In 2015, the Company sold 42,000 tons of product, with a total gross profit of TL 99.1 million. The net profit totaled to TL 66.5 million with an increase of 11.3%. In 2015, Pinar Et exported goods to 15 countries, most being in the regional periphery, and managed a total export turnover of USD 6.1 million.

### Production of superior-quality and high-efficiency

Through our quality management system, all stages of the production process are controlled to ensure a safe, healthy and hygienic environment being our top priority. As required by process management, we set performance criteria for production flows and processes, monitoring them to continuously improve the system. Reducing costs and increasing efficiency are top-priority at Pinar Et. The Company continued to apply Lean Six Sigma and Operational Cost Improvement policies in 2015.

In 2015, a total investment of TL 14.7 was made, with the priority to increase quality, customer satisfaction, and efficiency throughout the cycle of production-environment-people. The Company further raised its standards with investments in modernization and additional capacity. We are aware that Turkey has major challenges in supplying raw materials, thus leading to increased meat prices for the last few years. Therefore, within the scope of integration, we invested in a livestock breeding farm.

### We are taking steps to minimize our environmental impact. In line with our motto “For a better life”, we care about our packaging, with regards to health and quality, the same way we care about our products.

Pinar Et is committed to a sustainable future and activities to minimize the detrimental environmental effects of its products on each stage, from supply and transportation of raw materials to consumption, recycling and waste management. Accordingly, calculations of carbon footprint have been implemented and the Company's objective is to achieve a 15% reduction in its carbon emissions by 2020. The Company also works to make improvements in greenhouse gas emissions and is in close collaboration with ÇEVKO (Foundation of Environmental Protection & Packaging Waste Recovery and Recycling) with regards to recycling and re-use of packaging waste.

Our philosophy, “For a better life...”, is not just about flavor but also about producing products that contribute to a healthy, discerning and superior-quality life. It is heartening to see that ever-growing consumer awareness on this issue is directing product preferences. The Company is not only sensitive towards products but also to their packaging. This is shown by using eco-friendly and non-hazardous packaging.

With the Pinar brand, we diligently engage in social projects by supporting art, education, sport, and the protection of cultural assets. As part of our social responsibility program, we are continuing our efforts with the “Pinar Children's Art Competition” and “Pinar Children's Theater”. The Pinar Et Vocational Education Unit, established to resolve the issue of the lack of trained professionals in the industry, continues to recruit skilled professionals for the industry of meat and meat products. At the same time, the Pinar Institute contributes to improve public health.

### Growing strength through increasing automation and the work of our R&D Center

Turkey will continue to grow in line with the moderate economic development forecast for 2016. The removal of economic and political uncertainties and the announcement of the mid-term economic plan are expected to have a positive effect on the economy and the purchasing power. These developments will bring some increases in total demand.

As the Company, we estimate an increased efficiency leading to greater profitability in 2016. In addition to the increase in production efficiency, we are now working on upgrading our R&D Department to a R&D Center. With this process completed, Pinar Et's position in the sector will be even stronger.

I extend my thanks to all our stakeholders, consumers, customers and employees, who have contributed to the sustainability of our success and to our ability to achieve our goals.

Best regards,

**Emine Feyhan Yaşar**  
Chairperson of the Board

## Board of Directors



**Emine Feyhan Yaşar**  
Chairperson



**İdil Yiğitbaşı**  
Vice Chairperson



**Mustafa Selim Yaşar**  
Member



**Ali Yiğit Tavas**  
Independent Member



**Atıla Sezgin**  
Independent Member



**Yılmaz Gökoğlu**  
Member



**Cengiz Erol**  
Member

## Senior Management, Committees

### Board of Directors & Term

NAME	TITLE	TERM
EMİNE FEYHAN YAŞAR	CHAIRPERSON	25.03.2015 - 1 YEAR
İDİL YİĞİTBAŞI	VICE CHAIRPERSON	25.03.2015 - 1 YEAR
MUSTAFA SELİM YAŞAR	MEMBER	25.03.2015 - 1 YEAR
ALİ YİĞİT TAVAS	INDEPENDENT MEMBER	25.03.2015 - 1 YEAR
ATILA SEZGİN	INDEPENDENT MEMBER	25.03.2015 - 1 YEAR
YILMAZ GÖKOĞLU	MEMBER	25.03.2015 - 1 YEAR
CENGİZ EROL	MEMBER	25.03.2015 - 1 YEAR

### Limits of Authority:

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

### Corporate Governance Rating:

In the year 2015, Pınar Et's corporate governance rating was revised as 9.20 out of 10.

### Senior Management

NAME	TITLE
LEVENT DAĞHAN	DEPUTY CEO HEAD OF FOOD GROUP
TUNÇ TUNCER	GENERAL MANAGER
MUSTAFA ŞAHİN DAL	FINANCIAL AFFAIRS AND BUDGET CONTROL ANALYSIS DIRECTOR

### Audit Committee

NAME	TITLE
ALİ YİĞİT TAVAS	HEAD
ATILA SEZGİN	MEMBER

### Corporate Governance Committee

NAME	TITLE
ALİ YİĞİT TAVAS	HEAD
ATILA SEZGİN	MEMBER
YILMAZ GÖKOĞLU	MEMBER
GÖKHAN KAVUR	MEMBER

### Early Detection of Risk Committee

NAME	TITLE
ALİ YİĞİT TAVAS	HEAD
YILMAZ GÖKOĞLU	MEMBER
CENGİZ EROL	MEMBER

# Corporate Profile

**Turkey's leading brand in charcuterie, frozen meat and frozen seafood products, Pinar Et** enjoys the advantage of being the first privately-owned plant. It has been providing superior-quality products **for 32 years** with **great flavor** and **innovation**.

## 2015 Financial Performance

(TL Million) 01/01/2014-31/12/2014	01/01/2015-31/12/2015	
Net Sales	550.9	591.1
Gross Profit	82.3	99.1
Net Term Profit	44.3	66.5
Gross Profit Margin	14.9%	16.8%
Net Profit Margin	8.0%	11.3%

(TL Million)	31/12/2014	31/12/2015
Total Assets	444.8	521.3
Total Equities	344.4	406.2
Debt/Equity Ratio	0.29	0.28

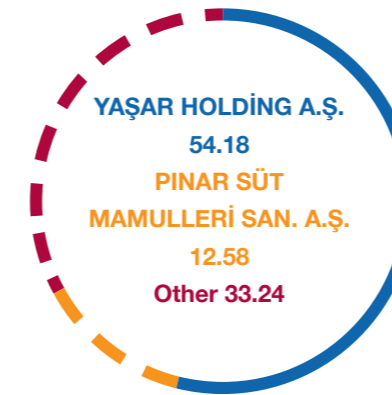
PINAR ET'S NET SALES INCREASED BY **7.29%** REACHING TL **591.1** MILLION.

TOTAL EQUITIES INCREASED BY **17.94%** INCREASING TO TL **406.2** MILLION.

TOTAL ASSETS REMAINED SOLID AT TL **521.3** MILLION.

NET PROFIT INCREASED BY **50.26%** REACHING TL **66.5** MILLION.

### SHAREHOLDING STRUCTURE OF PINAR ET (%)



Shareholder	Share Rate (%)	Share Amount (TL)
Yaşar Holding A.Ş.	54.18	23,476,894.71
Pınar Süt Mamulleri San. A.Ş.	12.58	5,451,752.25
Others	33.24	14,406,353.04
Total	100.00	43,335,000.00

Pinar Et's shares are traded on Borsa Istanbul Stars Market under ticker symbol "PETUN". The Company's capital is represented by "Class A registered shares" and "Class B bearer shares". Each "Class A share" entitles the holder to three votes per share and each "Class B share" is worth one vote per share at the Company's AGM.

Pinar Et, established as the first privately-owned integrated meat production plant in Turkey, has been offering its customers hygienic, wholesome, tasty and innovative products since 1985, with its leading position in the markets of charcuterie, frozen meat and frozen seafood products.

Striving to offer unique products, Pinar Et responds to the demands and expectations of various customer groups with an extensive portfolio of charcuterie, frozen meat products, frozen dough products, frozen seafood products, seafood products and fresh meat products. The Company enjoys a high brand awareness, creates brand-new market segments with innovative products and sets the trends in the sector.

Pinar Et operates a quality management system, covering all business processes to ensure safe, wholesome and hygienic production in compliance with the Turkish Food Codex and EU norms. The Company's operations are annually audited

by the Turkish Standards Institute and SAI Global, a British independent audit company.

Pinar Et's distribution network in Turkey, equipped with high technology and with a flexible organizational structure, is Turkey's biggest distribution network for cold and frozen products.

Pinar Et's strategies and objectives are based on the belief that economic, environmental and social sustainability are the key to long-term, healthy, profitable performance and, within this scope, the Company supports arts, education, sports and the protection of cultural assets.

Pinar Et operates as a member of Yaşar Group, one of Turkey's biggest and most highly-respected corporate groups.

### Architect of the Modern Meat Industry in Turkey

In 2015, Pinar Et celebrated its 32nd anniversary and has been the leader in its sector since 1985. The Company is the founder of the modern meat products industry in Turkey and its operations are based on the objective of sustainable growth based on efficiency.

“As a leader in the sectors of processed meat products and frozen food, Pinar Et supports the growth of both sectors.”

TL 591

MILLION

NET  
SALES AMOUNT

Pinar Et's activities focus on quality, customer satisfaction and efficiency and, as one of the top brands in Turkey, the Company enjoys the advantage of high customer awareness and trust.



## Competitive Advantages

“A vision integrated with a solid experience as a responsible and trusted producer, combined with technology-supported, innovative production are the sources of Pinar Et's competitive edge.”

### RISING BRAND VALUE

- Joins the ranks of Turkey's "super-brands" after receiving the "Superbrands" award

### SUPERIOR-QUALITY PRODUCTION

- Reputation as an innovative pioneer
- More than 300 SKUs
- R&D experience
- Hygienic production conforming to EU norms
- Technical experience and sector knowledge
- Compliance with food safety and quality standards at every stage from procurement to finished product delivery
- Production process verified by documents and certificates

### NATIONWIDE DISTRIBUTION AND SUPPLY NETWORK

- Yaşar Birleşik Pazarlama is Turkey's biggest distribution network for cold and frozen products
- 150,000 points of sale
- Group-wise synergies
- Technical knowledge and experience
- Synergetic distribution of milk and dairy products
- Broad-based procurement from 6 regions
- Strong relationships with farmers

### A Superior-quality Trusted Brand

Pinar Et's major advantages are its consistent quality, complete and timely responses to customer demands and requirements, and being perceived as a reliable brand by consumers. Besides the quality of its products, Pinar Et's position in the market is also strengthened by well-defined marketing and sales processes.



## Products

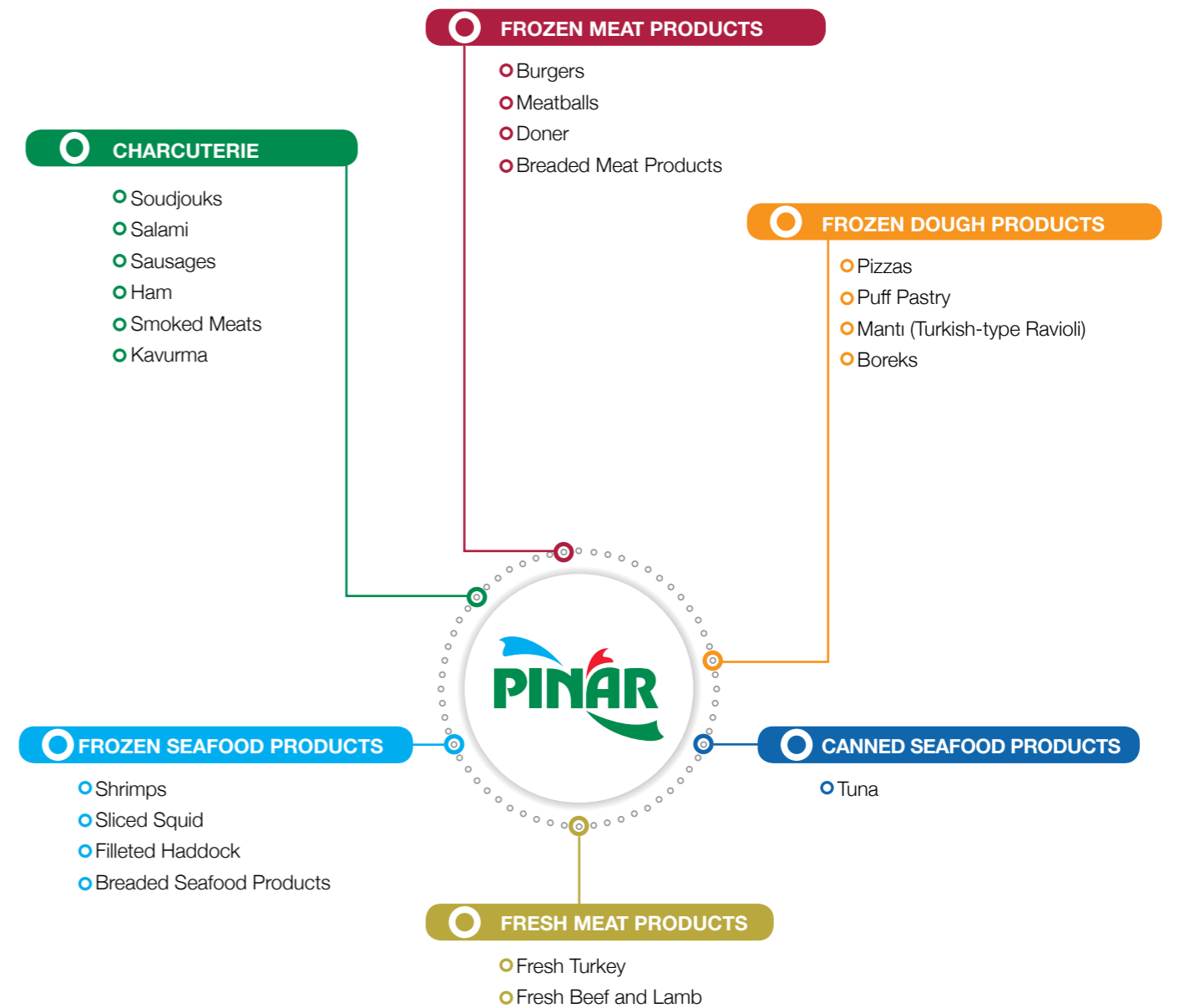
“Pinar Et offers products in six categories and continues to broaden its product range according to the needs and expectations of customers.”

300+

NUMBER OF PRODUCTS



“Pinar Et’s “Pinar Profesyonel” brand targets the AFH market with the slogan, “The taste of home – anywhere”, and takes an approach of “superior-quality services and trust from experts to professionals”.”





## Innovations

“In 2015, Pinar Et continues with its innovations to offer consumers the best, most appropriate, safest, and tastiest meat and meat products.”

Pinar Et creates its product portfolio based on consumer needs and demands. According to its principle of continuous improvement, the Company created new products as well as improving current ones with new technology throughout 2015.

Pinar Et focuses on products with a high competitive edge and added value. In 2015, the Company launched 7 new products for the retail market, 9 for the AFH market and 2 for export.

### RETAIL PRODUCTS

- Pinar Triangular Manti (Frozen)
- Aç Bitir Smoked Turkey Breast
- Yörük Heat-Treated Poultry Soudjouk
- Aç Bitir Hungarian Salami
- Aç Bitir Hungarian Salami with Nuts
- Şölen Heat-Treated Soudjouk
- Doyum Turkey Salami

### AFH PRODUCTS

- Halka Crispy Fish
- Fish Pops
- Grilled Turkey Kofta (Precooked, Frozen)
- Turkey Burger (Precooked, Frozen)
- Buffet Beef Burger
- Filleted Haddock Eco
- Crispy Fish Eco
- Frozen Breaded Anchovies
- Heat-Treated Half-Ring Soudjouk

### EXPORT PRODUCTS

- Export Smoked Turkey Breast with Honey
- Export Smoked Turkey Breast with Pepper



18  
NUMBER OF  
NEW PRODUCTS

### Production Based on Research and Analysis

Pinar Et develops its products based on research and analyses of various consumer trends and tastes. An extensive product portfolio gives the Company the ability to respond to a wide range of demands and meet the needs of different age groups.

## R&D Activities

“The R&D team closely monitors scientific, technological and innovative developments and secures Pinar Et’s position in the market with superior-quality and diversified products.”

Through its R&D activities, Pinar Et aims to present customers with innovative firsts that are safe, delicious and practical.

These activities are performed by Pinar Et’s R&D team, consisting of 11 members, reporting to the General Manager. They evaluate areas of implementation by closely monitoring scientific and technological developments as well as innovative approaches.

### R&D ACTIVITIES:

- New product activities
- Improvement of the quality of current products
- Improvement of product cost
- Alternative raw materials
- Auxiliary packaging material improvements
- Improvements of shelf-life
- R&D activities in collaboration with universities

TL 1.9  
MILLION  
R&D  
EXPENSES



### Pre-Technical Solutions for Production

The R&D Department performs many formulation and laboratory tests, as well as research-development work on quality of current products, supporting Pinar Et in its mission of ‘offering health, taste and innovation’.

The R&D teams add to their achievements with new products every year. The department develops pre-technical solutions for production to eliminate potential problems in production and closely monitors the industry and Turkish Food Codex.

## Quality Approach

“As part of its commitment to complete customer satisfaction and quality for all manufacturing processes, Pinar Et closely monitors products at all production stages, from the farm until it reaches the consumer.”

Pinar Et controls all stages of production through the implementation of its quality management system that ensures safe, healthy and hygienic production and distribution of all its products. As required by the process management, Pinar Et sets performance criteria for production flows and processes, monitoring them to continually improve the system. A risk evaluation identifies the critical points of these process flows, which then are controlled and continuously monitored. The Company implements FSSC 22000 Food Safety Management System that incorporates the globally-accepted HACCP (hazard analysis and critical control points) system.

### FULLY-EQUIPPED LABORATORY

Pinar Et has a fully-equipped laboratory capable of performing many chemical and microbiological analyses, including those listed in the applicable regulations and communiqués, and since 2008, the laboratory has been certified by TSE when it obtained the 17025 Laboratory Competence Certificate. The Company verifies the compliance of new products at its own laboratory according to HACCP plans, legal requirements and specifications. In addition to checking products, the analyses performed at the laboratory also monitor personnel hygiene, working environment and the compliance of all purchased materials.

Pinar Et has adhered to halal-compliant slaughtering practices since the day it was founded. This system, certified by the Turkish Standards Institute Halal Standard published in 2011, is audited twice a year.

### TSE & SAI GLOBAL AUDITS

In addition to quality and food safety management systems, Pinar Et effectively implements environmental, energy and occupational health and safety management systems. The Company is constantly developing these systems and, following audits which encompassed all its management processes and social responsibility schemes, was awarded grade A by both TSE in May and by SAI Global, an international independent audit company, in September. The Company also achieved positive results from regular food safety and social responsibility audits conducted by third-party audit companies on behalf of its customers.



## Productivity

“In 2015, Pinar Et continued with Lean Six Sigma and Operational Cost Improvement activities in an effort to reduce costs and increase production efficiency.”

Operational Cost Improvement (OCI) was implemented in 1999 and Lean Six Sigma in 2008 in an effort to increase production efficiency and reduce costs. Pinar Et has achieved significant cost benefits in seven years.

### LEAN SIX SIGMA PROJECTS

Within the frame of Lean Six Sigma, Pinar Et implemented 28 Black Belt and Green Belt projects from 2008 to 2015, according to its objectives of customer-focused process management and continuous improvement.

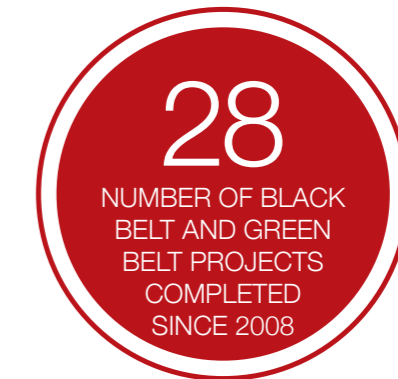
By applying Lean Six Sigma, the Company intends to create a fast, efficient, creative and innovative business culture that it is shared and internalized by all employees and stakeholders.

Pinar Et employs a proactive approach to understanding customers and is able to evaluate processes with a broad perspective due to the holistic overview provided by its projects. The Company incorporates corporate values into all its processes and implements projects according to company strategies and customer expectations. This ensures that priority is given to work that supports sustainable, profitable growth.

By implementing Lean Six Sigma in its processes, Pinar Et identifies ways to offer the best products and services to customers, while simultaneously strengthens its leading position in the market.

### OCI PROJECTS

Operational Cost Improvement (OCI) is an important element of the innovation and talent management concepts that Pinar Et has internalized. As part of OCI, employees are encouraged to report problems related to their own areas of work and propose solutions which are implemented once they have received management approval. Personnel are motivated by a program of rewards for those whose projects are successful.



### PRODUCTION PLANTS

<b>Integrated Red Meat Production Plant</b>	Fresh/frozen beef and lamb Charcuterie (soudjouks, salami, sausages etc.) Frozen meat products (hamburgers) Frozen meat products (meatballs) Convenience foods (doner, cooked tray products)
<b>Integrated Turkey Production Plant</b>	Fresh/frozen turkey Frozen meat products (turkey and chicken)
<b>Processed Aquaculture Products Plant</b>	Frozen fish kofta, natural aquaculture products
<b>By-Products Production Plant</b>	Animal feed raw materials (meat-bone meal etc.)

## Investments

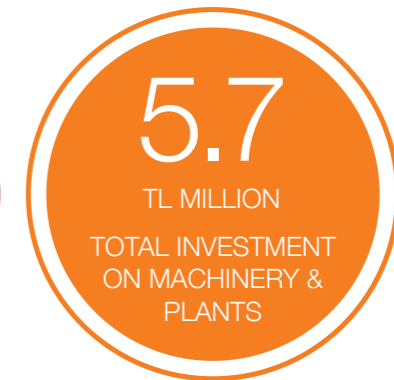
“In 2015, besides the purchase of the latest high technology machinery and equipment, Pınar Et also invested in heating, cooling and ventilation for its buildings, as well as introducing new applications in IT.”

In the year 2015, Pınar Et also continued to invest in improving quality, customer satisfaction and productivity through the cycle of production-environment-people, raising standards with some work on modernization and additional capacity.

The Company's total investments in 2015 reached TL 14,669,000, consisting of: TL 5,797,000 for buildings and ground plants, TL 5,776,000 for machinery and equipment, TL 2,641,000 on fixtures, TL 326,000 on vehicles and TL 129,000 on rights. In terms of IT, the Company made significant improvements in business continuity, data security and cost reduction. As part of data center investments and improvements, the file storage unit was replaced with a more sustainable system.

### Some Investments in 2015

- Machinery installed at the Frozen Turkey Meat Products unit was replaced and/or modernized with a more efficient system using less energy. The unit has been put into use since end of 2015.
- The Charcuterie Packaging new production area attained full capacity along with the installation of heating, cooling and ventilation systems in new social plants buildings.
- Investment in high technology machinery and equipment at the cattle slaughterhouse was completed in September 2015, scoring top results in vendor audit.
- Ören Breeding Farm has been put into use after renewal operations this year.
- Anti-odor equipment at the rendering plant became operational in September 2015.
- Compressor efficiency was improved as part of cooling plant renovation.



### IT activities in 2015:

- With the implementation of compulsory new e-book and e-invoice versions, the transition to SAP standards was completed.
- Ören Farm's feed process management and monitoring was integrated into the Pınar Et SAP system.
- The SAP Portal was extended with new functions like announcements, surveys, recommendations, forums, exchange rates and weather conditions. The Central Access to Company Applications Project was also completed.
- A new version of the Workflow Application used by technical and marketing departments for control of product and packaging visuals based on predefined checklists made it more streamlined for the Company's workflows.

### Automation-Focused Investment Plan

Pınar Et completed the negotiations for automation of end-of line packaging and assigned the supplier. The investment is scheduled to be completed in the second half of 2016 when full-automatic packaging and loading of sliced products will be possible. Within this scope, automation solutions for other production lines are being reviewed. The revision of the charcuterie production lines will allow more efficient production.



## The Sector in 2015

“Following a global trend of preference for smaller and more practical portion sizes, the meat industry saw many fresh trends combining traditional flavors with new alternatives.”

While in an average household the number of people sink and the trend of healthy nutrition increases, there has been a global increase in packaged meat product portfolios offered in smaller portions.

In addition to the consumption of red and white meat to meet the daily requirements of protein, seafood has grown in popularity due to preferences based on flavor and health. Global changes were seen not only in the consumer products market but also in the sector food and beverage outside. The most significant change is the creation of new flavors by combining conventional ones with new alternatives. Similar examples were also observed in the end-consumer market.

### THE MEAT SECTOR IN TURKEY

In 2015, the total meat production in Turkey increased by 5.5% to 3.1 tons with 1 million tons of beef, 134,000 tons of lamb and mutton, 1.9 million tons of chicken, and 52,000 tons of turkey (Turkish Statistical Institute).

In 2015, the processed meat market was made up of 32% salami, 22% sausage and 42% soudjouk products. In 2015, a significant growth was observed especially in the salami and sausage segments of the market (Nielsen).

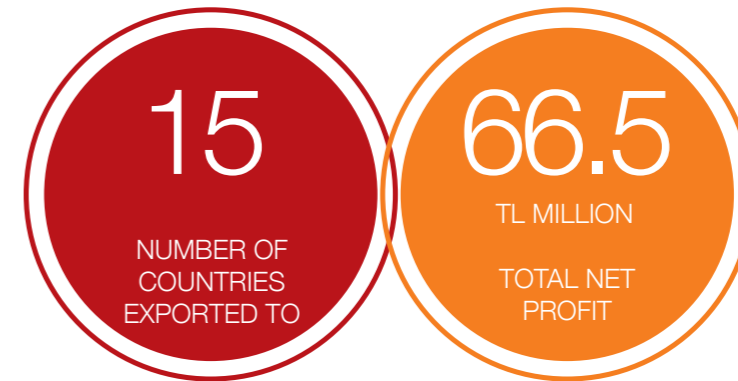
As measured by tonnage, in 2015 the frozen foods market consisted of 72% of dough products, 12% of meat products and 4% of seafood products. The breakdown of Pinar frozen products was in line with the market in general (Nielsen).

The consumption of convenience food grew with the increasing levels of urbanization and larger numbers of working women, which has led to a trend of traditional charcuterie products being offered in smaller portions to suit contemporary life.



## Pinar Et and the Sector

“Pinar Et maintained its high performance and maintained its leading position in the sector with share increases in every segment. The Company's exports reached USD 6 million in 2015.”



Pinar Et embraces high technologies in its production processes and meticulously controls the quality of its products. It is this perfectionistic approach that makes Pinar Et one of the most favorite brands for all consumers. While each year its share increases in domestic and international markets, Pinar Et's standards and principles gives the brand a leading position worthy to imitate.

Pinar Et maintained its stable and strong financial performance in 2015. Its total assets increased by 17.2% to TL 521.3 million in 2015, compared to TL 444.8 million in 2014. Gross sales increased by 6.73% in 2015 as compared

to TL 728.1 million in 2014. In 2015, net sales were TL 591.1 million with an increase of 7.29% compared with the previous year. 97.33% of sales were in the domestic market and 2.67% in international markets.

Pinar Et continued its growth in added-value products and 88% of its product portfolio consisted of added-value charcuterie and frozen products.

In 2015, Pinar Et sold 42,000 tons of products and made a gross profit of TL 99.1 million. The net profit was TL 66.5 million with a net profit margin of 11.3%.

PRODUCT	REVENUE SHARE	POSITION
Total Charcuterie	23.7%	Leader
-Salami	45.4%	Leader
-Soudjouk	14.8%	Leader
-Sausages	41.9%	Leader
Total Frozen Meat	56.5%	Leader
Total Frozen Dough Products	22.1%	Second
Total Frozen Seafood Products	39.9%	Leader

Source: Nielsen, except for BIM & A101



### EXPORT PERFORMANCE

In 2015, Pinar Et entered new markets, exporting to 15 countries, most being in the regional periphery. Exports were affected by political developments in these regions as well as oil-based devaluation.

Pinar Et's export revenues in 2015 were USD 6.1 million. 19.6% of goods were exported to Northern Cyprus,

where the new product range of "Aç Bitir" was launched. In Azerbaijan, puff-pastry products had the largest share and Pinar Et's fish sales increased by 9% compared to the previous year. In 2015, Pinar Et extended its product range in the Gulf Countries, notably Smoked Turkey Breast with Honey and Smoked Turkey Breast with Pepper.

**Improvements in Quality Standards**  
Increasing consumer awareness of food safety has forced regulators to take new measures to increase quality standards in Turkey's meat products market, which has increased traceability and accountability in the industry.



## Consumers, Customers, and the Company

“An extensive portfolio gives Pinar Et the ability to respond to a wide range of demands and satisfy the needs and expectations of different age groups. Pinar Et services the away-from-home consumption with its Pinar Professional brand.”

Pinar Et develops its products after lengthy research and periodic analyses that take varying consumer trends and different tastes into account. It offers a wide range of charcuterie products as well as frozen meat, dough and seafood products. Assisting the population to meet its protein requirements in a healthy and tasty way, the company offers fresh meat in addition to charcuterie and frozen products.

Pinar Et's target audience in charcuterie products are families with children from 5 to 12, while the frozen foods group focuses on working mothers.

The Company has built its marketing strategy on the concept of "healthy life", managing brands, developing products and reviewing new lines of business in keeping with its mission of meeting the protein requirements of the population with healthy, tasty and modern ways of introduction.

### Sub-Brands in Various Categories

Along with a variety of other Pinar products, the brand offers the following to reach the customers: Pinar Şölen, Pinar Gurme, Pinar Mangal Keyfi, Pinar Klasik and Pinar Küpetto in the soudjouk category; Pinar Balık in the seafood category and Pinar Aç Bitir, a brand with a growing market share, in the salami-sausage-soudjouk category. The Company offers turkey meat products in the salami-soudjouk-sausage category with its Pinar Doyum brand and frozen pizza products through the Pinar Pizzatto brand.



92%

PINAR COMMUNICATION  
CENTER CALL  
ANSWERING RATE

## COMMUNICATION CAMPAIGNS

In 2015, campaigns and promotional activities were carried out with the aim of increasing consumer awareness of the different Pinar Et product groups, enhancing the brand's prestige and introducing new products. Pinar Soudjouks belong to the charcuterie product category which has generated the highest turnover, shown the strongest growth and faced the stiffest competition through the years. Therefore, communications of these products had priority.

The Pinar Soudjouk campaign was launched in April-May 2015 and outdoor, radio and internet channels were synchronized with the TV campaign. Tasting events at sales points and imaginative product promotions at other outdoor venues supported the advertising program.

The "Aç Bitir" commercial film, first commissioned in 2013 to promote the sliced salami category, was re-broadcast in January-February 2015 as well as June-July 2015, contributing to the continuous rapid growth of the brand.

In social media, consumers were provided with special recipes, press releases, announcements and celebratory messages linked to holidays and significant days via Pinar Et's corporate Twitter account, twitter.com/PinarKurumsal.

## DISTRIBUTION

In 2015, Pinar Et made 77% of its sales through Yaşar Birleşik Pazarlama. Yaşar Birleşik Pazarlama continued to offer consumers fresh and wholesome Pinar products in the fastest way possible, through 9 Regional Directorates, more than 100 vendors and 150,000 stores. Sales to direct channels, including McDonalds and IKEA, were 20% and sales from exports were 3%.

With its wide and effective distribution network, Yaşar Birleşik Pazarlama plays a key role in leading market positions of Pinar products. A strong team of specialized, customer-focused, and experienced personnel with a fleet of more than 1,200 vehicles are employed to sell and distribute the products.

Efficiency and reporting are integral to Yaşar Birleşik Pazarlama operations, constantly monitored with effective software applications that, in turn, publish the results. The company trains its personnel as well as the staff members of its business partners to improve their professional sales skills.

## AFH (AWAY-FROM-HOME CONSUMPTION) CHANNEL

The AFH Marketing Department, which was reorganized under Yaşar Birleşik Pazarlama in 2012, develops strategies for the away-from-home consumption channel.

Pinar Et serves the AFH channel with its "Pinar Profesyonel" brand, providing services for a wide range of customer portfolios from hotels and restaurants to catering companies and schools. While determining the hands-on aspects of the business by interacting with influential chefs and other food professionals to better understand their needs, the Company also develops innovative and practical products that will be beneficial to them.

## Exhibitions Attended by Pinar Et in 2015

- Dubai GULF FOOD 2015 Exhibition / February 8-12, 2015
- Istanbul Away From Home Consumption EDT EXPO Exhibition / March 25-28, 2015
- Izmir 6th Organic Products Exhibition / April 16-19, 2015
- Izmir International Fair / August 28 - September 6, 2015
- Istanbul World Food 2015 Exhibition / September 3-6, 2015

## Pinar Communication Center

Pinar Et takes an approach of "consumers and customers first", carefully reviewing requests and recommendations with a consumer-focused approach.

Accessible from anywhere in Turkey on 444 7627, without the need to dial an area code, the Pinar Communication Center (PIM) is staffed by operators who are on duty, responding to incoming calls from 07:00 to 23:00, seven days a week. PIM's answering rate is 92% and 88% of calls are answered within the first 15 seconds.

The 2015 satisfaction survey conducted among consumers revealed that the level of satisfaction with the Pinar Communication Center is 91%. The Twitter account, twitter.com/InfoPinar, is also used to review requests and recommendations and resolve problems through social media.

## Suppliers and the Company

“Pinar Et has strong long-term collaborations with hundreds of companies from every region of Turkey and, along with expanding its own business volume, it also helps suppliers to expand theirs.”

Pinar Et procures meat from local farms from 6 regions in Turkey and started to work with 170 new suppliers in 2015.

Suppliers have a key role in Pinar Et's commitment to offering safe and hygienic products and Çamlı Yem Besicilik, Yaşar Group's agricultural production company, provides all the live turkey and some of the livestock requirements of Pinar Et.

Pinar Et performs the slaughtering procedures at its own plants and supports breeding under the supervision of veterinary surgeons to provide the best livestock supply.

## FOOD SAFETY AUDITS

Regular inspections lead to the joint development of new materials and techniques that are better suited to food safety, and this in turn provides suppliers with opportunities to move into new business lines.

Pinar Et is in constant contact with its suppliers through the information network and helps them stay informed on developments and innovations in the industry. Pinar Et organizes quality and innovation circles, trying to increase its own business volume as well as that of its suppliers by implementing the innovations at an early stage.

170

NUMBER OF  
COLLABORATED  
SUPPLIERS IN 2015



## Employees and the Company

“In 2015, Pinar Et employed an average of 917 people. HR policies are based on the Company’s main business policies and strategies and focus on competence and efficiency.”



Pinar Et is committed to its approach of “People First” and implements fair human resources policies to attract “qualified, creative, innovative, highly-motivated, high-achieving” individuals, improve its qualified employees and ensure each employee’s loyalty.

With this strategy, the Company aims to recruit individuals who are educated, experienced, have a strong sense of loyalty and ownership, embrace team-spirit, are open to scientific developments, are willing to share information and able to adopt a collaborative management approach focused on success. Yaşar Group corporate culture embraces the principle of “increasing productivity of employees by developing skilled and effective human resources”, thus carrying out all its activities with this mind-set.

Pinar Et strives to make its human resources effective, efficient and long-term, seeing this as an important element of growth and improvement. In 2015, efforts continued to increase the personal, professional and managerial skills of employees.

• Pinar Et offered employees internal and external training as well as professional and personal training through the Yaşar Academy Online Training Platform. In 2015, the total hours of training reached 10,178, with an average of 11 hours per employee. The training provided by the Company was divided under three main categories: personal development, vocational development and management skills development.

• Pinar Et employed 917 people and offered internship for 99 university students and 46 high school students in 2015.

• In 2015, Pinar Et received feedback through the “Employee Opinions Survey”, which has been running since 1998, and took the necessary actions to increase satisfaction levels.

### Human Resources Policy

- Increasing the number of competent and effective personnel by employing outstanding people through a competency-based selection and placement process,
- Ensuring the unison of company and individual objectives through performance evaluation to enhance overall corporate performance,
- Evaluating employee performance and individual achievements in line with the level of achieving their goals and rewarding and encouraging a better performance,
- Formulating annual training and development plans by implementing compulsory and optional training components,
- Giving importance to employees’ physical and mental well-being and providing them with supportive training on health-related issues

## Environment and Sustainability

“Pinar Et's environmental policies are based on efficient use of natural resources and the protection of nature. The company intends to make a 15% reduction in its carbon emissions by 2020.”

Environmental and social responsibilities are integral to the corporate identity of Pinar Et. The Company takes an approach of minimizing the negative environmental effects of its products at every stage from supply and transportation of raw materials to consumption, recycling and waste management.

Yaşar Holding lists 5 areas of concern within the area of sustainability: Energy and Climate Change, Water Consumption and Waste Water, Material Consumption and Waste Materials, Health and Safety, and Social Contributions. Pinar Et’s environmental priorities and sustainability approach are shaped by this framework.

Pinar Et recognizes that economic, environmental and social sustainability are the key to a long-term, healthy and profitable performance. The Company shapes its strategies and objectives within this approach, working in cooperation with Yaşar Holding team to improve the efficiency of its manufacturing operations and reduce energy consumption.

### WATER AND ENERGY MANAGEMENT

Pinar Et was certified with TSE ISO EN 50001 Energy Management System Certificate in 2013. While energy management has top priority, manufacturing with “less power, less water and less waste” is also among its main objectives.

Pinar Et is working towards efficient management of water used in production processes and, in 2015, savings were made by the implementation of water consumption monitoring and measurement procedures throughout its plants, as well as changes to the manufacturing and cleaning practices in which water is used. This resulted in a 12.7% reduction of overall water usage and a 5.89% reduction of water per ton of production output.

Under a “Green Belt” project, the old pumps that supplied hot water were replaced with a more efficient incremental booster system that creates long-term savings, in both water and energy consumption, by achieving higher flow rates with the same pressures the old system used.

### SOLID WASTE MANAGEMENT

To facilitate the collecting and sorting of waste created by Pinar Et’s production processes, separate collection bins were placed for each waste category. In order to reduce the environmental impact of manufacturing activity, all recyclable factory waste is collected and sorted at source and sold to licensed recycling firms for disposal or economic reuse as appropriate.

### HAZARDOUS WASTE DISPOSAL

Pinar Et documents hazardous wastes generated by its plants with National Waste and Carriage Forms, before sending it to certified companies so that they can be recycled or disposed of accordingly. Medical wastes are collected separately at source and disposed of according to the applicable regulations. The Company also implements a social responsibility project to encourage employees to bring used batteries from their homes so they can be sent to certified companies for disposal.

### Improvements in Transport Management

Pinar Et focuses on efficiency and customer satisfaction in its logistics processes in accordance with its “Green Logistics” concept.

The Company increased the efficiency of its intercity land transportation operations with a new route optimization model and created a logistics model based on higher transported volume and shorter distance as part of its environmental sustainability objectives.

A total of 91% non-perishables and 61% perishables, transported across the country for Yaşar Foods Group companies, were transported by 18-wheelers in 2015. The 2015 Dealer (Customer) Logistical Services Satisfaction Survey reveals a satisfaction level of 93%.

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

“Yaşar Group signed the United Nations Global Compact (UNGC) in 2007 and published Progress Reports in 2009 and 2010.”

### ENVIRONMENTAL POLICY & IMPLEMENTATION

Pinar Et operates in compliance with relevant laws and regulations and according to its Environment, Energy, Occupational Health and Safety Policies. As part of its commitment to environmental protection, the Company implements manufacturing methods which reduce the consumption of resources and do not pollute the environment or have a detrimental effect on public health. As well as actively engaging in waste reduction, recovery and recycling, Pinar Et also raises the awareness of its employees, customers and suppliers on environmental, energy and occupational health and safety issues. Pinar Et continues to improve its maintenance programs and operations to reduce energy consumption in its new investments.

Pinar Et is subject to annual Turkish Standards Institute (TSE) audits on its Environmental Management System, Energy Management System and Occupational Health and Safety System.

### CARBON & WATER FOOTPRINT CALCULATIONS

Yaşar Holding started carbon measurement in 2011, setting up a team managed by a Carbon Leader. “Corporate Carbon Footprint” calculation and reporting was delivered in 2015, taking 2011 as a base year. As part of this program, Pinar Et plans to make a 15% reduction in its carbon emissions by 2020.

Following on from carbon footprint calculation, Yaşar Group envisages the start of water footprint calculations and reports at certain pilot areas in order to monitor and reduce the consumption of natural resources and increase environmental awareness. Additional work to reduce water consumption is also in progress.

Water Leaders were defined and trained as part of these water footprint initiatives.

### IMPROVEMENT - ENERGY CONSUMPTION EFFORTS

Environmental effect inventory analyses were performed by all units at the plants, as required by ISO 14001 Environmental Management System.

- Energy savings were achieved from steam boilers by utilizing flue gas waste heat (Economizer investment) and thereby reducing carbon emissions.
- LED lighters were installed to light certain areas (some cold rooms and outdoor spaces) of the plants.
- An energy survey was made by a company licensed by the Ministry within the scope of plant energy management.
- Energy-saving equipment was installed for use in the waste water ventilation systems at the water treatment plant.
- As part of water and carbon footprint initiatives, operations began on a project for computerized monitoring of water and steam monitors.
- Employee contributions towards the improvement of operational costs continued to receive support.

### WASTE MANAGEMENT

As part of the Pinar Et Waste Management plan, wastes are grouped by type and code. Data on the quantities and recycling, recovery, or disposal method are provided on the documentation of the relevant licensed companies.

### ENVIRONMENT INFORMATION SYSTEM

An Environmental Permit Document detailing waste water discharge and gas emissions is available, and there are ongoing audits and controls on compliance with environmental regulations carried out by the relevant authorities.

Internal audits by environmental officers and specialists are recorded in monthly and annual logs, enabling continual improvement on environmental issues. Waste and packaging statements on the Environmental Information System of the Ministry of Environment and Urban Planning are updated annually. As required by the “Regulation on Major Industrial Accidents”, Pinar Et submits Seveso Directive reports to the Ministry of Environment and Urban Planning, which uses them to assess the potential human and environmental

impact of any hazardous chemicals maintained on company premises and grade the Company accordingly. The Waste Water Treatment Plant ID Certificate is available and waste water analyses made bi-weekly by an accredited external laboratory are logged on the Environmental Information System. An Activity Preliminary Information form is completed on a new module on Soil Pollution and legal requirements are complied with. Training on waste management and the environment is regularly provided by environment officers and specialists, which helps to raise awareness on environmental issues.

### ENVIRONMENTAL & SOCIAL RESPONSIBILITY

As part of a project started in 2014, a tree is planted through the Regional Forestry Directorate for each employee who brings 10 used cell batteries and a certificate is issued in their name.

### OCCUPATIONAL HEALTH AND SAFETY PRACTICES

Pinar Et values its employees and therefore strives to provide a safer working environment. The Company provides occupational health and safety training to meet legal requirements, embed a culture of safety among employees and raise awareness.

Pinar Et carries out risk evaluation together with its employees, taking the necessary actions when risks are defined. Personal protective equipment provided by the Company is selected with consideration to reducing risk and improving ergonomic factors, as well as taking into account the opinions of employees.

Pinar Et aims to provide a safe and comfortable working environment for its employees and its next objective is a “Zero Accident Philosophy”.





## Corporate Social Responsibility

“As part of its belief in giving back what it receives from the society, Pinar Et is engaged in many social responsibility projects.”

Pinar Et regards the constant support and contribution to arts, education, sports and preservation of cultural assets as a vital and integral part of its principle giving-back-to-the-community.

### PINAR CHILDREN'S THEATER

Over the course of 28 years, the Pinar Children's Theater has reached more than three million children, fostering among them a love of theater through free performances, with every play being carefully crafted to contribute towards the cultural and personal development of its audiences.

Pinar Children's Theater staged "A Love of Milk" in the 2014-

2015 season, reaching thousands of children in Çanakkale, Eskişehir and Izmir and creating a theater spectacular with professional staging, music, decor and costumes. Pinar Children's Theater has also functioned as a school for many famous actors in Turkish theater. At the start of 2015, it began staging a play called the "Game Train" free-of-charge.

### PINAR CHILDREN'S ART COMPETITION

The Pinar Art Competition has been running for 34 years with the aim of increasing primary school children's interest in the fine arts, particularly painting and drawing, and its main theme in 2015 was "My Family and I".



### Pinar Resim Yarışması

34 Yılda  
4 Milyon Çocuğa  
Sanatı Sevdirdik...

### Pinar Çocuk Tiyatrosu

28 Yılda 3 Milyondan Fazla  
Çocuğumuzun Gözlerinde  
Mutluluğu Gördük...

### Pinar Karşıyaka Basketbol Takımı

17 Yılda Binlerce  
Çocuğa Spor  
Yapma İmkânı Sağladık...

# 55

NUMBER OF STUDENTS  
CONTINUING THEIR  
EDUCATION AT  
THE VOCATIONAL  
EDUCATION UNIT  
IN 2015

Out of 49,255 entries submitted from every part of Turkey, the Turkish Republic of Northern Cyprus, Germany, Qatar and United Arab Emirates, the works of 25 children were selected by a jury of education professionals and professional artists under the coordination of the respected painter Zahit Büyükişleyen. The successful children were awarded with a 1-week Art Camp in Istanbul as well as tablet PCs.

### PINAR ET VOCATIONAL EDUCATION UNIT

In 1998, Pinar Et established the first Vocational Education Unit to resolve the issue of the lack of trained professionals in the industry and, in 2015, 365 of its trainees gained professional skills in the meat and meat products industry.

46% of the graduates were employed by Pinar Et. As of the end of 2015, the vocational education unit has been educating 55 people.

### PINAR INSTITUTE

The Pinar Institute, established in 2013 to improve public health, develops projects to create public awareness on food, health and nutrition, as well as promote quality of life.

- In collaboration with Yaşar University's Arts and Design Faculty Industrial Design Department, the Pinar Institute developed the "Game and Education Tools for a Healthy Nourishment Project" to encourage a habit of healthy nourishment and physical activity at an early age.
- The Company made a joint application to the TUBITAK (Scientific and Technological Research Council of Turkey) 1002 Instant Support Program, in collaboration with Yaşar University's Vocational School Food Technologies Program, for its project "Identification of Fish and Aquaculture Consumption Preferences in the provinces of Izmir and Manisa".
- Within the frame of TUBITAK 1511, an application was made by Pinar Et and Ege University's Food Engineering Department Nutritional Science Section for the project, "Extraction of Protein Hydrolysate from Mechanically-Separated Meat and Use of Hydrolysate in Products".
- Pinar Institute attended the "Sustainable Business Summit" event organized by the Sustainability Academy on the 8th and 9th of October, 2015 in Istanbul.

### SUPPORT FOR SPORTS

Pinar has been supporting Pinar Karşıyaka Basketball Team for 17 years, supporting the game through supplying drinks and taking on name sponsorship.

#### • Pinar KSK

Pinar has been supporting Pinar Karşıyaka Spor (KSK) Basketball Team since 1998 and also gives 1,000 children the opportunity to play basketball at the Çiğli Selçuk Yaşar Facilities every year. Pinar KSK were champions of Turkey's Basketball Premier League in the 2014-2015 season and were among the top 24 teams in the Euroleague. Pinar KSK competed with major teams in the Pinar Cup, organized October 1-3 2015, and finished in second position.

#### • Turkish Basketball Association

Pinar also supports Turkish Basketball Association as the Official Drinks Supplier of National Basketball Teams.

#### • 18th International U15 Men's Basketball Tournament

Pinar is the name sponsor of the 18th "Pinar International U15 Men's Basketball Tournament", which will be held in Konya from January 31 to February 7, 2015 in collaboration with the Turkish Basketball Association.

### PUBLICATIONS

#### • Yaşam Pınarım Magazine

Focusing especially on content that will be of particular use to parents and first published in 2004, Yaşam Pınarım is a magazine that seeks to maintain bonds between the Company, its consumers and business partners, as well as links with academic and governmental circles. The quarterly magazine is distributed free-of-charge and has been sent out to consumers as an e-bulletin since 2013. It reaches an audience of more than 10,000.

#### • Pinar Newspaper

The quarterly Pinar Newspaper, issued for Pinar's 25,000 milk suppliers, is an important reference material for dairy farmers and stock breeders, containing topics on cattle breeding, milk technologies and cattle health.

### CONGRESSES

In an effort to improve and grow the industry, every year Pinar Et attends and provides support for many exhibitions and congresses on quality, food, R&D and marketing. In 2015, 5 congresses, 2 symposiums and 20 other events were sponsored by the company.

## Awards and Certificates

“Pinar Et, along with the “Pinar” brand, was deemed worthy of awards by many respected institutions in 2015. The quality of its production standards and technologies was verified with a number of certifications.”

- In 2015, Pinar was granted the Superbrands Award for Turkey's best brands.
- Pinar received two awards at the much-respected Stevie Awards. In the “International Business Awards” category, Pinar was granted with Silver Stevie in “Best Corporate Social Responsibility Program in Europe” for Pinar Children's Theater and Bronze Stevie in “Best Communication Campaign - Media Relations” for the Pinar Art Competition.
- Pinar Balık, Turkey's first farmed-fish producer and fish brand, was Turkey's first and only fish brand to be granted with a “Superior Taste Award” by the ITQI (International Taste

- & Quality Institute) for its bass and bream fish. The awards were granted after a blind taste test by leading chefs and waiters.
- Yaşar Holding was also among the companies that received awards, resulting from the survey conducted for “ETIKA Turkey Ethics Awards 2014” by the Ethical Values Center Association.
- Yaşar Holding was granted the “Low-Carbon Hero” award by the Sustainable Production and Consumption Association, together with the Energy Efficiency Association, for its sustainability approach and carbon emission reduction efforts.

### Pinar Et receives an EBSO Award

Pinar Et was named as the runner-up in the Meat, Fish & Seafood Products Industrial Group's “Secondary Level Achievement in Production and Investment” category at the Successful Industrialists Award Ceremony organized by the Aegean Region Chamber of Industry (EBSO).

### Pinar Et Certifications

- ISO 9001:2008 Quality Management System
- FSSC 22000:2005 Food Safety Management System
- ISO 14001:2004 Environmental Management System
- ISO 50001:2011 Energy Management System
- OHSAS 18001:2007 Occupational Health and Safety
- BRC-Food V.6 (2015) Food Safety Standard
- IFS-Food V.6 (2012) Food Safety Standard
- ISO 17025:2012 Test and Calibration Laboratories
- Halal Food Certificate
- SAI GLOBAL Food Safety

## Pinar Et's Milestones

“Since its inception, Pinar Et has been one of the most trusted brands among consumers and over its 32 years it has introduced numerous innovations.”

### Meat Products Sector Leader

**1983** • The foundations of Pinar Et are laid. **1985** • Pinar Et, Turkey's first fully-integrated and privately-owned meat plant, is established. **1987** • Pinar Et introduces Turkey's first hamburger mix specially made for the food trade. **1994** • Pinar Et becomes the first in the industry to receive ISO 9002 Quality Management System certification. **1998** • Yaşar Group sets up the country's first fully-integrated turkey plant, introducing the country to turkey meat. **2000** • Pinar Et launches production of sliced meat products for the first time in Turkey, using clean-room technology and under the strictest hygienic conditions. **2001** • Pinar Et launches production and sale of doner for the food trade on an industrial scale but with the same delicious flavor as classical Turkish doner kebab. • The same year, the Company also introduces frozen seafood products. **2003** • Pinar Et moves to TS ISO 9001:2000 Quality Management System certification. **2004** • Pinar Et is awarded ISO 14001 Environmental Management System certification. • The Company launches “Turkey's meatballs”: nine different varieties of meatballs are introduced to consumers. **2006** • Pinar Et becomes the first company in its sector to receive TSE ISO 22000 Food Safety Management System certification. **2007** • Pinar Et becomes the first company in its sector to receive TSE OHSAS 18001 Occupational Health & Safety Assessment Series certification. • The Company's success is recognized by an award from the Izmir branch of KalDer, the Turkish Quality Association. **2008** • Pinar Et becomes the first company in its sector to receive TSE 17025 Food Safety Management System certification. • It is the first company in Turkey's food industry to undertake a Lean Six Sigma operational excellence and productivity project. **2009** • Two new products– Pinar Misket Meatball and Pizzato Alaturka (a thin-crust pizza)– are introduced. **2010** • The Pinar Et “Aç Bitir” (easy-open, smaller-sized) product line

of salami, sausages, and soudjouks is launched. • Two additions to the frozen foods family consist of “Pizzatto Italiano” and “Gourmet Burger”, the latter distinguished by its larger size and enhanced flavor. **2011** • Pinar Et Profesyonel is set up to cater for the away-from-home channel. • Pinar Et demonstrates its expertise in charcuterie with the launch of its “Şölen”, “Delight”, and “Gurme” labels. • The Pinar Şölen line is expanded with the addition of fenugreek- and cumin-flavored varieties. • Gurme soudjouks and sausages made from top-quality meat are introduced to the market. • The “Delight” label is launched with low-fat, low-sodium products that appeal to charcuterie-lovers who are also concerned about their weight and/or health. **2012** • In a survey conducted by GfK RepMan Reputation Research Center, Pinar Et is identified as one of Turkey's ten most highly-respected companies. • BrandSpark International awards Pinar Et “Best New Product” for its “Aç Bitir Salami” and “Gurme Burger” products. • According to Nielsen and Superbrands, Pinar Et is one of Turkey's top ten superbrands. **2013** • Four brand-new, ready-to-bake frozen börek varieties are introduced to consumers: cheese, potato, ground meat & potato, and labaneh & spinach. • “Kadınbudu” and “Pizzatto Mini” are added to the existing frozen meatball and pizza lineups respectively. **2014** • In the frozen meat products category, small-pack versions of “Cızbiz” and “Kasap” koftas were introduced to the market. • In the dough products category, “Su Böreği” and “Gurme Manti” were introduced to consumers. • In the charcuterie category, production began of “Pinar Gurme” salami, ham and smoked meats. • Pinar's “Aç Bitir” communication campaign received a Golden Effie, one of the Turkish advertising industry's most respected awards. **2015** • Pinar's Triangular Manti is introduced to customers. • “Aç Bitir” smoked Turkey Breast Meat is added to the Aç Bitir lineup.

## CORPORATE GOVERNANCE PRACTICES AND FINANCIAL INFORMATION

## MANAGEMENT

**BOARD OF DIRECTORS****Emine Feyhan Yaşar - Chairperson**

Feyhan Yaşar has a bachelor's degree from Boğaziçi University's Administrative Sciences Faculty in 1978 and a post-graduate degree from Dokuz Eylül University's Economics Department. Feyhan Yaşar started her career in 1978 at DYO as a Human Resources Expert and served as Personnel Relations Coordinator, Tourism Coordinator and Executive Committee Member. She also served as Yaşar Holding Vice Chairperson and Board Member. Feyhan Yaşar served as Vice Chairperson of Yaşar Holding Board (1997 – 2003) and Chairperson of Yaşar Holding Board (2004 – 2009). She now serves as Vice Chairperson of Hedef Board. Feyhan Yaşar serves as Chairperson of the Board of Pınar Su, Pınar Et and Altın Yunus as well as a board member at other Yaşar Group companies and also as the Vice Chairperson of Yaşar Holding Board of Directors.

She is also the Chairperson of Turkish Union of Chambers and Exchange Commodities (TOBB) Beverages Industry Commission, Vice Chairperson of Yaşar Education and Culture Fund, Board Member of Turkish Corporate Governance Association (TKYD), and member of the Board of Trustees at Yaşar University, Turkish Education Foundation (TEV), Health and Education Foundation (SEV), and Boğaziçi University Foundation (BÜVAK). Feyhan Yaşar is a member of Turkish Industry and Business Association (TÜSIAD), Union of Turkish Dairy, Meat and Food Industrialists and Manufacturers (SETBİR) and Aegean Industrialists and Businessmen Association (ESIAD) and Honorary Consul of Luxembourg in Izmir.

**İdil Yiğitbaşı - Vice Chairperson**

İdil Yiğitbaşı has a bachelor's degree from Boğaziçi University's Business Administration Department 1986 and a post-graduate degree from Indiana University's Business Administration Department in 1989. She started her career in 1986 at Yaşar Group in the finance sector. She served as top-level manager and board member for a number of group companies, especially in the food industry, in the areas of strategy and marketing and Vice Chairperson of Yaşar Holding Board from 2003 to 2009. İdil Yiğitbaşı served as the Chairperson of Yaşar Holding Board from April 2009 to April 7, 2015 and was appointed as the Vice Chairperson on this date. Yiğitbaşı is a member of Turkish Industry and Business Association (TÜSIAD), Union of Turkish Dairy, Meat and Food Industrialists and Manufacturers (SETBİR), ESIAD and Turkish Corporate Governance Association (TKYD) and serves as a board member for a number of Yaşar Group companies.

**Mustafa Selim Yaşar - Member**

Mustafa Selim Yaşar was graduated from Paris-Académie Arqueille Sorbonne in 1976, from the New York University in 1980 and from the Pace University Business Administration-Finance Department in New York in 1981. He started his career at Yaşar Dış Ticaret A.Ş. in the same year, where he worked in various positions. After 8 years with various positions at Yaşar Dış Ticaret A.Ş., from 1988 to 1996, he served as the CFO of Yaşar Holding A.Ş. and subsequently assumed the position of the President of Paint-Chemistry and Beverage Groups. Yaşar held the positions of Board Chairman and CEO of Otak-Desa A.Ş. and Desa Enerji A.Ş. from 1997 to 2000. Sitting as chairman on the boards of directors of İzmir Teknopark A.Ş., BDS İş Geliştirme Ltd. Şti. and Yüzey İnşaat Taahhüt A.Ş. since 2000, Selim Yaşar served as the Board of Directors Member, Board Chairman and President of Assembly of the Aegean Region Chamber of Industry (EBSO) from 1991 to 1997. He was also the Deputy Chairman of the Aegean Industrialists and Businessmen Association (ESIAD) for four years, of which he is a founding member. Having functioned as Deputy Chairman of İzmir Metropolitan Municipality Council and as a member of Karşıyaka Municipal Council from 2004 to 2009, Yaşar currently works actively at a number of nongovernmental organizations. M. Selim Yaşar serves as the Board Chairmen of Desa Enerji A.Ş., Dyo Boya A.Ş. and Yaşar Birleşik Pazarlama A.Ş. since March 2014 as well as Yaşar Dış Ticaret A.Ş. and Yaşar Holding A.Ş. since March 2015.

**Ali Yiğit Tavas - Independent Member**

Ali Yiğit Tavas was graduated from Ege University's Faculty of Agriculture, Agricultural Technologies Department in 1979 and started his career at Pınar Süt in 1979 as a Production Engineer. He served as Technical Promotion Expert and R&D Department Chief. He started to work for Pınar Et in 1984 as Production Manager and served as R&D Manager, Assistant Technical General Manager, General Manager and Food Group Assistant Production Director. A. Yiğit Tavas served as Yaşar Food Group Meat and Meat Products Assistant Director from 2001 to 2003 and was then retired. Tavas served as Production Coordinator at Abaloğlu Holding from 2004 to 2006 and serves as a board member for other Yaşar Group companies.

**Atila Sezgin - Independent Member**

Atila Sezgin received a bachelor's degree in business administration from the Middle East Technical University in 1966, and a doctorate degree in the same field from Ankara Academy of Economic and Commercial Sciences in 1974, where he obtained associate professor title in 1976. He became a professor in the Faculty of Economics and Administrative Science at Hacettepe University in 1982. He worked as a budget specialist in the Ministry of Finance Directorate General of Budget and Financial Control (1968-1971), as financial advisor and general coordinator at the Tepe Group Hacettepe University Foundations (1976- 1986), member of the Assembly and the Board of Directors at Ankara Chamber of Industry (1984-1986), Chairman of the Board of Directors at KAMU-İŞ (a union of public sector employers) and a member of the

## MANAGEMENT

Board of Directors of Central Anatolian Association of Iron and Non-Iron Metal Exporters (1993-1996).

Atila Sezgin was a Member of EU-Turkey Economic and Social Council Mixed Advisory Committee from 1995 to 1998, Chairmen of the Turkish Delegation to the EU-Turkey Coal and Steel Community Treaty Task Force from 1994 to 1996, Vice Chairman of the Board of Directors of Istanbul Association of Iron and Non-Iron Metal Exporters from 1992 to 1996 as well as Member of the Board and Economics Committee at the International Iron and Steel Institute and General Manager and Board Chairman at Turkish Coal and Steel Enterprises. Sezgin served as Board Member at Eurasiasat SAM Company and General Manager and Board Vice Chairman at Türk Telekomünikasyon A.Ş. from 1998 to 1999 and also serves as a board member for various Yaşar Group companies. Having held various academic positions including Vice Dean, Dean and Vice President at Ankara Academy of Economic and Commercial Sciences and Dokuz Eylül University, Atila Sezgin served as the President of Izmir University of Economics from October 2001 until January 2012. Atila Sezgin is also a member of the Board of Trustees for Yaşar University.

### Yılmaz Gökoğlu - Member

Yılmaz Gökoğlu has a bachelor's degree from Ankara University Faculty of Political Sciences Economics-Finance Department in 1977, He served as an Account Expert at the Ministry of Finance from 1978 to 1982 and joined Yaşar Group in 1983. He served as top-level manager at various positions in the fiscal affairs and audit departments and was assigned as a Board Member of Yaşar Holding in April 2007. Yılmaz Gökoğlu also serves as the Secretary General of Boards at Yaşar Holding as well as a member of several other companies within the group.

### Cengiz Erol - Member

Cengiz Erol had his bachelor's degree in business administration from Ege University in 1974, his master's degree in finance and accounting from the State University of New York (SUNY) in 1979 and his doctorate degree in international trade and finance from SUNY in 1983. After working as an Assistant Professor of Finance at Çukurova University from 1983 to 1985, he was an Associate Professor of Finance at Yarmouk University in Jordan (1985-1990) and in the Department of Business Administration at the Middle East Technical University (METU) (1990-1993), where he worked as a Professor of Finance from 1993 to 2010. He was an Advisor to the CEO of Ereğli Demir Çelik Fabrikaları A.Ş. (1991-1994), Board Member at Ankara Sigorta and Chairman at Ankara Emeklilik Sigorta (2000-2003), advisor to the Board of Directors at İnterfarma Tıbb. Mal. A.Ş. (2002-2004), Board Member at İnterfarma Tıbb. Mal. A.Ş. (2004-2008), and Chair of the Department of Business Administration at METU (2008-2010). Cengiz Erol was also the Vice President of METU and member of the Executive Committee of the Student Assessment, Selection and Placement Center (ÖSYM).

After holding the position of the Head of the Department of International Trade and Finance at Izmir University of Economics from 2011 to 2013, Erol has been a faculty member in the same department and the Director of the Graduate School of Social Sciences from 2010 to 2015. Cengiz Erol serves as board member for a number of Yaşar Group companies since March 2014.

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

## SENIOR MANAGEMENT

### Levent Dağhan - Deputy CEO Head of Food Group

Levent Rıza Dağhan was graduated from Ankara University's Political Sciences Faculty, Public Finance Department in 1986 and started his career in the same year at International Leisure Group Turkey as the Assistant Manager. Dağhan served as Branch Manager and Turkey operational Planning and Analysis Manager at the London Headquarters and joined Yaşar Group in 1991 at the Audit Department. He served as Auditor, Audit Coordinator, Assistant Director for Audit and Assistant Director for Finance at the Paints and Chemicals Group from April 2001 to December 2003. Dağhan served as CFO of Öger Group and board member and Vice President of Öger Holding, Atlasjet Uluslararası Havaçılık and other group companies from January 2004 to June 2009. Levent Rıza Dağhan served as Finance and Budget Control Director of Yaşar Holding A.Ş. from June 2009 to September 2015 and was assigned as Food Group Assistant CEO in September 2015.

### Tunç Tuncer - General Manager

Tunç Tuncer was graduated from Ege University Agriculture Faculty Agricultural Products Technologies Department in 1985 and started his career in the same year at Pınar Entegre Et ve Un Sanayi A.Ş. as a Production Engineer. Tuncer served as Technical Director from 1999 to 2012 and he is Pınar Et General Manager since June 2012.

### Mustafa Şahin Dal - Financial Affairs and Budget Control Analysis Director

Mustafa Şahin Dal was graduated from Dokuz Eylül University Faculty of Economic and Administrative Sciences, Finance and Banking Department in 1984 and started his career at Yaşar Holding's Finance Department in 1987. Dal served as Accounting Chief, Assistant Manager and Budget, Accounting and Finance Department Manager for Food Group companies from 1993 to 2010 and serves as Financial Affairs and Budget Control Analysis Director for the Food Group Companies since 2010.

## RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

### RISK MANAGEMENT

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

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

### Risk Management Policy of the Company

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

### Works of Early Detection of Risk Committee

The Early Detection of Risk Committee performs activities for the purposes of early detection of risk and creation of an efficient risk management system.

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

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

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

Along the line;

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

### INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

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

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

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

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

## LEGAL DISCLOSURES

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

The decisions adopted in the Ordinary General Assembly Meeting held on Wednesday, March 25, 2015 have been implemented. An Extraordinary General Assembly Meeting was not convened during 2015.

### Affiliated Companies Report

The conclusion of the report on relations with Controlling Company and Affiliates issued by the Board of Directors as per TCC Article 199 is as follows:

The Company's Board of Directors is obliged to issue a report related to relations with the controlling shareholder and its affiliates in the last year of operation (within the first three months of the year of activity) and include the conclusion section of this report in its annual report pursuant to article 199 of Turkish Commercial Code 6102 as promulgated on July 1, 2012.

Necessary disclosures on the transactions our company carried out with the associated parties are covered in the present report. In this report, the Company's Board of Directors concluded that in all transactions the Company carried out during 2015 with its controlling company or with its affiliates, an appropriate counter-performance was provided in each transaction according to the conditions and state known to us at the time the transaction and/or the action was realized/taken or avoided; that there were no actions taken or avoided which might potentially cause loss to the Company, and that there are no transactions or actions that would require equalization within this scope.

### Donations and Grants

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

During 2015, the Company's donations and grants to various organizations and institutions amounted to TL 698,945.

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

The related disclosure is presented in note 26 to financial statements for the period 01 January 2015 - 31 December 2015.

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

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

### Changes in the Articles of Incorporation during the Reporting Period

The amended text of Article 7 "Board of Directors" of the articles of incorporation was submitted to the approval of and approved by the shareholders at the Ordinary General Assembly Meeting dated March 25, 2015 with the prior consent letter 29833736.110.03.02-437-2061 dated February 25, 2015 by the Prime Ministry Capital Markets Board and the prior consent letter 00006251816 dated February 27, 2015 by the Ministry of Customs and Commerce Internal Trade General Directorate and it was accepted and approved by the General Assembly.

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

Financial rights provided to the Chairperson, Members of the Board of Directors and senior executives are determined within the frame of the remuneration policy posted on our website. In the twelve months that ended on 31 December 2015, financial benefits to the members of the Board of Directors and senior executives amounted to TL 5,664,275.

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

During 2015, regular audits have been performed by various public agencies, after which no material notices have been served on our party.

### The Company's Shareholders' Equity

The shareholders' equity worth TL 406,231,131 as at December 31, 2015 indicates that the issued capital of TL 43,335,000 has been very well maintained.

## AGENDA

### AGENDA FOR 2015 ORDINARY GENERAL ASSEMBLY OF PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. DUE ON MARCH 29, 2016

1. Opening and election of Presiding Committee,
2. Authorizing the Chairmanship Committee to sign the minutes of the General Assembly Meeting,
3. Reading, deliberating and approving the Annual Report 2015 prepared by the Board of Directors,
4. Reading and deliberating the Independent Auditor's Report for 2015 fiscal year,
5. Reading, discussion and approval of 2015 Financial Statements,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2015 operations,
7. Laying down the Independent Audit Firm designated by the Board of Directors for the approval of the General Assembly pursuant to the Turkish Commercial Code and the Capital Markets Board requirements,
8. Determining the number of Board directors and their terms of office; making elections in accordance with the number of Board directors so determined; designating independent Board members,
9. Determining the rights provided to the Board directors such as compensation and attendance fees, bonuses and premiums pursuant to Article 408 of the Turkish Commercial Code,
10. Informing shareholders, pursuant to Article 12 of the Corporate Governance Communiqué no. II-17.1 issued by the Capital Markets Board, about guarantees, pledges, mortgages and sureties that have been granted by the Company in favor of third parties and about any income and benefits that may have been derived,
11. Submittal of the Donations Policy generated as per the Capital Markets Legislation to the approval of the general assembly,
12. Informing shareholders about any donations that were made during the year and laying down the donation limit set under the Capital Market legislation for the approval of the General Assembly,
13. Deliberating and voting on matters pertaining to the year's profits,
14. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,
15. Wishes and opinions.

## STATEMENT OF INDEPENDENCE

9 March 2015

As a candidate for independent member for the Board of Director of PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. ("The Company"), I declare that;

- I or my spouse or my up-to-second-degree relatives have not been employed in managing positions involving significant tasks and responsibilities in the last five years by the Company, other companies which are managed or significantly influenced by the Company or shareholders who manage or significantly influence the Company and legal persons managed or significantly influenced by such shareholders and I or my spouse or my up-to-second-degree relatives do not individually or collectively own more than 5% of its capital or voting rights or preferred shares and have not been engaged in major commercial activity with them,
- I have not been a shareholder (5% or more), manager with significant tasks and responsibilities or board member of companies which have provided significant services or products for or purchased them from the Company within the scope of agreements in the last five years including auditing (including tax audit, legal audit or internal audit), rating or consultancy services,
- I have the professional education, knowledge and skills required to fulfill the requirements of the tasks which will be assigned to me as an independent board member,
- Except for academicians and provided that it is in accordance with the related legislation, I am not working full-time at public institutions,
- I am resident in Turkey as per the Income Tax Law 193 dated 31/12/1960,
- I possess solid ethic standards, professional reputation and experience which will allow me to make contributions to the Company, maintain its objectivity regarding any conflicts between the Company and its shareholders and make unbiased decisions considering the interests of the beneficiaries,
- I am capable of allocating time for the Company which will allow getting sufficiently engaged in company business and fulfill the requirements of assigned tasks,
- I have not been a board member for more than six years in the last ten years,
- I do not hold the position of independent board member at more than three companies managed by the Company or the shareholders managing the Company or more than five stock-exchange-quoted companies,
- I am not registered and announced as a board member on behalf of the selected legal person, and therefore I will serve at the board of directors of the company as an independent member.

Best regards,  
Ali Yiğit TAVAS



## STATEMENT OF INDEPENDENCE

9 March 2015

As a candidate for independent member for the Board of Director of PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. ("The Company"), I declare that;

- I or my spouse or my up-to-second-degree relatives have not been employed in managing positions involving significant tasks and responsibilities in the last five years by the Company, other companies which are managed or significantly influenced by the Company or shareholders who manage or significantly influence the Company and legal persons managed or significantly influenced by such shareholders and I or my spouse or my up-to-second-degree relatives do not individually or collectively own more than 5% of its capital or voting rights or preferred shares and have not been engaged in major commercial activity with them,
- I have not been a shareholder (5% or more), manager with significant tasks and responsibilities or board member of companies which have provided significant services or products for or purchased them from the Company within the scope of agreements in the last five years including auditing (including tax audit, legal audit or internal audit), rating or consultancy services,
- I have the professional education, knowledge and skills required to fulfill the requirements of the tasks which will be assigned to me as an independent board member,
- Except for academicians and provided that it is in accordance with the related legislation, I am not working full-time at public institutions,
- I am resident in Turkey as per the Income Tax Law 193 dated 31/12/1960,
- I possess solid ethic standards, professional reputation and experience which will allow me to make contributions to the Company, maintain its objectivity regarding any conflicts between the Company and its shareholders and make unbiased decisions considering the interests of the beneficiaries,
- I am capable of allocating time for the Company which will allow getting sufficiently engaged in company business and fulfill the requirements of assigned tasks,
- I have not been a board member for more than six years in the last ten years,
- I do not hold the position of independent board member at more than three companies managed by the Company or the shareholders managing the Company or more than five stock-exchange-quoted companies,
- I am not registered and announced as a board member on behalf of the selected legal person, and therefore I will serve at the board of directors of the company as an independent member.

Best regards,  
Atilla SEZGIN



## PROFIT DISTRIBUTION PROPOSAL

At the meeting of the Company's Board of Directors dated 3/7/2016, the Company's Board of Directors concluded to submit the following Profit Distribution Proposal for approval at the Annual General Assembly meeting;

In calculating the net distributable profit for 2015; taking into account the requirements of the Turkish Commercial Code, Capital Markets Legislation, Corporate Income Tax Law, Income Tax Law and other applicable legislation, dividend distribution provisions of the Company's articles of incorporation and the Profit Distribution Policy; as per the Company financial tables created in accordance with the Capital Markets Board Communiqué II-14.1 and Turkish Accounting Standards and audited by the independent auditor; among TL 66,505,898 which is the net term profit of 2015, the legal limit has been reached and therefore no General Legal Reserve will be set aside and the net distributable term profit is TL 66,505,898.

The following proposal concerning the allocation of the TL 66.505.898 distributable profit, is concluded to be submitted to the approval of the Ordinary General Assembly:

TL 13,440,969 will be distributed to shareholders as first dividend. This corresponds to 20% of distributable profit when TL 698,945 that was paid out as charitable donations during the year in line with the CMB rules is taken into account,

of the remainder, Board of Directors allocation will be set aside, which will not be in excess of 5% as stipulated in the articles of incorporation,

of the remainder, the amount of TL 28,593,981 will be distributed among shareholders as a second dividend. The net combined total of first and second dividends amounts to TL 35,729,708. This corresponds to 82.45% of our issued capital, which amounts to TL 43,335,000,

of the remainder, TL 4,246,820 will be set aside as a General Legal Reserve,

of the remainder, all will be set aside as Extraordinary Reserves.

If this proposal is approved, the Company will be paying out a net cash dividend amounting to TL 0.8245 on each share of its stock with a par value of TL 1.00.

Please be advised.

Yours Sincerely,

**PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.**

## PROFIT DISTRIBUTION TABLE

### PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

2015 PROFIT DISTRIBUTION TABLE (TL)

1.	Paid-in/Issued Capital		43,335,000
2.	General Legal Reserves (According to Legal Records)		30,459,835
Information on privileges for distribution of profits, if any, according to the Articles of Incorporation			
		According to CMB	According to Legal Records (LR)
3.	Profit for the Period	75,368,314	56,191,269
4.	Taxes (-)	(8,862,416)	(7,033,462)
5.	Net Profit for the Period (=)	66,505,898	49,157,807
6.	Losses in Prior Years (-)	0	0
7.	General Legal Reserves (-)	0	0
<b>8.</b>	<b>NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)</b>	<b>66,505,898</b>	<b>49,157,807</b>
9.	Donations during the Year (+)	698,945	
10.	Net Distributable Profit for the Period Including Donations	<b>67,204,843</b>	
11.	First Dividend to Shareholders		
	- Cash	13,440,969	
	- Bonus Shares		
	- Total	13,440,969	
12.	Dividends Distributed to Owners of Privileged Shares		
13.	Other Dividends Distributed		
	- Members of the Board of Directors	2,600,000	
	- Employees		
	- Non-Shareholder Individuals		
14.	Dividends Distributed to Owners of Redeemed Shares		
15.	Second Dividend to Shareholders	28,593,981	
16.	General Legal Reserves	4,246,820	
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	17,624,128	276,037
20.	Other Resources to be Distributed		
21.	General Legal Reserves Allocated for other Funds to be Distributed		

RATIO OF DIVIDENDS TABLE						
CLASS	TOTAL DIVIDENDS DISTRIBUTED	TOTAL DIVIDENDS DISTRIBUTED/NET DISTRIBUTABLE PROFIT FOR THE PERIOD		DIVIDENDS PER SHARE WITH A PAR VALUE OF TL 1 TL EACH		
		CASH (TL)	BONUS SHARES (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
NET	No share classes enjoy privileges for profit distribution.	35,729,708		53.72%	0.825	82.45
	<b>TOTAL</b>	<b>35,729,708</b>		<b>53.72%</b>	<b>0.825</b>	<b>82.45</b>

## PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### PART I - Statement of Compliance with Corporate Governance Principles

a) During the operating period ended 31 December 2015, PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. ("the Company") achieved compliance with the entirety of the mandatory articles of the Corporate Governance Principles appended to the "Communiqué No: II.17.1 on Corporate Governance ("the Communiqué ") issued by the Capital Markets Board of Turkey (CMB).

b) Our Company spends maximum effort to achieve full compliance also with the non-compulsory Corporate Governance Principles. Justifications for currently non-implemented non-compulsory principles are presented herein below, and it is considered that the said matters do not lead to any major conflicts of interest under the current circumstances.

As per the principle 1.3.10, the Company has generated a Donations Policy to submit to the approval of the General Assembly at 2015 ordinary meeting and issued it on the web site.

It maintains its position for the principle numbered 1.3.11 as their implementation is non-compulsory.

While the Company intends to achieve full alignment with the principle 2.1.2, the hardships in practice create obstacles against full compliance.

Alignment with the principles numbered 1.5.2 and 4.6.5 cannot be realized due to the fact that these principles do not fully coincide with the market and the Company's existing structure.

The Company is currently in the process of assessment in relation to efforts for full compliance with the principle numbered 4.2.8.

In 2015, the Company assigned the Investor Relations Department Manager as the Corporate Governance Committee Member, aligned the English version of the investor relations web site with the Turkish version, created a donations policy and made progress regarding the effectiveness of the board committees.

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

### PART II - SHAREHOLDERS

#### 2.1. Investor Relations Department

The investor relations department handling communication with the investors has been set up at the Company pursuant to Article 11 of the Communiqué. Investor Relations Department reports to the Company's General Manager, Tunç Tuncer.

Contact information for Investor Relations Department is presented below:

Head of the Investor Relations Department: Gökhan Kavur (holds Capital Market Activities Advanced Level License)

Investor Relations Department Officer: Mustafa Durgut (holds Capital Market Activities Advanced Level License)

Tel: 0 232 495 00 00

Fax: 0 232 489 15 62

E-mail: investorrelations@pinaret.com.tr

The Investor Relations Department is mainly charged with the following:

- Ensure that records of correspondence by and between the investors and the Company, and of other information and documents are maintained in a reliable, secure and up-to-date manner,
- Respond to shareholders' written requests for information about the Company,
- Prepare the documents related to the general assembly meetings, which need to be made available for the information of, and review by, shareholders, and take necessary steps to make sure that the general assembly meetings are carried out in accordance with the applicable legislation, the Company's articles of incorporation and other bylaws,
- Supervise and monitor that obligations arising out of the capital market legislation are fulfilled, including all aspects of corporate governance and public disclosure,

- Ensure that investor relations activities are properly conducted.

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

During the reporting period, the Unit held one-on-one contacts with nearly 25 investors, and responded to more than 100 queries by phone or e-mail. In addition, upon disclosure of the Company's financial results, two webcast meetings have been organized, which were open to all analysts and addressed the Company's activities and financial results for 2014 full year and for 2015 half-year. "Financial Presentations" drawn up in Turkish and English languages covering the Company's periodic operating results were published on the Company's website. The website and investor presentations have been updated regularly to make sure that up-to-date information is made available to the investors at all times. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests.

Investor Relations Department submits minimum 10 reports on its activities to the Board of Directors annually.

#### 2.2. Use of Shareholders' Rights to Obtain Information

The fundamental principle in shareholders exercising their right to obtain information is that there should be no discrimination among shareholders. All information and documents that shareholders may need to exercise their shareholders' rights in a sound manner are made equally available to all shareholders on the Company's corporate website. During 2015, utmost care was paid, under the supervision of the "Investor Relations Department", to respond to requests for information received from shareholders within the framework of the requirements of capital market laws and regulations and without delay.

Such requests for information are generally about such issues as general assembly meeting dates, information on financial statements that are disclosed, developments in the sector and profit distribution. All requests for information, except in the case of information that was in the nature of a trade secret and information that it was deemed to be in the Company's interest to keep confidential, were responded to without making any distinctions among shareholders and in line with any statements that may previously have been made within the framework of capital market laws and regulations. Information and disclosures that might affect the exercise of shareholders' rights are announced in the "Investor Relations" section on the Company website, and there have been no information or disclosures during the reporting period, other than those disclosed under the Capital Market legislation. While the request to have a special auditor appointed is not an individual right provided for under the Company's articles of incorporation, no such request was received during 2015.

#### 2.3. General Assembly

Pursuant to "Article 18 - Meeting Quorum" of the Company's articles of incorporation, the quorum requirements at annual and extraordinary General Assembly meetings are subject to the provisions of the Capital Market Law and of the Turkish Commercial Code.

The 2014 Annual General Assembly meeting took place on 25 March 2015 during the reporting period at the Pinar Süt factory located at Kemalpaşa Asfaltı No: 317 Pınarbaşı/İZMİR. At the 2014 ordinary general assembly meeting, 77.20% of the Company's capital was represented. During the meeting, shareholders electronically or physically attending the meeting or their proxies expressed their comments and wishes. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. representative participated in the meeting, whereas no media representatives were present. In addition to shareholders, representatives of the independent auditors were also sent written invitations to attend the meetings. Invitations to the general assembly meeting were made by the Board of Directors.

The Company's General Assembly meeting announcements were promulgated under "Article 21 - Announcements" of the Company's articles of incorporation, and in accordance with the relevant provisions of the Turkish Commercial Code and with other regulations, communiqués, Capital Markets Board requirements to be published under the said Code, as well as other applicable legislation. The meeting announcement was published in the Turkish Trade Registry Gazette minimum 21 days (excluding the dates of the meeting and announcement) in advance. The meeting announcement was also published on the corporate website, and shareholders whose addresses were on record with the Company were sent letters in which they were informed about the meeting date, location, and agenda. Prior to the general assembly meeting, the meeting date, place and agenda, the information that the Informational Document regarding the agenda is posted on the website, and the profit distribution proposal to be submitted by the Board of Directors to the general assembly were publicly disclosed in material event disclosures. The Informational Document drawn up for 2014 Ordinary General Assembly meeting covered detailed descriptions about each general meeting



## PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

agenda item, as well as all the explanations, information and documents required by the legislation.

The Company's annual report and the informational document for the general assembly meeting were made available for shareholders' information at the Company headquarters and on its corporate website as of 21 days before the General Assembly Meeting date. To facilitate attendance to the General Assembly Meeting, shuttle buses were provided for transportation between downtown and the factory. During the general assembly meeting, issues on the agenda were explained impartially and in detail so as to be clear and intelligible. Shareholders were given equal opportunities to express their thoughts and to ask questions, and a healthy climate of debate was created.

Minutes of General Assembly meetings are kept available for shareholders at all times at the Company headquarters. In addition, the minutes of the Company's General Assembly meetings for the past 10 years are also accessible in the Investor Relations section of the Company website at [www.pinar.com.tr](http://www.pinar.com.tr).

At the Company's General Assembly meetings, information was presented to the shareholders on the amount and recipients of the donations and grants made during the reporting period. This matter was addressed as a separate agenda item. An upper limit was set for the donations to be made during 2015 at the meeting. The Company has also generated a Donations Policy to be submitted to the approval of 2015 Ordinary General Assembly and issued it on its web site.

### 2.4. Voting Rights and Minority Rights

Article 7 – Board of Directors” of the Company's articles of incorporation contain the following privilege with respect to making nominations to the Board of Directors. Accordingly;

“Should the Board of Directors consists of 5 members, 3 members shall be elected from among the nominees indicated by Group A shareholders, and the remaining members shall be elected from among the nominees indicated by Group B shareholders. In case the Board consists of seven or nine members, then four and five of them, respectively, shall be elected from among the nominees indicated by Group A shareholders, while the remaining members shall be elected from among the nominees indicated by Group B shareholders.

The Board of Directors may, at its sole discretion, elect managing director(s). However, the Chairperson of the Board of Directors and the managing director(s) shall be elected from among members representing Group A.

Article 19 of the Company's articles of incorporation grant privilege in voting in ordinary and extraordinary general assembly meetings. Group A shareholders have 3 votes, whereas Group B shareholders have one vote for each share they hold.

The Company's articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. With respect to the exercise of voting rights, the Company's articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. Article 22 of the Company's articles of incorporation, which governs the exercise of voting rights, reads as follows:

“Save for the votes to be cast in the Electronic General Meeting System, voting is conducted through open ballot and by raising hands during a General Assembly meeting. However, upon demand by those possessing at least one-tenth of the capital which shareholders present at a meeting represent, recourse must be had to secret ballot. CMB rules pertaining to proxy voting are reserved.”

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

The articles of incorporation do not set minority rights to be less than one twentieth of the capital.

### 2.5. Dividend Rights

There are no privileges with respect to participating in the Company's profit. The Company's annually reviewed policy for profit distribution is to pay out cash dividends and/or bonus shares corresponding to minimum 20% of the distributable profit for the period, which is calculated in accordance with the capital market regulations and other applicable legislation, taking into consideration the economic conjuncture, market projections, the Company's long-term strategies and long-term investment and financing policies, the Company's financial position, profitability and cash position, to the extent allowed by relevant regulations and finances. Unless otherwise decided in the relevant general assembly meeting, the profit distribution is intended to be realized in May, the latest, and the date of profit distribution is decided by the General Assembly. The General Assembly or the Company's Board of Directors, if authorized, may decide to pay out the dividends in installments. The Company's articles of incorporation permit distribution of advances on dividends, and the Board of Directors may decide to distribute advances on dividends restricted to the relevant fiscal year, provided that it is authorized by the General Assembly of Shareholders.

The Company's Dividend Policy for 2013 and thereafter, which was formulated in line with the capital market legislation, has been laid down for

approval at the 2013 Annual General Assembly Meeting and publicly disclosed. Our Dividend Policy is publicly disclosed also via our website. Distribution of the Company's profit for 2014 has been completed on 29 May 2015.

### 2.6. Transfer of Shares

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

## PART III - PUBLIC DISCLOSURES AND TRANSPARENCY

### 3.1. Corporate Web Site and Its Content

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

### 3.2. Annual Report

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

## PART IV - STAKEHOLDERS

### 4.1. Informing Stakeholders

Stakeholders are kept informed about all matters concerning the Company other than those which are considered a trade secret through CMB material disclosures within the framework of CMB regulations, Turkish Commercial Code, Competition Law, Tax Laws, and Turkish Code of Obligations.

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

Furthermore, the communication mechanism is established with the Corporate Governance Committee and the Audit Committee also via the processes that provide stakeholder participation in management as discussed under Article 4.2 herein below.

### 4.2. Stakeholders' Participation in the Company's Management

Committed to its social responsibility in addition to its quality-control and food safety management systems, Pinar Et also actively implements and constantly improves its environment, energy, and occupational health & safety management systems. Following up the success of its efforts to reduce its carbon footprint, in 2014 work was also begun on reducing Pinar Et's water footprint as well.

Customer demands and complaints can be communicated via our toll-free 444 76 27 customer line which can be reached from any part of Turkey without dialing a city code, upon which the demands and complaints received are handled and resolved. To ensure customer satisfaction, various research studies and surveys are continually conducted by our Company and by independent firms. Efforts are taken on to improve the product and service quality based on the research outcomes and customer demands.

Pinar Communication Center (contracted to PIM in Turkish) Twitter account serves to review the requests and suggestions received via the social media, upon which the team gets back to the consumers.

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

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

Moreover, Pinar Et takes parts in career days organized at universities, reaching potential employees and offering internship opportunity to students. Within this frame, the Company offered internship to 99 university and 46 high school students in 2015.

### 4.3. Human Resources Policy

The fundamental mission of the Company's human resources policy is to ensure the management of human resources who are innovative, who are committed to the principle of total quality, and who contribute towards the Company's competitive advantage by easily adapting to change and development at the Company. The Company did not receive any complaints about discrimination as at 2015.

## PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The Company's basic human resources policies are set forth clearly in the Company's Personnel Regulations, which are issued to all non-contract employees against their individual signature. In addition to basic policies, these regulations also contain information about working hours, hiring principles and processes, termination, and discipline. Human resources policies and practices pertaining to employees who are covered by collective bargaining agreements are spelled out in such agreements. Job descriptions are devised for all of the Company employees. Performance and rewarding criteria for the white-collar employees are disclosed in the White Collar Employee Regulation, while the rewarding criteria for our blue-collar workers are described in the Collective Bargaining Agreement.

### Basic policies

- Staffing at the Company is determined according to the criteria of business economics. All employees agree that honorable employment is only possible through productive work.
- The Company conducts intramural and extramural training programs within the framework of plans that are devised for each level in order to ensure the progression of its employees.
- The Company is mindful of equality of opportunity in all promotions and appointments throughout its organization. As a matter of principle, appointments are made from among the Company's own personnel.
- By means of a career planning system in which progression plans are implemented, employees who have potential are provided with the broadest possible opportunities for advancement.
- Employees' performance is evaluated on the basis of their fulfillment of targets and their competencies.
- Job descriptions and performance standards are documented for positions at every level from the highest to the lowest and these serve as the basis for employee evaluations.
- Employee Opinion Surveys are conducted once in two years, seeking employees' views about the working environment, development and career, salaries and fringe benefits, job satisfaction, managers, engagement, corporate reputation, corporate structure and management policies. Improvements are made in line with the feedback that is received in this way.
- A safe workplace and safe working conditions are a matter to which the Company gives great importance. Under the Company's occupational health and safety regulations, all legally mandated measures are taken to prevent occupational risks, ensure health and safety, and eliminate risk and accident factors. An ongoing effort to make improvements is carried out through regularly conducted safety meetings.
- Our management style is "... [to] maintain our existence as a company that acts fully respectful of the laws and ethical rules, and embrace total quality philosophy and participatory management."
- An essential principle at the Company is that all employees will be treated equally and without making any discrimination among them with respect to language, race, color, sex, political beliefs or philosophy, creed, religion, sect, or similar reasons. Due measures have been taken to protect this fundamental constitutional right of employees.

There are four workplace representatives at the Company's Kemalpaşa Factory. These individuals are named below:

- Turgay Metin: Production Foreman
- Göksel Lofça: Shift Supervisor
- Umut Bayram Taşkaya: Mixture Preparation Operator
- Sebahattin Demir: Fresh Meat Production Worker

The duties of these representatives are to,

- Hear workers' wishes and resolve their complaints exclusively with respect to matters at the workplace,
- Ensure continued labor peace through worker-employer cooperation and labor fairness,
- Are mindful of workers' rights and interests; assist in the implementation of the working conditions which are provided for in labor laws and in collective bargaining agreements.

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

### 4.4. Rules of Ethics and Social Responsibility

Pinar Et seeks to comply with current environmental laws applicable to its business activities and with local regulations concerning environmental matters to which it is subject, to make productive use of natural resources, to control and reduce waste that causes

environmental harm or else render it harmless, and to take other measures necessary to prevent pollution. In line with these goals, Pinar Et undertakes improvements to its production technologies in an effort to increase efficiency in its production operations and energy consumption. These efforts are carried out by a sustainability team organized under Yaşar Holding, which also covers Pinar Et.

As part of its responsibility towards the environment, our Company takes on activities for water and energy saving within the scope of environmental management programs. Reduction was achieved in total water consumption on the back of these efforts. The environment and national economy are supported through separate collection of all recyclable wastes at source across the factory, which are then sold to licensed recycling companies. In 2015, an initiative was carried out for collecting waste batteries, whereby 2,210 waste batteries were collected, and 221 trees were planted in Kemalpaşa via the Regional Forestry Directorate.

Within the frame of social responsibility projects directed towards children, Pinar Children's Theater and Pinar Children's Art Competition are being organized.

In a bid to contribute to healthy development of the society, Pinar Et extends support to the Pinar Institute that has been established for carrying out researches, supporting researches and training, publishing the outcomes, and taking on activities to this end.

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

Pinar Et demonstrates its support for sports through its sponsorship of the Pinar Karşıyaka Basketball Team.

The Company seeks to make contributions that are beneficial to employees and to the community in the areas of culture, art, sport, and education through its newspaper Pinar, and its magazine Yaşam Pınarım.

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

The Company conducts its activities within the framework of values which are adhered to by Yaşar Group companies and whose approach to the production of goods and services involves compliance with laws and the rules of ethics, concerns itself with national problems without becoming involved in politics, and values the environment and nature. These values are known to all company employees. A summary version of Yaşar Group Rules of Ethics is posted on the Company's website.

## PART V - BOARD OF DIRECTORS

### 5.1. Structure and Formation of the Board of Directors

Members of the Company's Board of Directors:

Name	Title	Whether or Not		Term
		Independent Member	Executive Member	
Emine Feyhan Yaşar	Chairperson	Not Independent Member	Not Executive	1 year
İdil Yiğitbaşı	Vice Chairperson	Not Independent Member	Not Executive	1 year
Mustafa Selim Yaşar	Member	Not Independent Member	Not Executive	1 year
Ali Yiğit Tavas	Independent Member	Independent Member	Not Executive	1 year
Atila Sezgin	Independent Member	Independent Member	Not Executive	1 year
Yılmaz Gököğlü	Member	Not Independent Member	Not Executive	1 year
Cengiz Erol	Member	Not Independent Member	Not Executive	1 year

Tunç Tuncer serves as the Company's General Manager. The engagement of company directors in the activities set forth in Articles 395 and 396 of the Turkish Commercial Code is subject to the approval of the General Assembly of shareholders. With the exception of those activities, there are no other limitations imposed on what Board of Directors may do and external positions held, if any, are stated in their résumés

## PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

The General Manager's resume is provided in the Company's annual report, and the resumes of Board of Directors Members are given both in the Company's annual report and also on the corporate website. In accordance with the Capital Market legislation, independent Board directors have submitted their declarations of independence to the Corporate Governance Committee that acts as the Nomination Committee.

Two independent member candidates were presented for 2015 to the Corporate Governance Committee that acts as the Nomination Committee. The declarations of independence and resumes of these individuals have been discussed in the Corporate Governance Committee meeting of March 9, 2015 and in the meetings of the Board of Directors, and it has been decided to nominate all of them as independent members. No situations arose that prejudiced independence as of 2015 operating period. There are 2 women members on the Board of Directors. Hence, the Company has secured a ratio of not less than 25% with respect to the number of women members on the Board of Directors.

### 5.2. Operating Principles of Activity of the Board of Directors

The operating principles of the Board of Directors are spelled out as follows in Article 9 of the Company's articles of incorporation. Accordingly;

"The Board of Directors shall convene as the Company's affairs and operations may require. However, the Board must meet at least monthly. Board of Directors meetings are convened with a majority of its full membership and decisions are passed with a majority of those present in the meeting."

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

The details of the 2015 activities of the Board of Directors are provided below:

During the reporting period, the Board of Directors convened 42 times. The Board of Directors shall convene upon a summons in the form of a written request made by its chairperson or by any director. The agenda of the meeting is sent to the members minimum two weeks prior to the date of the meeting. Usually, all members attend the meetings. There were no unresolved disputes over issues during the 2015 reporting period. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights. An insurance coverage has been obtained for losses that the Company may sustain by reason of the faults committed by the Board of Directors members during the performance of their duties.

### 5.3 Number, Structure and Independence of the Committees Established under the Board of Directors

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

The Audit Committee is headed by Ali Yiğit Tavas and its other members is Atila Sezgin. Both members are non-executive and independent Board directors. The Audit Committee meets at least on a quarterly basis and holds at least four meetings in one year. Within the scope of the Committee's activities, information has been obtained on operations and internal control systems from company executives and findings related to the audit from independent auditors. The Committee oversees the operation and efficiency of the Company's bookkeeping system, public disclosure of financial information, independent audit and internal control system. The Audit Committee also supervises the designation of the independent audit firm, drafting of the independent audit agreement, initiation of the independent audit process, and the activities of the independent auditor. The Committee reports on the fairness and accuracy of annual and interim financial statements that will be publicly disclosed to the Board of Directors.

The Corporate Governance Committee is headed by Ali Yiğit Tavas, a non-executive, independent Board member, and its other members are Atila Sezgin, non-executive, independent Board member, Yılmaz Gökoğlu, non-executive Board member, and Gökhan Kavur, Head of the Investor Relations Department.

Corporate Governance Committee meets at least four times a year, held at least on a quarterly basis. The Corporate Governance Committee establishes whether the Corporate Governance Principles are implemented at the Company, the grounds for non-implementation, if applicable, and the conflicts of interest arising from failure to fully comply with these principles. The Committee proposes improvement actions to the Board of Directors. Corporate Governance Committee oversees the activities of the Investor Relations Department.

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

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

The Early Detection of Risk Committee is responsible for early detecting the risks that may endanger the existence, development and survival of the Company, taking necessary measures for the identified risks, and managing the risks. The Committee is headed by Ali Yiğit Tavas, a non-executive, independent Board member, and its other members are Yılmaz Gökoğlu and Cengiz Erol, non-executive Board members.

According to the Corporate Governance Principles, all members of the Audit Committee, and the heads of Early Detection of Risk Committee and Corporate Governance Committee must be independent Board members. The Manager of the Investor Relations Department was assigned as a member to the Corporate Governance Committee by the Board of Directors. Since there are two independent members on the Company's Board of Directors, the same member serves on more than one committee under the Board of Directors.

### 5.4. Risk Management and Internal Control Mechanism

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

### 5.5. Strategic Targets of the Company

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

### 5.6. Financial Rights

The rights provided to the Board directors are decided at the General Assembly meetings and are publicly disclosed through the minutes of the meetings issued. The Remuneration Policy that describes the remuneration system and implementations for the Company's Board Members and executives with administrative responsibility is available on our website. The Company's annual reports do not present the rights provided to senior executives on an individual basis, but state a cumulative amount.

The Company does not lend money, extend credit, or make available loans under the name personal loans via a third party to any of its directors or executives, nor does it provide guarantee in their favor.

## CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ON THE BOARD OF DIRECTORS' ANNUAL REPORT ORIGINALLY ISSUED IN TURKISH

**To the Board of Directors of  
Pınar Entegre Et ve Un Sanayii A.Ş.**

*Auditor's Report on the Board of Directors' Annual Report*

1. We have audited the annual report of Pınar Entegre Et ve Un Sanayii A.Ş. (the "Company") for the period ended 31 December 2015.

*Board of Directors' responsibility for the Annual Report*

2. The Company's management is responsible for the fair preparation of the annual report and its consistency with the financial statements in accordance with Article 514 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1 "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and for such internal control as management determines is necessary to enable the preparation of the annual report.

*Independent Auditor's Responsibility*

3. Our responsibility is to express an opinion on the Company's annual report based on the independent audit conducted pursuant to Article 397 of TCC and the Communiqué, whether or not the financial information included in this annual report is consistent with the Company's financial statements and presented fairly.

Our independent audit was conducted in accordance with Independent Auditing Standards that are part of the Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the financial statements.

An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

We believe that the independent audit evidences we have obtained during our independent audit, are sufficient and appropriate to provide a basis for our opinion.

Opinion

4. Based on our opinion, the financial information in the annual report of Board of Directors of Pınar Entegre Et ve Un Sanayii A.Ş. is consistent with the audited financial statements and presented fairly, in all material respects.

*Other Responsibilities Arising From Regulatory Requirements*

5. Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to be reported with regard to the inability of Pınar Entegre Et ve Un Sanayii A.Ş. to continue its operations for the foreseeable future.

Yöntem Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.  
a member of Nexia International

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Atilla Yılmaz Dölarslan, YMM  
Partner  
İzmir, 29 February 2016

## INDEPENDENT AUDITOR'S REPORT

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

**To the Board of Directors of  
Pınar Entegre Et ve Un Sanayii A.Ş.**

1. We have audited the accompanying financial statements of Pınar Entegre Et ve Un Sanayii A.Ş. (the "Company"), which comprise the statement of financial position as of 31 December 2015 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

*Management's responsibility for the financial statements*

2. The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards ("TAS") and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error and/or fraud.

*Independent auditor's responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Independent Auditing Standards that part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments; the independent 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 includes also 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 during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

## INDEPENDENT AUDITOR'S REPORT

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of Pınar Entegre Et ve Un Sanayii A.Ş. as of 31 December 2015 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

### *Emphasis of matter*

5. As indicated in the first and seventh notes to the financial statements, the Company is selling significant portion of products that are produced in order to be sold in domestic market to Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), which is a related party and associate, therefore domestic distribution and sale of the aforementioned products are performed by YBP.

### *Other Responsibilities Arising From Regulatory Requirements*

6. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 29 February 2016.

7. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2015 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

8. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Yöntem Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.  
a member of Nexia International

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Atila Yılmaz DÖLARSLAN, YMM  
Partner

İzmir, 29 February 2016

## PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

1 JANUARY - 31 DECEMBER 2015  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT  
(CONVENIENCE TRANSLATION INTO ENGLISH -  
THE TURKISH TEXT IS AUTHORITATIVE)

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**PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.**  
STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)  
AT 31 DECEMBER 2015 AND 2014

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

	Notes	31 December 2015	31 December 2014
<b>ASSETS</b>			
<b>Current Assets</b>		<b>145.985.173</b>	<b>113.982.910</b>
Cash and Cash Equivalent	6	4.808.870	1.741.969
Trade Receivables		73.068.298	65.607.092
- Due From Related Parties	7	52.356.985	51.881.992
- Other Trade Receivables	8	20.711.313	13.725.100
Other Receivables		9.554.065	3.970.767
- Due From Related Parties	7	9.527.094	3.932.561
- Other Receivables		26.971	38.206
Inventories	11	56.132.240	40.001.788
Prepaid Expenses	13	2.273.359	2.298.802
Other Current Assets	30	148.341	362.492
<b>Non - Current Assets</b>		<b>375.346.936</b>	<b>330.813.174</b>
Financial Assets	48	682.817	628.775
Investments in Associates Accounted for Using Equity Method	4	155.569.186	129.579.361
Property, Plant and Equipment	15	218.716.356	199.751.307
Intangible Assets	18	262.736	285.345
Prepaid Expenses	13	115.841	568.386
<b>TOTAL ASSETS</b>		<b>521.332.109</b>	<b>444.796.084</b>

The financial statements at 31 December 2015 and for the year then ended have been approved for issue by Board of Directors of Pinar Entegre Et ve Un Sanayii A.Ş. on 29 February 2016.

The accompanying explanatory notes form an integral part of these financial statements.

**PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.**  
STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)  
AT 31 DECEMBER 2015 AND 2014

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

	Notes	31 December 2015	31 December 2014
<b>LIABILITIES</b>			
<b>Current Liabilities</b>		<b>88.586.702</b>	<b>77.440.824</b>
Short-Term Borrowings	25	5.211.853	780.070
Other Financial Liabilities	25	973.559	78.607
Trade Payables		74.783.125	71.654.044
- Due to Related Parties	7	13.529.072	13.353.642
- Other Trade Payables	8	61.254.053	58.300.402
Payables Related to Employee Benefits	28	1.002.746	848.354
Other Payables		3.501.214	1.772.651
- Due to Related Parties	7	1.523.500	-
- Other Payables	10	1.977.714	1.772.651
Deferred Income	13	96.363	8.759
Current Income Tax Liabilities	41	2.027.660	1.419.123
Short-Term Provisions		975.777	859.189
- Provisions for Employee Benefits	28	922.577	793.515
- Other Provisions	26	53.200	65.674
Other Current Liabilities	30	14.405	20.027
<b>Non-Current Liabilities</b>		<b>26.514.276</b>	<b>22.909.693</b>
Long-Term Provisions		15.720.910	13.615.911
- Provisions for Employee Termination Benefits	28	15.720.910	13.615.911
Deferred Income Tax Liabilities	41	10.793.366	9.293.782
<b>TOTAL LIABILITIES</b>		<b>115.100.978</b>	<b>100.350.517</b>
<b>EQUITY</b>		<b>406.231.131</b>	<b>344.445.567</b>
Share Capital	31	43.335.000	43.335.000
Adjustment to Share Capital	31	37.059.553	37.059.553
Other Comprehensive Income/ (Expense) Not To Be Reclassified to Profit and Loss		107.712.001	91.411.329
- Revaluation of Property, Plant and Equipment	15	114.986.138	97.079.518
- Defined Benefit Plans		(5.008.965)	(3.958.200)
Actuarial Loss Arising From		(5.008.965)	(3.958.200)
- Defined Benefit Plans Investments-in-Associates		(2.265.172)	(1.709.989)
Actuarial Loss Arising From		(2.265.172)	(1.709.989)
Other Comprehensive Income/ (Expense) to be Reclassified to Profit and Loss		12.262.159	9.792.654
- Foreign Currency Translation Differences		1.810.692	1.149.615
- Cash Flow Hedge on Fair Value Reserves of Investments-in-Associates		(26.231)	(80.153)
- Available-for-Sale Investments	48	110.989	67.755
- Fair Value Reserves of Investments-in-Associates		10.366.709	8.655.437
Restricted Reserves	31	30.555.315	28.088.560
Retained Earnings		108.801.205	90.496.965
Profit for the Year		66.505.898	44.261.506
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>521.332.109</b>	<b>444.796.084</b>

The accompanying explanatory notes form an integral part of these financial statements.

**PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.**  
STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME  
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2015 AND 2014

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

	Notes	1 January - 31 December 2015	1 January - 31 December 2014
<b>PROFIT OR LOSS</b>			
Revenue	32	591.063.053	550.921.324
Cost of Sales	32	(491.959.632)	(468.670.413)
<b>Gross Profit from Trading Operations</b>		<b>99.103.421</b>	<b>82.250.911</b>
<b>GROSS PROFIT</b>	32	<b>99.103.421</b>	<b>82.250.911</b>
General Administrative Expenses	34	(19.535.757)	(18.056.979)
Marketing Expenses	34	(30.119.417)	(26.668.163)
Research and Development Expenses	34	(1.919.052)	(1.368.136)
Other Operating Income	35	1.915.852	1.581.560
Other Operating Expense	35	(2.443.331)	(1.518.700)
<b>OPERATING PROFIT</b>		<b>47.001.716</b>	<b>36.220.493</b>
Income from Investment Activities	36	1.009.513	1.710.407
Expense from Investment Activities	36	(68.841)	(121.373)
Share of Results of Investment-in-Associates-net	4	25.346.986	9.937.071
<b>OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)</b>		<b>73.289.374</b>	<b>47.746.598</b>
Financial Income	38	2.303.086	1.838.728
Financial Expense	38	(224.146)	(157.528)
<b>PROFIT BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>75.368.314</b>	<b>49.427.798</b>
Tax Income of Continuing Operations		(8.862.416)	(5.166.292)
- Current Income Tax Expense	41	(7.033.462)	(7.594.017)
- Deferred Tax (Expense)/ Income	41	(1.828.954)	2.427.725
<b>PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS</b>		<b>66.505.898</b>	<b>44.261.506</b>
<b>PROFIT FOR THE YEAR</b>		<b>66.505.898</b>	<b>44.261.506</b>
<b>Earnings Per Share</b>		<b>1,5347</b>	<b>1,0214</b>
- Earnings Per Share From Continuing Operations	42	1,5347	1,0214
<b>OTHER COMPREHENSIVE INCOME/(EXPENSE)</b>			
<b>Other Comprehensive Income/Expense not to be Reclassified to Profit and Loss:</b>			
		<b>19.644.461</b>	<b>(2.045.962)</b>
Increase in Revaluation Reserve of Investments-in-Associates	4	5.701.281	-
Increase in Revaluation Reserve		15.471.641	-
Actuarial Loss Arising from Defined Benefit Plans Investments-in-Associates	4	(555.183)	(538.773)
Actuarial Loss Arising from Defined Benefit Plans	28	(1.313.456)	(1.883.986)
Taxes for Other Comprehensive Income Not to Be Reclassified to Profit or Loss		340.178	376.797
- Deferred Tax Income	41	340.178	376.797
<b>Other Comprehensive Income/ Expense to Be Reclassified to Profit And Loss</b>		<b>2.469.505</b>	<b>1.707.136</b>
Foreign Currency Translation Differences	4	661.077	(195.125)
Available-for-sale Investments-Impairments	48	54.042	19.830
Increase in Fair Value Reserves of Investments-in-Associates	4	1.711.272	1.898.204
Cash Flow Hedge on Fair Value Reserves of Investments-in-Associates	4	53.922	(11.807)
Taxes for Other Comprehensive Income To Be Reclassified to Profit or Loss		(10.808)	(3.966)
- Deferred Tax Expense	41	(10.808)	(3.966)
<b>OTHER COMPREHENSIVE (EXPENSE)/ INCOME</b>		<b>22.113.966</b>	<b>(338.826)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>88.619.864</b>	<b>43.922.680</b>

The accompanying explanatory notes form an integral part of these financial statements.

**PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.**  
STATEMENTS OF CASH FLOWS  
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

	Notes	1 January - 31 December 2015	1 January - 31 December 2014
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit for The Year</b>		<b>66.505.898</b>	<b>44.261.506</b>
<b>Adjustments Related to Reconciliation of Net Profit for The Year</b>		<b>(4.092.952)</b>	<b>5.048.616</b>
Adjustments Related to Taxation	41	8.862.416	5.166.292
Adjustments Related to Depreciation and Amortisation	15-18	11.041.172	9.508.960
Adjustments Related to Provision for Employment Termination Benefits	28	2.644.515	2.312.075
Adjustments Related to Interest Income	35-36-38	(1.647.015)	(2.046.984)
Adjustments Related to Interest Expense	35-38	470.801	408.757
Adjustments Related to Inventory Profit Elimination	4	2.694	13.285
Adjustments Related to Management Bonus Provision	4	(25.346.986)	(9.937.071)
Adjustments Related to (Gain)/ Loss on Sales of Property, Plant And Equipment - Net	36	49.209	(292.063)
Unrealized Foreign Exchange (Gain)/ Loss		(169.758)	(84.635)
<b>Changes in Working Capital</b>		<b>(19.215.022)</b>	<b>(5.942.006)</b>
Adjustments Related to (Increase)/ Decrease in Trade Receivables	8	(6.986.213)	2.838.640
Increase in Inventories	11	(16.130.452)	(2.792.126)
Adjustments Related to Increase in Inventories	7	(474.993)	(1.686.691)
Adjustments Related to Decrease In Other Receivables And Other Current Assets		250.829	2.168.611
Adjustments Related to Decrease/ (Increase) in Other Non-Current Assets		452.545	(69.103)
Adjustments Related to Increase in Trade Payables	8	2.953.651	373.303
Adjustments Related to (Decrease)/ Increase in Trade Payables to Related Parties	7	175.430	(7.261.031)
Adjustments Related to Increase in Other Current And Non-Current Liabilities		544.181	486.391
<b>Cash Used in Operating Activities</b>		<b>(8.264.055)</b>	<b>(10.091.428)</b>
Employment Termination Benefits Paid	28	(1.839.130)	(2.400.184)
Bonus Paid	28	-	(291.617)
Taxes Paid	41	(6.424.925)	(7.399.627)
<b>Net Cash Generated from Operating Activities</b>		<b>34.933.869</b>	<b>33.276.688</b>
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received		1.647.015	2.046.986
Dividends Received	7	6.931.890	1.388.762
Purchases of Property, Plant and Equipment and Intangible Assets		(14.668.603)	(20.453.752)
Proceeds from Sales of Property, Plant and Equipment		102.371	881.873
Purchasing Shares of Investment in Associates		-	(13.165.000)
(Increase)/ Decrease in Non-Trade Due from Related Parties	7	(5.594.533)	17.215.392
<b>Net Cash (Used In)/ Generated From Investing Activities</b>		<b>(11.581.860)</b>	<b>(12.085.739)</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash Outflows Related to Financial Liabilities	25	5.326.735	100.023
Decrease in Non-Trade Due to Related Parties	7	-	(500.000)
Dividends Paid	7	(25.310.800)	(32.501.250)
Interest Paid		(470.801)	(408.757)
<b>Net Cash Used in Financing Activities</b>		<b>(20.454.866)</b>	<b>(33.309.984)</b>
<b>Net (Decrease)/ Increase in Cash and Cash Equivalents Before Foreign Currency Translation Differences</b>		<b>2.897.143</b>	<b>(12.119.035)</b>
<b>D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS</b>			
		<b>169.758</b>	<b>84.635</b>
<b>Net Increase/ (Decrease) in Cash and Cash Equivalents</b>		<b>3.066.901</b>	<b>(12.034.400)</b>
<b>E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>			
	6	<b>1.741.969</b>	<b>13.776.369</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>			
	6	<b>4.808.870</b>	<b>1.741.969</b>

The accompanying explanatory notes form an integral part of these financial statements.



**PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.**  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED AT 31 DECEMBER 2015 AND 2014

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

	Other Comprehensive Income/ (Expense) not to be Reclassified to Profit or Loss				Other Comprehensive Income/ (Expense) to be Reclassified to Profit or Loss						Retained Earnings		
	Share Capital	Adjustment to Share Capital	Revaluation Reserve	Actuarial Gain/ (Loss) Arising From Defined Benefit	Actuarial Gain/ (Loss) Arising From Benefit Plans in-Associates	Foreign Currency Translation Differences	Fair Value Reserve for Available-For-Sale Investments	Fair Value Reserve for Investment-in Associates	Cash Flow Hedge on Fair Value Reserves of Investments-in-Associates	Restricted Reserves	Retained Earnings	Profit for the year	Total Equity
<b>PREVIOUS PERIOD</b>													
<b>Amounts as of 1 January 2014 (opening)</b>	43.335.000	37.059.553	100.518.080	(2.451.011)	(1.171.216)	1.344.740	51.891	6.757.233	(68.346)	25.055.110	84.337.694	38.255.409	333.024.137
Dividend payment (Note 7)	-	-	-	-	-	-	-	-	-	-	(32.501.250)	-	(32.501.250)
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-	-	-	-	-	38.255.409	(38.255.409)	-
Legal reserves	-	-	-	-	-	-	-	-	-	3.033.450	(3.033.450)	-	-
Total comprehensive income	-	-	-	(1.507.189)	(538.773)	(195.125)	15.864	1.898.204	(11.807)	-	-	44.261.506	43.922.680
Depreciation transfer of investments – net (Note 15)	-	-	(352.725)	-	-	-	-	-	-	-	352.725	-	-
Sale of property, plant and equipment	-	-	(191.501)	-	-	-	-	-	-	-	191.501	-	-
Depreciation transfer - net (Note 15)	-	-	(2.894.336)	-	-	-	-	-	-	-	2.894.336	-	-
<b>Amounts as of 31 December 2014 (closing)</b>	43.335.000	37.059.553	97.079.518	(3.958.200)	(1.709.989)	1.149.615	67.755	8.655.437	(80.153)	28.088.560	90.496.965	44.261.506	344.445.567

**PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.**  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED AT 31 DECEMBER 2015 AND 2014

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

**PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.**  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED AT 31 DECEMBER 2015 AND 2014

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

	Other Comprehensive Income/ (Expense) not to be Reclassified to Profit or Loss				Other Comprehensive Income/ (Expense) to be Reclassified to Profit or Loss						Retained Earnings		
	Share Capital	Adjustment to Share Capital	Revaluation Reserve	Actuarial Gain/ (Loss) Arising From Defined Benefit	Actuarial Gain/ (Loss) Arising From Benefit Plans of Investments in-Associates	Foreign Currency Translation Differences	Fair Value Reserve for Available-For-Sale Investments	Fair Value Reserve for Investment-in Associates	Cash Flow Hedge on Fair Value Reserves of Investments-in-Associates	Restricted Reserves	Retained Earnings	Profit for the year	Total Equity
<b>CURRENT PERIOD</b>													
<b>Amounts as of 1 January 2014 (opening)</b>	43.335.000	37.059.553	97.079.518	(3.958.200)	(1.709.989)	1.149.615	67.755	8.655.437	(80.153)	28.088.560	90.496.965	44.261.506	344.445.567
Dividend payment (Note 7)	-	-	-	-	-	-	-	-	-	-	(26.834.300)	-	(26.834.300)
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-	-	-	-	-	44.261.506	(44.261.506)	-
Legal reserves	-	-	-	-	-	-	-	-	-	2.466.755	(2.466.755)	-	-
Total comprehensive income	-	-	21.250.409	(1.050.765)	(555.183)	661.077	43.234	1.711.272	53.922	-	-	66.505.898	88.619.864
Depreciation transfer of investments – net (Note 15)	-	-	(443.318)	-	-	-	-	-	-	-	443.318	-	-
Sale of property, plant and equipment	-	-	(6.836)	-	-	-	-	-	-	-	6.836	-	-
Depreciation transfer - net (Note 15)	-	-	(2.893.635)	-	-	-	-	-	-	-	2.893.635	-	-
<b>Amounts as of 31 December 2014 (closing)</b>	43.335.000	37.059.553	114.986.138	(5.008.965)	(2.265.172)	1.810.692	110.989	10.366.709	(26.231)	30.555.315	108.801.205	66.505.898	406.231.131

**PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.**  
STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED AT 31 DECEMBER 2015 AND 2014

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

**PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

**NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS**

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

The Company is a member of Yaşar Group. Majority of the Company's sales in the domestic market amounting approximately 77% (2014: 78%) are made to its investment-in-associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), and majority of the exports are made to Yaşar Dış Ticaret A.Ş. ("YDT"), which are both Yaşar Group companies (Note 7).

The Company is subject to the regulations of the Capital Market Board ("CMB") and 33% (2014: 33%) of its shares are quoted on the Borsa İstanbul ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 54% shares of the Company (2014: 54%) (Note 31).

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

Ankara Asfaltı 25. Km,  
Kemalpaşa - İzmir

**NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

**2.1 Basis of Presentation of Financial Statements**

The accompanying financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Accounting Standards issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC").

The financial statements of the Company are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's financial statements.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the Company have been prepared accordingly.

The Company maintains its books of accounts and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. These financial statements have been prepared under historical cost conventions except for financial assets, financial liabilities, land, buildings and land improvements, machinery and equipments which are carried at fair value. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS. The Company's functional and reporting currency is Turkish Lira ("TL").

**PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

**2.2. Amendments in International Financial Reporting Standards**

**a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2015 and are adopted by the Company:**

- Amendment to TAS 19 regarding defined benefit plans, effective from annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2012 and 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010 - 12 and 2011-13 cycle of the annual improvements project, that affect a couple standards.

**b) New standards, amendments and interpretations issued and effective as of 31 December 2015 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.**

**c) New TFRS standards, amendments and IFRICs effective after 1 January 2016:**

- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- Amendment to TFRS 10 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The main result of the change, a corporation has been occurred in the definition of the entity (whether is kept that in subsidiaries).All of gain or loss have been occurred at the end of the process which is entered in accounts ; if there is a situation which is selling or purchasing of an entity ; a loss or gain that have been occurred , not all of them has been entered in accounts.
- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 5 standards:
  - TFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
  - TFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to TFRS 1) regarding servicing contracts.
  - TAS 19, 'Employee benefits' regarding discount rates.
  - TAS 34, 'Interim financial reporting' regarding disclosure of information
- Amendment to TAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments improve presentation and disclosure in financial reports.

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

- TFRS 15 "Revenue from Contracts with Customers", effective from annual periods beginning on or after 1 January 2017. The new standart, appears as a result of alignment project with Generally Accepted Accounting Principles in United States of America, aims the financial reporting of revenue and the world wide comparability of total revenues in financial statements. The new standart bases on the principal that revenue is accounted for when control of the good or service is transfered to customer, therefore control concept changes the current risk and reward concept.
- TFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

The company will determine the effects of these amendments above on the financial statements and will apply after effective date. The amendments do not have significant impact on the Company's financial statements.

New standards, amendments and interpretations issued and effective as of 31 December 2015 have not been presented since they are not relevant to the operations of the company or have insignificant impact on the financial statements.

**2.3 Accounting policies, errors and change in accounting estimates**

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

**2.4 Basis of Consolidation**

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

**Changes in ownership interests in subsidiaries without change of control or significant influence**

The purchase of share in subsidiaries without change of control or significant influence accounted with the difference between the fair value of identifiable net assets and to be paid the fee for participation is recognized as goodwill in the carrying amount of investment in associates.

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

The table below sets out the associates and the proportion of ownership interest as of 31 December 2015 and 2014 (Note 4):

	Shareholding (%)	
	2015	2014
<u>Investments-in-associates</u>		
YBP	42,78	42,78
Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş. ("Çamlı Yem")	23,38	23,38
Pınar Foods GmbH ("Pınar Foods")	44,94	44,94
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	26,41	26,41

**Foreign currency translation**

**i) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

**ii) Translation of financial statements of foreign associate**

Financial statements of Pınar Foods operating in Germany are prepared according to the legislation of the country in which it operates, and adjusted to the financial reporting standards issued by the CMB. The assets and liabilities of foreign associate are translated into TL from the foreign exchange rates at the balance sheet date, and the statement of comprehensive income items of foreign associate are translated into TL at the average foreign exchange rates in the period. As of 31 December 2015, the equivalent of EUR1 is TL3,1776 (2014: TL2,8207 and for the year then ended, the average equivalent of EUR1 is TL3,0183 (2014: TL2,9049). Exchange differences arising from re-translation of the opening net assets of investment-in-associate and the differences between the average and year-end rates are included in the "currency translation reserve" under the equity as a separate component.

**2.5 Offsetting**

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

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

**2.6 Comparative Information and Correction of Prior Year Financial Statements**

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 December 2015 on a comparative basis with balance sheet at 31 December 2014; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2015 on a comparative basis with financial statements for the period of 1 January - 31 December 2014.

**2.7 Summary of Significant Accounting Policies**

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

**2.7.1 Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after elimination sales within the Company. At each balance sheet date any expenditure incurred but not yet invoiced is estimated and accrued.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement (Note32).

Revenue is recognized as follows:

**Sales of goods:**

Sales of goods are recognized when the Company delivers or sells products to the customer, the customer accepts the products and collectability of the related receivables is reasonably assured. It is the Company's policy to sell its products to the customers with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

**Sales of services:**

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

**Interest Income:**

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

Other revenues earned by the Company are recognized on the following bases:

Rental income- recognized evenly on an accrual basis.

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

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

**2.7.2 Inventories**

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

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories comprise all costs of purchase of material and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the monthly weighted average basis (Note 11).

**2.7.3 Property, plant and equipment**

Property, plant and equipment, except for land and land improvements, buildings, machinery and equipment acquired 1 January 2005 are carried at cost less accumulated depreciation, all tangible assets are stated at cost in the purchasing power of 31 December 2004. After 1 January 2005 to obtain the pen obtained which is reflected in the financial statements at cost less accumulated depreciation up to the balance sheet date. Land and land improvements and buildings are stated at fair value, based on valuations by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş. while machinery and equipment are stated at fair value and less depreciations for the subsequent periods, based on valuations by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş. (Note 15). Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on the revaluation of land, land improvements, buildings and machinery and equipment are credited to the revaluation reserve in equity, net of applicable deferred income tax. For certain assets, the increase was recognized in the statement of comprehensive income to the extent that it reversed the impairment of the same asset previously recognized in the statement of comprehensive income. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the revaluation reserve to the accumulated losses is transferred from the asset's original cost.

Buildings, machinery and equipment are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. At each balance sheet date, residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively.

The advances given for the property, plant and equipment purchases are classified under the other non-current assets until the related asset is capitalised. The estimated useful lives are reviewed and any essential corrections are made on prospective basis in the each of reporting period.

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

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 15). 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:

	<u>Years</u>
Buildings and land improvements	5-30
Machinery and equipments	5-20
Furniture and fixtures	5-10
Motor vehicles	5

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying value recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, plant and equipment are reviewed for impairment losses, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, property plant and equipment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized 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. If the property, plant and equipments that are impaired, are revalued, the impairment is charged to the revaluation reserves to the extent that the amount offsetting previous increases of the same asset charged in the revaluation reserves and all other decreases are recognised in the statement of comprehensive income.

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. The Company derecognizes the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Major overhauls are depreciated over shorter of their useful lives or the remaining useful life of the related assets. 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 36). On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

**2.7.4 Intangible assets**

Intangible assets have finite useful lives and mainly comprise acquired rights. These assets which is acquired before 1 January 2005, TL is the intake adjusted acquisition cost expressed in the power on 31 December 2004, for items that are obtained after 1 January 2005 over the cost of acquisition is less accumulated amortization and present value the value of the net after deduction of impairment is recognized in the financial statements. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition (Note 18). Costs associated with maintaining computer software programs are recognized as an expense when incurred. Gain or losses on disposals or on impairments of intangible assets with respect to their amounts are included in the related income and expense accounts. Residual values of intangible assets are deemed as negligible. Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized 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.

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

**2.7.5 Impairment of assets**

*Impairment of financial assets:*

- Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

- Significant financial difficulty of the issuer or obligor,
- A breach of contract, such as a default or delinquency in interest or principal payments,
- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation,
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) Adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

For loans and receivables category, 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 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 and the amount of the loss is recognized in the statement of comprehensive 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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

- Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the statement of comprehensive income.

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, impairment losses recognized in the comprehensive income statement, on equity instruments are not reversed through the statement of comprehensive income.

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

*Impairment of non-financial assets:*

At each reporting date, the company assesses whether there is an impairment indication for the assets, except for the deferred income tax asset. When an indication of impairment exists, the company estimates the recoverable amounts of such assets. The recoverable amounts of intangible assets not yet available for use to be measured annually. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets are allocated to cash generating units for the purpose of impairment testing, which is undertaken on the lowest level. An impairment loss is recognized for the amount by which the carrying amount of the asset or any cash-generating unit of that asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. Impairment losses are accounted for in the statement of comprehensive income. Impairment losses can be reversed to the extent that increased carrying amount of an asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years provided that increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period in which the impairment loss was recognized.

In the case of impairment according to TAS 39 'Financial instruments: Recognition and measurement', test with comparing recoverable and carrying amount of impaired assets if there is and impairment according to TAS 36. Goodwill, accounted in investment in associates, does not recognized separately on the financial statements, so is not necessary to perform "Impairment of Assets" according to TAS 36. In accordance with TAS 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 TAS 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.

**2.7.6 Borrowing and borrowing cost**

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 38). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Notes 25).

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

**2.7.7 Financial assets**

At each reporting date, the Company assesses whether there is an impairment indication for the assets, except for the deferred income tax asset. When an indication of impairment exists, the Company estimates the recoverable amounts of such assets. The recoverable amounts of intangible assets not yet available for use to be measured annually. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The Company does not have any financial asset – held to maturity or fair value changes accounted through statements of income or expenses.

**i. Classification**

- Loans and receivables

Loans and receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. 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.

When the loan is originated by the company by providing money directly to a bank, the loan is secured by Turkish government bonds and treasury bills, acquired under reverse repurchase agreements with banks with a predetermined sale price at fixed future dates and are stated at amortized cost. The accrued interest represents the apportionment to the current period of the difference between future sale prices and the amount provided by the company. Such originated loans where original maturity at the time the money is directly transferred to the bank is less than three months, are considered and classified as cash equivalents for the purposes of cash flow statements (Note 6).

- Available-for-sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets, unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

**ii. Recognition and measurement**

Regular purchases and sales of financial assets are recognized on the trade-date -the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are subsequently carried at amortized cost using the effective interest method.

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

Dividend income from financial assets at fair value through profit or loss and available-for sale equity instruments is recognized in the statement of income as part of other income when the Company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of income from investment activities.

**2.7.8 Earnings per share**

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 42).

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.

**2.7.9 Subsequent events**

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

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

**2.7.10 Provisions, contingent liabilities and contingent assets**

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities (Note 26). The Company does not recognize contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable.

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

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. Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are not recognized for future operating losses.

**i. Employee benefits - defined benefit obligation (Provision for employment termination benefits)**

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Company arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Company is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. All actuarial gains and losses are recognized in other comprehensive income.

**ii. Provision for profit sharing and bonus plans**

The Company recognizes a liability and an expense for bonus and profit-sharing for the management and board of directors, based on a formula that takes into consideration the profit attributable to the shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

**2.7.11 Accounting policies, errors and change in accounting estimates**

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

**2.7.12 Related parties**

For the purpose of these financial statements, shareholders having control, joint control or significant influence over the Company, Yaşar Group Companies, key management personnel and board members, and their close family members, in each case together with and companies controlled, jointly controlled or significantly influenced by them are considered and referred to as related parties (Note 7).

**2.7.13 Segment reporting**

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



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

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

**2.7.14 Leases**

(1) *The Company as the lessee*

**Finance Leases**

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property net off any tax incentives received, if any, or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The 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 15).

**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 is recognised on a straight-line basis over the lease term in the statement of comprehensive income.

**2.7.15 Taxation on income**

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

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

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly (Note 41).

**2.7.16 Statement of cash flow**

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

**2.7.17 Share capital and dividends**

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

**2.7.18 Critical accounting estimates and judgements**

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

**a) Income taxes**

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. (Note 41)

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

The generally accepted valuation techniques used in fair value determination of available-for-sale investments for which there is no quoted market price exists, consist of several assumptions, which are based on the management's best estimates and fair value available-for-sale investments could be different when the purchase/ sales of the transactions incurred (Note 48).

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

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

Revaluations are performed with the sufficient regularity to ensure that the carrying amounts of the revalued property, plant and equipment and investment properties do not differ materially from that which would be determined using fair value at the end of the reporting periods. The frequency of the revaluation depends upon the changes in the fair values of the items of property, plant and equipment and investment properties. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required and revaluation is performed for entire class of revalued item simultaneously. Besides, for items of property, plant and equipment and investment properties with only insignificant changes in fair value frequent revaluations and fair value measurements are considered unnecessary.

As there were no recent similar buying/selling transactions nearby, revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements and machinery and equipment were based on the method of cost approach and based on the following valuation techniques and assumptions;

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements and machinery and equipment were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.
- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m<sup>2</sup> sale value was determined for lands subject to the valuation. The similar pieces of land found were compared in terms of location, accessibility, size, settlement status, changes in settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.
- Since a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment. Such machinery and equipment were reviewed and assessed by their line.

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

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

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

**2.8 Compliance declaration to resolutions published by POAASA and TAS/TFRS**

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority. As Company management, we declare that the current and previous period financial statements together with the summary of the important accounting policies and notes to the financial statements are prepared and presented in accordance with Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority.

**NOTE 3 - BUSINESS COMBINATIONS**

None (2014: None).

**NOTE 4 - INTEREST IN OTHER ENTITIES**

**Investments-in-associates:**

	31 December 2015		31 December 2014	
	TL	%	TL	%
YBP	114.376.464	42,78	98.842.425	42,78
Çamlı Yem	25.327.942	23,38	17.620.411	23,38
Desa Enerji	9.828.200	26,41	8.196.156	26,41
Pinar Foods	6.036.580	44,94	4.920.369	44,94
	<b>155.569.186</b>		<b>129.579.361</b>	

Movement in investments-in-associates during the years 2015 and 2014 are as follows:

	2015	2014
<b>1 January</b>	<b>129.579.361</b>	<b>106.724.092</b>
Increase in fair value reserves		
investments-in-associates	1.711.272	1.898.204
Purchasing share of investment in associates	-	13.165.000
Share of profit before taxation of investments-in-associates - net	25.346.986	9.937.071
Increase in revaluation reserve of investments-in-associates	5.701.281	-
Changes in cash flow hedge	53.922	(11.807)
Actuarial loss arising from defined benefit plans		
of investments-in associates	(555.183)	(538.773)
Dividend income from investments-in-associates (Note 7.ii.d)	(6.926.836)	(1.386.016)
Currency translation reserve	661.077	(195.125)
Elimination of net effect of unrealized profits on inventory	(2.694)	(13.285)
<b>31 December</b>	<b>155.569.186</b>	<b>129.579.361</b>

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**NOTE 4 - INTEREST IN OTHER ENTITIES (Continued)**

Condensed financial statements of investments in associates are as follows:

	Assets	Liabilities	Net Profit	Net Sales	Other Comprehensive Income/ (Expense)
<b>31 December 2015</b>					
- YBP	414.182.842	255.608.000	48.441.679	1.567.514.196	4.056.000
- Çamlı Yem	285.981.615	177.648.286	12.908.119	326.047.415	19.480.479
- Desa Enerji	42.882.815	5.670.358	4.356.629	36.548.331	1.822.385
- Pınar Foods	14.714.235	1.281.702	1.012.756	47.917.893	1.470.907
<b>31 December 2014</b>					
- YBP	337.668.988	215.475.046	18.588.412	1.426.923.988	3.450.304
- Çamlı Yem	246.252.748	170.886.483	6.337.736	281.941.019	(517.943)
- Desa Enerji	35.052.205	4.018.755	4.011.449	32.169.814	-
- Pınar Foods	12.166.505	1.217.753	443.213	48.918.524	(444.732)

Details of significant investment in associates of the Company as at 31 December 2015 and 2014 are as follows:

Associates	Nature of business	Based on
- YBP	Marketing and distribution	Turkey
- Çamlı Yem	Livestock and feed production	Turkey
- Desa Enerji	Energy production	Turkey
- Pınar Foods	Marketing and distribution	Germany

**NOTE 5 - SEGMENT REPORTING**

None (2014: None).

**NOTE 6 - CASH AND CASH EQUIVALENTS**

	31 December 2015	31 December 2014
Cash in hand	59.021	49.578
Banks	4.657.056	1.605.907
- Demand deposits	507.056	85.907
- Time deposits	4.150.000	1.520.000
Other	92.793	86.484
	<b>4.808.870</b>	<b>1.741.969</b>

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**NOTE 6 - CASH AND CASH EQUIVALENTS(Continued)**

As of 31 December 2015 time deposits amounting to TL4.150.000 (2014: TL1.520.000) mature less than one month (2014: less than one month) and bear the effective weighted average interest rates of 11,73% per annum ("p.a.") (2014: 9,95% p.a.).

The Company have EUR68.628, equivalent of TL199.542 foreign currency denominated demand deposits as of 31 December 2015 (2014: EUR75, equivalent of TL212), whereas cash in hand at 31 December 2015 comprised of USD5.656 and EUR3.905, equivalent of TL28.854 (2014: USD1.621 and EUR6.900, equivalent of TL23.222)

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

**NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES**

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015	31 December 2014
<b>i) Balances with related parties:</b>		
YBP	50.032.174	50.220.182
YDT	2.934.760	2.154.503
	<b>52.966.934</b>	<b>52.374.685</b>
Less: Unearned finance income	(609.949)	(492.693)
	<b>52.356.985</b>	<b>51.881.992</b>

The effective weighted average interest rate on TL denominated short-term trade receivable is 11,00% p.a as of 31 December 2015, (2014: 9,72%) and mature within two months (2014: two months).

As of 31 December 2015, trade receivables of TL741.795 (2014: TL803.524), over which no provision for impairment is provided of overdue receivables and aging is shown Note 49-a.

	31 December 2015	31 December 2014
<b>b) Non-trade receivables from related parties - current:</b>		
Pınar Süt Mamülleri Sanayii A.Ş. ("Pınar Süt")	9.418.107	-
Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("Dyo Boya")	101.289	134.458
Viking Kağıt ve Selüloz A.Ş. ("Viking")	7.698	13.100
Yaşar Holding	-	3.785.003
	<b>9.527.094</b>	<b>3.932.561</b>

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**NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES(Continued)**

As of 31 December 2015, the Company has short-term receivables from Pınar Süt Mamülleri Sanayii A.Ş amounting to TL9.418.107 (2014: None) which are non-trade. The effective weighted average interest rate applied to those receivables is 12% p.a. Company management expects to collect other receivables from Yaşar Holding between three to twelve months.

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

	31 December 2015	31 December 2014
<b>c) Trade payables to related parties - current:</b>		
Çamlı Yem	10.681.816	10.754.615
Yaşar Holding	1.634.091	1.542.082
Yadex Export-Import und Spedition GmbH ("Yadex")	746.773	790.995
Hedef Ziraat Tic. ve San. A.Ş.	282.144	179.524
Other	272.268	162.047
	<b>13.617.092</b>	<b>13.429.263</b>
Less: Unincurred finance cost	(88.020)	(75.621)
	<b>13.529.072</b>	<b>13.353.642</b>

Trade payables to Çamlı Yem mainly consist of purchases seeds and turkey.

As of 31 December 2015, the effective weighted average interest rate applied to those payables is 10,68% (2014: 9,28%) and maturity is 2 months (2014: 2 months).

**d) Non-trade payables to related parties - current:**

Non short-term payables to related parties consist of the board allocation to be paid pursuant to the decision taken at the Ordinary Meeting of the General Assembly held on March 25, 2015.

**ii) Transaction with related parties:**

	1 January - 31 December 2015	1 January - 31 December 2014
<b>a) Product sales:</b>		
YBP	458.445.202	431.625.976
YDT	16.281.250	14.005.321
Çamlı Yem	2.873.124	2.596.253
Other	7.358	15.377
	<b>477.606.934</b>	<b>448.242.927</b>

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

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**NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

	1 January - 31 December 2015	1 January - 31 December 2014
<b>b) Service sales:</b>		
Çamlı Yem	255.696	359.413
Pınar Süt	218.605	137.079
YDT	103.958	83.621
YBP	49.925	139.276
Other	137.624	2.398
	<b>765.808</b>	<b>721.787</b>
<b>c) Finance income and income from investment activities:</b>		
Yaşar Holding	1.571.960	1.939.151
Pınar Süt	799.551	222.332
Dyo Boya	78.059	85.915
Viking	45.273	62.956
Other	53.265	23.472
	<b>2.548.108</b>	<b>2.333.826</b>

The majority of finance income consists of bail commission charges which is closed at total 2015 amounting to TL1.515.966 (2014: TL1.028.376), for the borrowings obtained by Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company. The commission rates of bail and financing used in the associated intercompany charges is 0,50 % p.a. (2014: 0,50 % p.a.).

**d) Dividends received:**

YBP (*)	6.926.836	1.386.016
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur") (**)	5.054	2.746
	<b>6.931.890</b>	<b>1.388.762</b>

(\*) Subsidiary (Note 4)

(\*\*) Available for sale financial assets (Note 48)

**e) Other incomes from related parties:**

YBP	509.232	476.435
YDT	589.565	413.631
Çamlı Yem	142.219	135.800
Other	12.731	2.713
	<b>1.253.747</b>	<b>1.028.579</b>

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

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**NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**f) Product purchases:**

	1 January - 31 December 2015	1 January - 31 December 2014
Çamli Yem	76.689.120	61.692.216
Yadex	5.382.812	5.494.882
Hedef Ziraat	1.821.807	2.663.207
Pınar Süt	760.255	604.643
Other	23.876	31.011
	<b>84.677.870</b>	<b>70.485.959</b>

The product purchases performed from Çamli Yem and Yadex are mainly related to turkey, fish and indirect material purchases, respectively.

**g) Service purchases:**

	1 January - 31 December 2015	1 January - 31 December 2014
Yaşar Holding	7.572.195	7.164.260
YBP	1.736.087	2.191.093
YDT	885.560	718.513
Bintur	197.611	237.032
Other	1.026.457	546.552
	<b>11.417.910</b>	<b>10.857.450</b>

Service purchases from YBP are related to promotion and advertisement. Service purchases from Yaşar Holding are related to sundry and consultancy services.

**h) Purchases of property, plant and equipment and intangible assets:**

	1 January - 31 December 2015	1 January - 31 December 2014
YDT	419.210	134.747
Yaşar Holding	87.019	197.636
Çamli Yem	-	103.414
Other	18.663	16.075
	<b>524.892</b>	<b>451.872</b>

**i) Other operating expenses:**

	1 January - 31 December 2015	1 January - 31 December 2014
Çamli Yem	371.634	363.077
Yaşar Holding	30.218	40.240
Other	75.979	11.704
	<b>477.831</b>	<b>415.021</b>

Other operating expenses of the company consist of interest expense on term sales and interest expense related with operating activities

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**NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

	1 January - 31 December 2015	1 January - 31 December 2014
<b>j) Other expenses from related parties:</b>		
YBP	171.000	186.593
Other	292.760	321.619
	<b>463.760</b>	<b>508.212</b>

**k) Dividends to related parties (\*):**

	1 January - 31 December 2015	1 January - 31 December 2014
Yaşar Holding	13.616.599	17.607.671
Pınar Süt	3.162.016	4.088.814
Other	1.700.000	-
	<b>18.478.615</b>	<b>21.696.485</b>

(\*) On Ordinary General Assembly Meeting for the year 2014 as of 25 March 2015, it has been decided to distribute dividend amounting to TL26.834.300 (2014: TL32.501.250). TL8.355.685 portion of this dividend (2014: TL10.804.765) was paid to other shareholders.

**l) Donations:**

	1 January - 31 December 2015	1 January - 31 December 2014
Yaşar Üniversitesi	350.000	-
Yaşar Eğitim Vakfı	340.175	859.188
	<b>690.175</b>	<b>859.188</b>

**m) Key management compensation:**

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

	1 January - 31 December 2015	1 January - 31 December 2014
Total short-term employee benefits	5.532.652	2.959.138
After severance benefits	108.740	-
Other long-term benefits	22.883	49.278
	<b>5.664.275</b>	<b>3.008.416</b>

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**NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**

**n) Bails given to related parties:**

As of 31 December 2015 Pinar Süt, Pinar Et, YBP, Çamlı Yem and DYO Boya have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets at 6 November 2014, amounting to USD250,000,000 equivalent of TL726.900.000 (2014: USD250,000,000 equivalent of TL579.725.000) due 6 May 2020. An Indemnity Agreement was signed between Yaşar Holding and the abovementioned guarantors on 3 November 2014, which states that in an occurrence of an event where a guarantor makes a payment related with the guarantee provided; Yaşar Holding will indemnify the paying guarantor. If Yaşar Holding fails to indemnify the paying guarantor, each of the guarantors will indemnify the paying guarantor by 1/5 of the payment amount.

The Company jointly guarantees the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR22.222.222, equivalent of TL70.613.333 (2014:EUR33.333.333,equivalent of TL94.023.332) (Note 26).

**NOTE 8 - TRADE RECEIVABLES AND PAYABLES**

	31 December 2015	31 December 2014
<b>a) Short-term trade receivables:</b>		
Customer current accounts	14.818.914	13.335.309
Cheques and notes receivable	6.433.876	771.419
	21.252.790	14.106.728
Less: Provision for impairment of receivables	(339.779)	(303.499)
Unearned finance income	(201.698)	(78.129)
	<b>20.711.313</b>	<b>13.725.100</b>

The effective weighted average interest rate on TL denominated trade receivable is 11,37% as of 31 December 2015 (2014: 9,92%) maturing within two months (2014: within two months).

The agings of trade receivables as of 31 December 2015 and 2014, over which no provision for impairment is provided, are as follows:

Overdue	1.465.075	1.118.287
0-30 days	9.691.309	8.503.620
31-60 days	7.778.978	3.363.729
61-90 days	294.741	739.464
91days and over	1.481.210	-
	<b>20.711.313</b>	<b>13.725.100</b>

As of 31 December 2014, trade receivables of TL1.465.075 (2014: TL1.118.287), over which no provision for impairment is provided, were past due. The Company management does not expect any collection risk regarding those receivables based on its past experience (Note 49.a).

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**NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)**

The aging of overdue receivables as of 31 December 2015 and 2014 are as follows:

0-30 days	1.419.949	1.067.956
31 days and over	45.126	50.331
	<b>1.465.075</b>	<b>1.118.287</b>

**b) Short-term trade payables:**

Supplier current accounts	59.978.281	57.225.132
Cheques	1.703.300	1.407.249
	<b>61.681.581</b>	<b>58.632.381</b>
Less: Unincurred finance cost	(427.528)	(331.979)
	<b>61.254.053</b>	<b>58.300.402</b>

As of 31 December 2015, The effective weighted average interest rate on TL denominated trade payable is 11,15% p.a. (2014: 9,98% p.a). Trade payables mature within one month (2014: one month).

**NOTE 9 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS**

None (2014: None).

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**NOTE 10 - OTHER RECEIVABLES AND PAYABLES**

**a) Short-term other payables:**

	31 December 2015	31 December 2014
Taxes and funds payable	1.884.304	1.673.791
Other	93.410	98.860
	<b>1.977.714</b>	<b>1.772.651</b>

**NOTE 11 - INVENTORIES**

	31 December 2015	31 December 2014
Raw materials	12.037.558	7.684.092
Raw materials in transit	2.427.268	1.530.793
Work in progress	21.204.020	15.252.751
Finished goods	14.831.553	10.635.683
Spare parts	5.028.234	4.089.716
Other	603.607	808.753
	<b>56.132.240</b>	<b>40.001.788</b>

The costs of inventories recognised as expense and included in cost of sales amounted to TL423.916.370 (2014: TL406.300.164) (Note 29). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell.

**NOTE 12 - BIOLOGICAL ASSETS**

None (2014: None).

**NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME**

	31 December 2015	31 December 2014
<b>a) Short-term prepaid expenses</b>		
Prepaid expenses	2.182.746	1.804.025
Advances given	90.613	494.777
	<b>2.273.359</b>	<b>2.298.802</b>

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**NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)**

	31 December 2015	31 December 2014
<b>b) Long-term prepaid expenses</b>		
Advances given	115.841	542.208
Prepaid expenses	-	26.178
	<b>115.841</b>	<b>568.386</b>
<b>c) Deferred income</b>		
Advances received	96.363	8.759
	<b>96.363</b>	<b>8.759</b>

**NOTE 14 - INVESTMENT PROPERTY**

None (2014: None).

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**NOTE 15 - PROPERTY, PLANT AND EQUIPMENT**

Movements of property, plant and equipment and accumulated depreciation between 1 January and 31 December 2015 were as follows:

	1 January 2015	Additions	Disposals	Transfers	Net off Accumulated Depreciation Before Revaluation	Increase/ (Decrease) in Revaluation	31 December 2015
<b>Cost or valuation:</b>							
Land	63.964.004	-	-	-	-	21.145.396	85.109.400
Buildings and land improvements	64.873.717	4.041.069	-	1.658.929	(4.304.759)	(6.152.222)	60.116.734
Machinery and equipment	77.005.605	5.776.021	(176.085)	-	(21.091.489)	478.467	61.992.519
Furniture and fixtures	37.966.891	2.641.110	(933.397)	-	-	-	39.674.604
Motor vehicles	2.110.139	326.138	(51.106)	-	-	-	2.385.171
Construction in progress	-	1.755.451	-	(1.658.929)	-	-	96.522
	<b>245.920.356</b>	<b>14.539.789</b>	<b>(1.160.588)</b>	<b>-</b>	<b>(25.396.248)</b>	<b>15.471.641</b>	<b>249.374.950</b>
<b>Accumulated depreciation:</b>							
Buildings and land improvements	(2.426.650)	(1.878.109)	-	-	4.304.759	-	-
Machinery and equipment	(14.778.568)	(6.418.351)	105.430	-	21.091.489	-	-
Furniture and fixtures	(26.969.400)	(2.526.964)	847.391	-	-	-	(28.648.973)
Motor vehicles	(1.994.431)	(66.296)	51.106	-	-	-	(2.009.621)
	<b>(46.169.049)</b>	<b>(10.889.720)</b>	<b>1.003.927</b>	<b>-</b>	<b>25.396.248</b>	<b>-</b>	<b>(30.658.594)</b>
<b>Net book value</b>	<b>199.751.307</b>						<b>218.716.356</b>

As of 31 December 2015, additions to land, buildings and land improvements and machinery and equipment mainly consist of plant investments and machineries purchased for modernization.

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**NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

Movements of property, plant and equipment and accumulated depreciation between 1 January and 31 December 2014 were as follows:

	1 January 2014	Additions	Disposals	Transfers	31 December 2014
<b>Cost/ revaluation:</b>					
Land	64.421.000	-	(456.996)	-	63.964.004
Buildings and land improvements	56.830.331	1.001.336	-	7.042.050	64.873.717
Machinery and equipment	68.003.970	8.878.204	-	123.431	77.005.605
Furniture and fixtures	35.253.181	3.491.953	(778.243)	-	37.966.891
Motor vehicles	2.157.630	-	(47.491)	-	2.110.139
Construction in progress	291.477	6.874.004	-	(7.165.481)	-
	<b>226.957.589</b>	<b>20.245.497</b>	<b>(1.282.730)</b>	<b>-</b>	<b>245.920.356</b>
<b>Accumulated depreciation:</b>					
Buildings and land improvements	(781.898)	(1.644.752)	-	-	(2.426.650)
Machinery and equipment	(9.362.479)	(5.416.089)	-	-	(14.778.568)
Furniture and fixtures	(25.390.621)	(2.221.461)	642.682	-	(26.969.400)
Motor vehicles	(1.963.965)	(77.957)	47.491	-	(1.994.431)
	<b>(37.498.963)</b>	<b>(9.360.259)</b>	<b>690.173</b>	<b>-</b>	<b>(46.169.049)</b>
<b>Net book value</b>	<b>189.458.626</b>				<b>199.751.307</b>

As of 31 December 2014, additions to land, buildings and land improvements and machinery and equipment mainly consist of additional buildings to warehouse area of the Company's production facilities in Kemalpaşa. Additions to furniture and fixtures mainly consist of cooler purchases.



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**NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

Current year's depreciation and amortisation charges were allocated to cost of goods sold by TL7.431.188 (2014: TL6.389.878), to the cost of inventories by TL364.367 (2014: TL332.138), to general administrative expenses by TL861.922 (2014: TL846.657) (Note 34.b), to selling and marketing expenses by TL2.306.489 (2014: TL1.879.940) (Note 34.a), to research and development expenses by TL77.206 (2014: TL60.347) (Note 34.c).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipments as of 31 December 2015 and 2014 were as follows:

<b>1 January 2014</b>	<b>100.518.080</b>
Depreciation transfer of investments-in-associates-net	(352.725)
Disposal of revaluation funds due to property, plant and equipment sale – net	(191.501)
Depreciation on revaluation reserve transferred from retained earnings- net	(2.894.336)
<b>31 December 2014</b>	<b>97.079.518</b>
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements, machinery and equipments - net	15.549.128
Increase in revaluation reserves of investments-in-associates	5.701.281
Depreciation transfer of investments-in-associates - net	(443.318)
Disposal of revaluation funds due to property, plant and equipment sale – net	(6.836)
Depreciation on revaluation reserve transferred from accumulated losses - net	(2.893.635)
<b>31 December 2015</b>	<b>114.986.138</b>

The carrying amounts of each class of property, plant and equipments that would have been recognised if the assets have been carried under the cost model at 31 December 2015 and 2014, are as follows:

	Land	Land improvements and buildings	Machinery and equipment
<b>31 December 2015:</b>			
Cost	16.926.447	43.870.012	130.754.904
Less: Accumulated depreciation	-	(15.646.952)	(89.939.078)
<b>Net book value</b>	<b>16.926.447</b>	<b>28.223.060</b>	<b>40.815.826</b>
<b>31 December 2014:</b>			
Cost	16.926.447	38.170.014	125.154.941
Less: Accumulated depreciation	-	(14.883.410)	(86.128.634)
<b>Net book value</b>	<b>16.926.447</b>	<b>23.286.604</b>	<b>39.026.307</b>

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**NOTE 16 - RIGHTS ON SHARES OF INACTIVATE, ENVIRONMENTAL REHABILITATION AND REHABILITATION FUND**

None (2014: None).

**NOTE 17 - MEMBERS' SHARES IN CO-OPERATIVE BUSINESS AND SIMILAR FINANCIAL INSTRUMENTS**

None (2014: None).

**NOTE 18 - INTANGIBLE ASSETS**

The movements of intangible assets and related accumulated amortisation for the years ended 31 December 2015 and 2014 were as follows:

	1 January 2015 Opening	Additions	31 December 2015 Closing
<b>Costs:</b>			
Rights	17.846.394	128.843	17.975.237
Accumulated amortisation	(17.561.049)	(151.452)	(17.712.501)
<b>Net book value</b>	<b>285.345</b>		<b>262.736</b>
	1 January 2014 Opening	Additions	31 December 2014 Closing
<b>Costs:</b>			
Rights	17.638.139	208.255	17.846.394
Accumulated amortisation	(17.412.348)	(148.701)	(17.561.049)
<b>Net book value</b>	<b>225.791</b>		<b>285.345</b>

**NOTE 19 - GOODWILL**

None (2014: None).

**NOTE 20 – RESEARCH AND EVALUATION OF MINERAL RESERVES**

None (2014: None).

**NOTE 21 - LEASING**

None (2014: None).

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**NOTE 22 - SERVICE CONCESSION ARRANGEMENTS**

None (2014: None).

**NOTE 23 - IMPAIRMENT ON ASSETS**

None (2014: None).

**NOTE 24 - GOVERNMENT GRANTS**

In the scope of Turquality Project implemented in 2015 and 2014 by Undersecretariat of Foreign Trade to support brandization of products made in Turkey in foreign markets and to settle the image of Turkish goods, the Company was provided TL7.771 (2014: TL27.402) government incentive. The incentive amount is accounted as other income.

The Company has various investment incentive certificates obtained in different dates and the Company utilizes these investment incentive certificates according to current legislation (Note 41).

**NOTE 25 - BORROWINGS AND COST OF BORROWINGS**

**i. Short-term borrowings:**

	31 December 2015	31 December 2014
Short-term borrowings	5.053.185	780.070
	<b>5.053.185</b>	<b>780.070</b>

As of 31 December 2015, TL short-term borrowings consist of agricultural loans with the interest rate 4% per annum ("p.a."). (2014: TL denominated bank borrowings are spot loans and does not subject to interest charge.)

Guarantees given related with financial debt and borrowing is explained at Note 26.

As of 31 December 2015, fair value of borrowings is equal to carrying amount (2014: fair value of borrowings is equal to carrying amount).

**ii. Leasing:**

As of 31 December 2015 the Company has short-term lease obligations amounting to TL158.668 (2014: None).

**iii. Other financial liabilities:**

Other financial liabilities	973.559	78.607
<b>Other financial liabilities</b>	<b>973.559</b>	<b>78.607</b>

Other financial liabilities consist of credit card debts.

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**NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

	31 December 2015	31 December 2014
<b>a) Short-term provisions:</b>		
Provision for litigations	53.200	60.200
Other	-	5.474
	<b>53.200</b>	<b>65.674</b>
<b>b) Guarantees given:</b>		
Bails	797.513.333	673.748.332
Letters of guarantee	2.398.250	2.945.124
	<b>799.911.583</b>	<b>676.693.456</b>

Pınar Süt, Pınar Et, YBP, Çamlı Yem and DYO Boya have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets, amounting to USD250,000,000 equivalent of TL726.900.000 (2014:USD250,000,000 equivalent of TL579.725.000) due 6 May 2020. An Indemnity Agreement was signed between Yaşar Holding and the abovementioned guarantors on 3 November 2014, which states that in an occurrence of an event where a guarantor makes a payment related with the guarantee provided; Yaşar Holding will indemnify the paying guarantor. If Yaşar Holding fails to indemnify the paying guarantor, each of the guarantors will indemnify the paying guarantor by 1/5 of the payment amount.

The Company jointly guarantees the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR22.222.222, equivalent of TL70.613.333 (2014:EUR33.333.333, equivalent of TL94.023.332).

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**NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)**

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2015 and 2014 were as follows:

	31 December 2015			31 December 2014		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
<b>CPM provided by the Company:</b>						
<b>A.</b> Total amount of CPM given for the Company's own legal personality	TL	2.398.250	2.398.250	TL	2.324.570	2.324.570
	EUR	-	-	EUR	220.000	620.554
<b>B.</b> Total amount of CPM given on behalf of fully consolidated companies	-	-	-	-	-	-
<b>C.</b> Total amount of CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
<b>D.</b> Total amount of other CPM			<b>797.513.333</b>			<b>673.748.332</b>
<b>i.</b> Total amount of CPM given to on behalf of the majority shareholder	USD	250.000.000	726.900.000	USD	250.000.000	579.725.000
<b>ii.</b> Total amount of CPM given to on behalf of other Group companies which are not in scope of B and C	EUR	22.222.222	70.613.333	EUR	33.333.333	94.023.332
<b>iii.</b> Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
<b>TOTAL</b>			<b>799.911.583</b>			<b>676.693.456</b>
The ratio of total amount of other CPM to Equity			%196			%196

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**NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)**

**d) Guarantees received:**

	31 December 2015			31 December 2014		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
Mortgages	TL	70.000	70.000	TL	200.000	200.000
Letters of guarantee	TL	3.727.073	3.727.073	TL	1.622.500	1.622.500
	EURO	177.358	563.573	EURO	454.850	1.282.995
Guarantee notes	USD	53.000	154.103	USD	56.000	129.859
			<b>4.514.749</b>			<b>3.235.354</b>

The Company does not have any guarantees received from related parties as of 31 December 2015 (2014: None).

**e) Contingent liabilities:**

Based on negotiations with Kemalpaşa Municipality Housing Department regarding the 1/1000 scaled building development scheme dated 27 February 2008, it has been identified that the plots in Kemalpaşa - İzmir, the site of the Company's land, buildings and land improvements, are located within an industrial zone. As of 31 December 2015, the fair value of the aforementioned properties located on the plots amounts to TL96.940.887. This plan was announced by the Industry and Trade Office of İzmir within July 2008. If the building development scheme comes into force, Kemalpaşa Municipality may reduce the legal area on the title deeds of those properties. In consideration of time consuming process, it is not possible to make a reliable estimation therefore the amount of any possible reduction over those plots cannot be reliably estimated. The Company management assumes that the impact of such reduction will be immaterial to the financial statements.

**NOTE 27 - COMMITMENTS**

The Company does not have any purchase commitments as of 31 December 2015 (2014: None).

**NOTE 28 - EMPLOYMENT TERMINATION BENEFITS**

	31 December 2015	31 December 2014
<b>a) Payable due to employee benefits</b>		
Social security premiums payable	946.379	846.821
Payables to personnel	56.367	1.533
	<b>1.002.746</b>	<b>848.354</b>

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**NOTE 28 - EMPLOYMENT TERMINATION BENEFITS (Continued)**

**b) Short-term provisions due to employee benefits**

	31 December 2015	31 December 2014
Bonus provisions to top management	628.011	628.011
Provision for seniority incentive bonus	294.566	165.504
	<b>922.577</b>	<b>793.515</b>

The movement of bonus provision to top management is as follows:

	2015	2014
<b>1 January</b>	<b>628.011</b>	<b>919.628</b>
Bonus payment	-	(291.617)
<b>31 December</b>	<b>628.011</b>	<b>628.011</b>

**c) Long-term provisions due to employee benefits**

Provision for employment termination benefits	15.226.680	13.107.839
Provision for seniority incentive bonus	494.230	508.072
	<b>15.720.910</b>	<b>13.615.911</b>

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

The amount payable consists of one month's salary limited to a maximum of TL3.828,37 for each year of service as of 31 December 2015 (2014: TL3.438,22).

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 TL4.092,53 which is effective from 1 January 2016 (1 January 2015: TL3.541,37) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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**NOTE 28 - EMPLOYMENT TERMINATION BENEFITS (Continued)**

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

	31 December 2015	31 December 2014
Discount rate (%)	3,95	3,95
Probability of retirement (%)	98,21	98,20

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

	2015	2014
<b>1 January</b>	<b>13.107.839</b>	<b>11.311.962</b>
Interest costs	1.393.241	1.199.367
Actuarial losses	1.313.456	1.883.986
Paid during the year	(1.839.130)	(2.400.184)
Annual charge	1.251.274	1.112.708
<b>31 December</b>	<b>15.226.680</b>	<b>13.107.839</b>

The total of interest costs, actuarial losses and annual charge for the year is TL3.957.971 (2014: TL4.196.061). TL2.644.515 portion (2014: TL2.312.075) of this amount was included in general administrative expenses and TL1.313.456 (2014: TL1.883.986) portion was included in other comprehensive income.

**NOTE 29 - EXPENSES BY NATURE**

	1 January - 31 December 2015	1 January - 31 December 2014
Direct material costs	423.916.370	406.300.164
Staff costs	43.783.656	41.091.735
Advertisement	14.361.478	12.418.968
Outsourced services	13.318.893	11.407.803
Utilities	10.814.058	10.385.954
Depreciation and amortisation	11.008.943	9.426.198
Repair and maintenance	9.048.499	8.478.424
Consultancy charges	7.900.117	7.304.936
Employment termination benefits	2.644.515	2.312.075
Rent	1.466.949	1.475.739
Other	5.270.380	4.161.695
	<b>543.533.858</b>	<b>514.763.691</b>

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**NOTE 30 - OTHER ASSETS AND LIABILITIES**

	31 December 2015	31 December 2014
<b>a) Other current assets:</b>		
Income accrual	148.341	362.492
	<b>148.341</b>	<b>362.492</b>
<b>b) Other current liabilities:</b>		
Expense accrual	14.405	20.027
	<b>14.405</b>	<b>20.027</b>

**NOTE 31 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS**

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 capital at 31 December 2015 and 2014 is as follows:

	31 December 2015	31 December 2014
Registered share capital (historical values)	100.000.000	100.000.000
Authorised registered share capital with a nominal value	43.335.000	43.335.000

The compositions of the Company's share capital at 31 December 2015 and 2014 were as follows:

Shareholders	31 December 2015		31 December 2014	
	Share amount TL	Share (%)	Share amount TL	Share (%)
Yaşar Holding (A,B)	23.476.895	54	23.476.895	54
Pınar Süt (A,B)	5.451.752	13	5.451.752	13
Public quotation (A,B)	14.406.353	33	14.406.353	33
<b>Share capital</b>	<b>43.335.000</b>	<b>100</b>	<b>43.335.000</b>	<b>100</b>
Adjustment to share capital	37.059.553		37.059.553	
<b>Total paid-in capital</b>	<b>80.394.553</b>		<b>80.394.553</b>	

Adjustment to share capital amounting to TL37.059.553 (2014: TL37.059.553) represents the remaining amount after net-off the accumulated losses of 2003 from the difference between restated (inflation adjusted) share capital and historical cost of share capital (before inflation adjustment).

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**NOTE 31 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)**

The companies registered in Turkey can exceed authorized registered share capital by way of increasing bonus shares from capital reserves, except for by cash, at once. However, capital increase by cash shall not exceed authorized registered share capital.

There are 4.333.500.000 (2014: 4.333.500.000) units of shares with a face value of Kr1 each (2014: Kr1 each).

The Company's capital is composed of 1.500.000 units of A type bearer share and 4.332.000.000 units of B type bearer share, and the B type bearer shares are traded on ISE. Based on the Company's Articles of Association, the Board of Directors comprises five to nine members elected by the General Assembly from among the Company's shareholders or from outside the Company personnel in accordance with the provisions of the TCC. In the event the Board of Directors comprises five members, three are elected from among candidates nominated by shareholders bearing A type shares, two from those nominated by shareholders bearing B type shares. In the event the Board of Directors comprises seven members, four are elected from among candidates nominated by shareholders bearing A type shares, three from those nominated by shareholders bearing B type shares. In the event the Board of Directors comprises nine members, five are elected from among the candidates nominated by shareholders bearing A type shares, four from those nominated by shareholders bearing B type shares. In addition, the chairman of the board and the executive director are selected from among shareholders of A type shares.

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

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves out of their profits. Companies are required to set aside 5% of their net profits each year as a first level legal reserve. The ceiling on the first level legal reserves is 20% of the paid-up capital. The reserve requirement ends when the 20% of paid-up capital level has been reached. The second level reserves correspond to 10% of profits actually distributed after the deduction of the first level legal reserves plus minimum obligatory dividend pay-out (5% of the paid-up capital). According to Turkish Commercial, legal reserves unless they exceed 50% of the paid capital can be used to offset losses: Otherwise it is not possible to use other than that.

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with Turkish Financial Reporting Standards ("TFRS"). At 31 December 2015, the restricted reserves of the Company amount to TL30.555.315 (2014: TL28.088.560). The unrestricted reserves of the Company, amounting to TL63.423.009 (2014: TL48.462.558), is classified in the "Retained Earnings".

In accordance with the announcements of CMB "Share Capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences (e.g. the differences raises from inflation adjustments) shall be classified as follows:

- the difference arising from the "Paid-in-Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under "Retained Earnings".

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**NOTE 31 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)**

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

Companies distribute dividends in accordance with their dividend payment policies numbered II-19.1 settled by CMB on 1 February 2014.

Based on CMB Communiqué, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations. 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 their articles of association and their previously publicly declared profit distribution policies.

In line with Article 26 of the Company's Articles of Association, previous year losses, if any, are deducted from the net period profit and then overall legal reserve and the first dividend are allocated according to the Capital Markets Board legislation. Of the remaining portion, an amount up to 5% can be set aside as allocation provision for the members of board of directors and for other items which the board of directors will determine and deem necessary in line with the decision made by the General Assembly.

Unless allocation of legal reserves per TCC and dividends defined in the dividend policy of companies, it cannot be decided to allocate other reserves, to transfer the profit to the retained earnings, and to distribute dividend to members of board of directors, employees, redeemed shareholders and parties other than shareholders. Furthermore, payment of dividend in cash is another requirement for distributing dividend to members of board of directors, employees, redeemed shareholders and parties other than shareholders.

Dividend is distributed for shares available as of accounting period of all of them equally without regarding to the dates of issue and acquisition.

Based on the decision of General Assembly meeting on 25 March 2015, the Company has decided to distribute net income for the year 2014 amounting TL26.384.300 as dividend and payments to boards. As of 31 December 2015 all the dividends were paid. In context of this dividend distribution, Company separate TL2.466.755 from 2014 profit as "Restricted Reserve" and decided to divide on 29 May 2015. Since the General Assembly meeting of the year 2015 has not been performed yet, dividend distribution decision has not been taken.

**NOTE 32 - REVENUE AND COST OF SALES**

	1 January - 31 December 2015	1 January - 31 December 2014
Domestic sales	712.310.542	668.350.640
Export sales	15.784.645	13.854.083
<b>Gross Sales</b>	<b>728.095.187</b>	<b>682.204.723</b>
Less: Discounts	(123.046.062)	(115.925.481)
Returns	(13.986.072)	(15.357.918)
<b>Net Sales</b>	<b>591.063.053</b>	<b>550.921.324</b>
<b>Cost of Sales</b>	<b>(491.959.632)</b>	<b>(468.670.413)</b>
<b>Gross Profit</b>	<b>99.103.421</b>	<b>82.250.911</b>

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**NOTE 33 - CONSTRUCTION CONTRACTS**

None (2014: None).

**NOTE 34 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES**

	1 January - 31 December 2015	1 January - 31 December 2014
<b>a) Marketing, selling and distribution expenses:</b>		
Advertisement	14.361.478	12.418.968
Staff costs	4.207.848	3.951.423
Consultancy charges	2.961.389	2.757.357
Depreciation and amortisation	2.306.489	1.879.940
Outsourced services	1.495.649	1.251.401
Repair and maintenance	1.423.111	1.248.092
Utilities	1.339.023	1.104.671
Rent	461.856	620.144
Other	1.562.574	1.436.167
	<b>30.119.417</b>	<b>26.668.163</b>
<b>b) General administrative expenses:</b>		
Staff costs	6.959.713	6.593.315
Consultancy charges	4.880.855	4.533.962
Employment termination benefits	2.644.515	2.312.075
Outsourced services	1.533.700	1.218.395
Depreciation and amortisation	861.922	846.657
Taxes (except Corporate Tax)	488.951	319.814
Utilities	381.126	370.720
Repair and maintenance	209.451	345.906
Other	1.575.524	1.516.135
	<b>19.535.757</b>	<b>18.056.979</b>
<b>c) Research and Development Expenses:</b>		
Staff costs	1.066.788	851.603
Outsourced services	109.714	59.912
Depreciation and amortisation	77.206	60.347
Other	665.344	396.274
	<b>1.919.052</b>	<b>1.368.136</b>

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**NOTE 35 - OTHER INCOME AND EXPENSE FROM MAIN OPERATIONS**

	1 January - 31 December 2015	1 January - 31 December 2014
<b>a) Other operating income:</b>		
Rent income	645.287	606.188
Income from sales of scrap	564.978	475.761
Foreign exchange gain	307.753	47.009
Unearned financial income	107.947	126.664
Other	289.887	325.938
	<b>1.915.852</b>	<b>1.581.560</b>
<b>b) Other operating expense:</b>		
Donations	(698.945)	(875.988)
Due date charges	(416.085)	(408.757)
Unearned financial expense	(240.825)	(74.128)
Penalties	(130.076)	(63.029)
Foreign exchange loss	(47.951)	(4.717)
Other	(909.449)	(92.081)
	<b>(2.443.331)</b>	<b>(1.518.700)</b>

**NOTE 36 - INCOME AND EXPENSES RELATED TO INVESTING ACTIVITIES**

	1 January - 31 December 2015	1 January - 31 December 2014
<b>a) Income from investment activities</b>		
Interest income calculated on other receivables from related parties	989.881	1.296.971
Income from sales of property, plant and equipment	19.632	413.436
	<b>1.009.513</b>	<b>1.710.407</b>
<b>b) Expense from investment activities</b>		
Loss from sales of property, plant and equipment	(68.841)	(121.373)
	<b>(68.841)</b>	<b>(121.373)</b>

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**NOTE 37 - EXPENSES CLASSIFIED**

Please refer to Note 29.

**NOTE 38 - FINANCIAL INCOME AND EXPENSES**

	1 January - 31 December 2015	1 January - 31 December 2014
<b>Financial Income</b>		
Bail income from related parties (Note 7)	1.515.966	1.028.376
Interest income	626.499	731.667
Foreign exchange gain	160.621	78.685
	<b>2.303.086</b>	<b>1.838.728</b>
<b>Financial Expense</b>		
Foreign exchange loss	(98.050)	(129.429)
Bank commission expense	(63.880)	(21.836)
Interest expense on borrowings	(54.716)	-
Bail expense from related parties (Note 7)	(7.500)	(6.263)
	<b>(224.146)</b>	<b>(157.528)</b>

**NOTE 39 - ANALYSIS OF OTHER COMPREHENSIVE INCOME**

Please refer to Comprehensive Income.

**NOTE 40 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

None (2014: None).

**NOTE 41 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)**

As of 31 December 2015 and 2014, corporation taxes currently payable are as follows:

	31 December 2015	31 December 2014
Corporation taxes currently payable	7.033.462	7.594.017
Less: Prepaid corporate tax	(5.005.802)	(6.174.894)
<b>Current income tax liabilities</b>	<b>2.027.660</b>	<b>1.419.123</b>

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**NOTE 41 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)**

Corporation tax is payable at a rate of 20% for 2015. (2014: 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2014: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2014: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2014: 17th) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within 25th of fourth month following the close of the financial year to which they relate.

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

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

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

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

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

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

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

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**NOTE 41 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND 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 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.

The amount of disguised earnings will be will be finalized as the payment amount.

Taxation on income in the statement of comprehensive income for the years ended 31 December 2015 and 2014 are as follows:

	<b>1 January - 31 December 2015</b>	<b>1 January - 31 December 2014</b>
Current corporation tax expense	(7.033.462)	(7.594.017)
Deferred tax income	(1.828.954)	2.427.725
<b>Taxation on income</b>	<b>(8.862.416)</b>	<b>(5.166.292)</b>

The reconciliation of tax expense is as follows:

<b>Profit before tax</b>	<b>75.368.314</b>	<b>49.427.798</b>
Tax calculated at tax rates applicable to the profit	(15.073.663)	(9.885.560)
Expenses not deductible for tax purpose	(291.132)	(203.380)
Income not subject to tax	138.535	363.302
Tax effect upon the results of investments-in-associates	5.069.397	1.987.414
Deferred tax asset recognised for the investment incentives	3.698.787	-
Tax effect of investment incentives realised in current period	(2.405.979)	-
Recognition of deferred income tax asset on investment incentive	-	2.204.248
Other	1.639	367.684
<b>Total taxation on income</b>	<b>(8.862.416)</b>	<b>(5.166.292)</b>



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**NOTE 41 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)**

**Deferred income taxes**

The company recognises deferred income tax assets and liabilities based upon temporary differences arising between its financial statements are reported in accordance with the CMB Financial Reporting Standards and its tax purpose financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (2014: 20%).

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2015 and 2014 using the enacted tax rates at the balance sheet dates are as follows:

	Taxable cumulative Temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Revaluation of property, plant and equipment	120.025.963	108.179.938	(13.783.572)	(14.586.177)
Restatement differences on tangible and intangible assets	12.387.266	10.166.005	(2.040.706)	(1.596.454)
Provision for employment termination benefits	(15.226.680)	(13.107.839)	3.045.336	2.621.568
Difference between carrying value and tax bases of available-for-sale investments	(1.755.678)	(1.809.720)	351.135	361.943
Investment incentives (*)	(7.239.365)	(19.269.260)	1.447.873	3.853.852
Other	(932.840)	(257.428)	186.568	51.486
Deferred income tax assets			5.030.912	6.888.849
Deferred income tax liabilities			(15.824.278)	(16.182.631)
<b>Deferred income tax liabilities-net</b>			<b>(10.793.366)</b>	<b>(9.293.782)</b>

(\*) The Company has investment incentive certificate relating with production line investment. As of 31 December 2015, based on the best estimate of the Company management, it is highly probable to utilize investment incentive amounted to TL1.447.873 (2014: TL3.853.852)

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

<b>1 January 2014</b>	<b>(12.094.338)</b>
Credited to statement of comprehensive income	2.427.725
Charged to actuarial loss arising from defined benefit plans	376.797
Charged to fair value reserve of available-for-sale investments	(3.966)
<b>31 December 2014</b>	<b>(9.293.782)</b>
Credited to statement of comprehensive income	(1.828.954)
Charged to actuarial loss arising from defined benefit plans	262.691
Charged to fair value reserve of available-for-sale investments	(10.808)
Calculated on revaluation fund	77.487
<b>31 December 2015</b>	<b>(10.793.366)</b>

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**NOTE 42 - EARNINGS PER SHARE**

		1 January - 31 December 2015	1 January - 31 December 2014
Profit for the period	A	66.505.898	44.261.506
Weighted average number of shares (Note 31)	B	4.333.500.000	4.333.500.000
<b>Basic earnings per 100 shares with a Kr1</b>	<b>A/B</b>	<b>1,5347</b>	<b>1,0214</b>

There are no differences between basic and diluted earnings per share. Since the General Assembly meeting of the year 2015 has not been performed yet, dividend distribution decision has not been taken.

**NOTE 43 - SHARE-BASED PAYMENT**

None (2014: None).

**NOTE 44 - INSURANCE CONTRACTS**

None (2014: None).

**NOTE 45 - EFFECTS OF CHANGES IN FOREIGN CURRENCY RATES**

The foreign currency exposure of the Company is presented in Note 49.c.i.

**NOTE 46 - REPORTING IN HYPERINFLATIONARY ECONOMIES**

Please refer to Note2.

**NOTE 47 - DERIVATIVE FINANCIAL INSTRUMENTS**

None (2014: None).

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**NOTE 48 - FINANCIAL INSTRUMENTS**

**Available-for-sale investments:**

	31 December 2015		31 December 2014	
	TL	%	TL	%
YDT	581.039	1,76	540.447	1,76
Bintur	101.778	1,33	88.328	1,33
	<b>682.817</b>		<b>628.775</b>	

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

As of 31 December 2015 and 2014, the discount and growth rates used in discounted cash flow models are as follows:

	Discount rate (%)		Growth rate (%)	
	2015	2014	2015	2014
Bintur	%11,24	%12,06	%1	%1
YDT	%11,24	%9,78	%0	%0

Movements of available-for-sale investments in 2015 and 2014 are as follows:

	2015	2014
<b>1 January</b>	<b>628.775</b>	<b>608.945</b>
Fair value change - YDT	40.592	6.007
Fair value change - Bintur	13.450	13.823
<b>31 December</b>	<b>682.817</b>	<b>628.775</b>

Movements of fair value reserve of available-for-sale investments in 2015 and 2014 are as follows:

	2015	2014
<b>1 January</b>	<b>67.755</b>	<b>51.891</b>
Change in fair value - net	54.042	19.830
Deferred income tax effect on fair value reserve of available-for-sale investments (Note 41)	(10.808)	(3.966)
<b>31 December</b>	<b>110.989</b>	<b>67.755</b>

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**NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS**

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

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

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

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

**a) Credit risk:**

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risks arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Majority of the Company's sales in domestic market are made to its investments in associate, YBP, and its exports are made to YDT, which are both Yaşar Group Companies. In line with past experiences and current condition trade receivables are monitored by the Company Management and necessary provisions for impairment is recognised. The Company management believes that credit risk arises from receivables is well managed. The Company management believes that there is no risk for non-trade receivables from related parties since they are mainly comprised of receivables from shareholders. The credit risk analysis of the Company as of 31 December 2015 and 2014 are as follows:

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**NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

31 December 2015

	Receivables					
	Trade Receivables (1)		Other Receivables		Bank Deposits	Other
	Related Parties	Third Parties	Related Parties	Third Parties		
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)</b>	<b>52.356.985</b>	<b>20.711.313</b>	<b>9.527.094</b>	<b>26.971</b>	<b>4.657.056</b>	-
- The part of maximum credit risk covered with guarantees	-	-	-	-	-	-
<b>A.</b> Net book value of financial assets not due or not impaired (3)	51.615.190	19.246.238	9.527.094	26.971	4.657.056	-
<b>B.</b> Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
<b>C.</b> Net book value of assets past due but not impaired (4)	741.795	1.465.075	-	-	-	-
- The part covered by guarantees	-	-	-	-	-	-
<b>D.</b> Net book value of assets impaired	-	-	-	-	-	-
- Past due amount (gross book value)	-	339.779	-	-	-	-
- Impairment amount (-)	-	(339.779)	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
<b>E.</b> Off-balance items exposed to credit risk	-	-	-	-	-	-

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**NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

31 December 2014

	Receivables					
	Trade Receivables (1)		Other Receivables		Bank Deposits	Other
	Related Parties	Third Parties	Related Parties	Third Parties		
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)</b>	<b>51.881.992</b>	<b>13.725.100</b>	<b>3.932.561</b>	<b>38.206</b>	<b>1.605.907</b>	-
- The part of maximum credit risk covered with guarantees	-	-	-	-	-	-
<b>A.</b> Net book value of financial assets not due or not impaired (3)	51.078.468	12.606.813	3.932.561	38.206	1.605.907	-
<b>B.</b> Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
<b>C.</b> Net book value of assets past due but not impaired (4)	803.524	1.118.287	-	-	-	-
- The part covered by guarantees	-	-	-	-	-	-
<b>D.</b> Net book value of assets impaired	-	-	-	-	-	-
- Past due amount (gross book value)	-	303.499	-	-	-	-
- Impairment amount (-)	-	(303.499)	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
<b>E.</b> Off-balance items exposed to credit risk	-	-	-	-	-	-

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**NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

- (1) Trade receivables of the Company mainly consists of receivables resulting from sales of meat and meat products.  
(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.  
(3) None.  
(4) Agings of financial instruments past due but not impaired are as below:

31 December 2015	Receivables		
	Related Parties	Third Parties	Total
1-30 days overdue	447.436	1.419.949	1.867.385
1-3 months overdue	293.817	4.711	298.528
3-6 months overdue	542	40.415	40.957
The part of credit risk covered with guarantees	-	-	-
	<b>741.795</b>	<b>1.465.075</b>	<b>2.206.870</b>

31 December 2014	Receivables		
	Related Parties	Third Parties	Total
1-30 days overdue	563.998	1.067.956	1.631.954
1-3 months overdue	192.149	50.331	242.480
3-6 months overdue	47.377	-	47.377
Over 6 months overdue	-	-	-
The part of credit risk covered with guarantees	-	-	-
	<b>803.524</b>	<b>1.118.287</b>	<b>1.921.811</b>

**b) Liquidity risk:**

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

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

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**NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

	31 December 2015				
	Carrying value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
<b>Contractual maturity dates:</b>					
<b>Non-Derivative financial liabilities:</b>					
Bank borrowings	5.211.853	5.236.430	5.236.430	-	-
Trade payables	74.783.125	75.298.673	75.298.673	-	-
Other payables and Other financial liabilities	4.474.773	4.474.773	4.474.773	-	-
	<b>84.469.751</b>	<b>85.009.876</b>	<b>85.009.876</b>	<b>-</b>	<b>-</b>

	31 December 2014				
	Carrying value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
<b>Contractual maturity dates:</b>					
<b>Non-Derivative financial liabilities:</b>					
Bank borrowings	780.070	780.070	780.070	-	-
Trade payables	71.654.044	72.061.644	70.486.638	1.575.006	-
Other payables and Other financial liabilities	1.851.258	1.851.258	1.851.258	-	-
	<b>74.285.372</b>	<b>74.692.972</b>	<b>73.117.966</b>	<b>1.575.006</b>	<b>-</b>

**c) Market risk:**

*i) Foreign exchange risk*

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities. The Company minimizes the risk through balancing foreign currency denominated assets and liabilities. These risks are monitored by analyses of the foreign currency position. Current risks are discussed by the Audit Committee and the Board of Directors regularly and the foreign exchange rates relevant to the foreign currency position of the Company are mentioned.

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**NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

	Foreign Currency Position							
	31 December 2015				31 December 2014			
	TL Equivalent	USD	Euro	Other (TL Equivalent)	TL Equivalent	USD	Euro	Other (TL Equivalent)
1. Trade Receivables	2.531.679	288.951	532.328	-	1.372.236	423.875	138.020	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	228.396	74.284	3.905	-	23.434	1.621	6.975	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	66.626	9.468	12.303	-	88.039	17.151	17.112	-
<b>4. Current Assets (1+2+3)</b>	<b>2.826.701</b>	<b>372.703</b>	<b>548.536</b>	<b>-</b>	<b>1.483.709</b>	<b>442.647</b>	<b>162.107</b>	<b>-</b>
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
<b>8. Non-Current Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>2.826.701</b>	<b>372.703</b>	<b>548.536</b>	<b>-</b>	<b>1.483.709</b>	<b>442.647</b>	<b>162.107</b>	<b>-</b>
10. Trade Payables	2.633.384	28.777	590.257	674.112	1.578.959	4.824	555.810	-
11. Financial Liabilities	158.668	-	49.933	-	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	9.322	4.020	-	-
<b>13. Short-Term Liabilities (10+11+12)</b>	<b>2.792.052</b>	<b>28.777</b>	<b>640.190</b>	<b>674.112</b>	<b>1.588.281</b>	<b>8.844</b>	<b>555.810</b>	<b>-</b>
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
<b>17. Long-Term Liabilities (14+15+16)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>2.792.052</b>	<b>28.777</b>	<b>640.190</b>	<b>674.112</b>	<b>1.588.281</b>	<b>8.844</b>	<b>555.810</b>	<b>-</b>
<b>19. Net Asset/ Liability Position of Off-Balance Sheet</b>								
Derivative Instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Amount of Hedged Asset	-	-	-	-	-	-	-	-
19b. Amount of Hedge Liability	-	-	-	-	-	-	-	-
<b>20. Net Foreign Currency Asset (Liability) Position (9-18+19)</b>	<b>34.649</b>	<b>343.926</b>	<b>(91.654)</b>	<b>(674.112)</b>	<b>(104.572)</b>	<b>433.803</b>	<b>(393.703)</b>	<b>-</b>
<b>21. Net Foreign Currency Asset (Liability) Position of Monetary Items (IFRS 7.B23)</b>								
(=1+2a+3+5+6a-10-11-12a-14-15-16a)	(31.977)	334.458	(103.957)	(674.112)	(183.289)	420.672	(410.815)	-
<b>22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Amount of Foreign Currency Denominated Assets Hedged</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>24. Amount of Foreign Currency Denominated Liabilities Hedged</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
25. Export	15.784.645	6.007.141	-	-	13.854.083	6.447.741	-	-
26. Import	20.541.739	7.556.593	-	-	14.875.604	6.892.636	-	-

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**NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

31 December 2015

	Sensitivity Analysis for Foreign Currency Risk			
	Profit/Loss		Equity	
	Appreciation of Foreign currency	Depreciation of Foreign currency	Appreciation of Foreign currency	Depreciation of Foreign currency
<b>Change of USD by 10% against TL:</b>				
1- Asset/ Liability denominated in USD - net	100.000	(100.000)	100.000	(100.000)
2- The part hedged for USD risk (-)	-	-	-	-
<b>3- USD Effect - net (1+2)</b>	<b>100.000</b>	<b>(100.000)</b>	<b>100.000</b>	<b>(100.000)</b>
<b>Change of EUR by 10% against TL:</b>				
4- Asset/ Liability denominated in EUR - net	(29.124)	29.124	(29.124)	29.124
5- The part hedged for EUR risk (-)	-	-	-	-
<b>6- EUR Effect - net (4+5)</b>	<b>(29.124)</b>	<b>29.124</b>	<b>(29.124)</b>	<b>29.124</b>
<b>Change of other currencies by average 10% against TL:</b>				
7- Assets/ Liabilities denominated in other foreign currencies - net	(67.411)	67.411	(67.411)	67.411
8- The part hedged for other foreign currency risk (-)	-	-	-	-
<b>9- Other Foreign Currency Effect - net (7+8)</b>	<b>(67.411)</b>	<b>67.411</b>	<b>(67.411)</b>	<b>67.411</b>
<b>TOTAL (3+6+9)</b>	<b>3.465</b>	<b>(3.465)</b>	<b>3.465</b>	<b>(3.465)</b>

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**NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

31 December 2014

**Sensitivity Analysis for Foreign Currency Risk**

	Profit/Loss		Equity	
	Appreciation of Foreign currency	Depreciation of Foreign currency	Appreciation of Foreign currency	Depreciation of Foreign currency
<b>Change of USD by 10% against TL:</b>				
1- Asset/ Liability denominated in USD - net	100.595	(100.595)	100.595	(100.595)
2- The part hedged for USD risk (-)	-	-	-	-
<b>3- USD Effect - net (1+2)</b>	<b>100.595</b>	<b>(100.595)</b>	<b>100.595</b>	<b>(100.595)</b>
<b>Change of EUR by 10% against TL:</b>				
4- Asset/ Liability denominated in EUR - net	(111.052)	111.052	(111.052)	111.052
5- The part hedged for EUR risk (-)	-	-	-	-
<b>6- EUR Effect - net (4+5)</b>	<b>(111.052)</b>	<b>111.052</b>	<b>(111.052)</b>	<b>111.052</b>
<b>Change of other currencies by average 10% against TL:</b>				
7- Assets/ Liabilities denominated in other foreign currencies - net	-	-	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
<b>9- Other Foreign Currency Effect - net (7+8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOPLAM (3+6+9)</b>	<b>(10.457)</b>	<b>10.457</b>	<b>(10.457)</b>	<b>10.457</b>

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**NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**

*ii) Interest rate risk*

The company does not have financial instrument with variable interest rate as of 31 December 2015 and 2014.

*iii) Price risk*

The profitability of the Company's operations and the cash flows generated by those operations are affected by changes in the raw material prices and market competition that are closely monitored by the Company management and precautions for cost efficiency are taken. The Company does not anticipate that prices of unprocessed meat and other raw materials will change significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline or increase in the prices of unprocessed meat and other stocks and raw materials. The current risks are properly monitored by Board of Directors and Audit Committee regularly in considering the need for active financial risk management.

**d) Capital Risk Management:**

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

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

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

	31 December 2015	31 December 2014
Financial liabilities	6.185.412	858.677
Less: Cash and cash equivalents	(4.808.870)	(1.741.969)
<b>Net debt</b>	<b>1.376.542</b>	<b>(883.292)</b>
<b>Total equity</b>	<b>406.231.131</b>	<b>344.445.567</b>
<b>Net debt/ equity ratio</b>	<b>0,3%</b>	<b>(0,3%)</b>

The Company management regularly monitors the debt/ equity ratio. The Company management regularly monitors the debt/ equity ratio.

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**NOTE 50 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)**

**Classification of financial assets**

The Company's financial assets and liabilities classified as available-for-sale investments and loans and receivables. Cash and cash equivalents (Note 6), trade receivables (Notes 8) and other receivables (Notes 10) of the Company are classified as loans and receivables and measured at amortised cost using effective interest method. Available-for-sale investments are disclosed in Note 48. The Company's financial liabilities are classified as financial liabilities (Note 25), other financial liabilities and trade payables (Note 8).

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

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

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

**Financial assets**

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

**Financial liabilities**

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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**NOTE 50 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)  
(Continued)**

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

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2015 and 2014.

**31 December 2015**

	Level 1	Level 2	Level 3 (*)	Total
<b>Assets:</b>				
Available-for-sale investments	-	-	682.817	682.817
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>682.817</b>	<b>682.817</b>

**31 December 2014**

	Level 1	Level 2	Level 3 (*)	Total
<b>Assets:</b>				
Available-for-sale investments	-	-	628.775	628.775
<b>Total assets</b>	<b>-</b>	<b>-</b>	<b>628.775</b>	<b>628.775</b>

(\*)Please see Note 48 for the movement of Level 3 financial instruments.

The following table presents the Company's non-financial assets that are measured fair value at 31 December 2015 and 2014.

**31 December 2015**

	Level 1	Level 2	Level 3	Total
<b>Plant, property and equipment:</b>				
Land	-	85.109.400	-	85.109.400
Buildings and land improvements	-	60.116.734	-	60.116.734
Machinery and equipment	-	61.992.519	-	61.992.519
<b>Total assets</b>	<b>-</b>	<b>207.218.653</b>	<b>-</b>	<b>207.218.653</b>

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**NOTE 50 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)**  
(Continued)

31 December 2014

	Level 1	Level 2	Level 3	Total
<b>Plant, property and equipment:</b>				
Land	-	63.964.004	-	63.964.004
Buildings and land improvements	-	62.447.067	-	62.447.067
Machinery and equipment	-	62.227.037	-	62.227.037
<b>Total assets</b>	-	<b>188.638.108</b>	-	<b>188.638.108</b>

**NOTE 51 - SUBSEQUENT EVENTS**

None (2014: None).

**NOTE 52 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS**

None (2014: None).

**INFORMATION FOR INVESTORS**

**Stock Exchange**

Pinar Entegre Et ve Un Sanayii A.Ş. shares are traded at Borsa Istanbul Main Market under the ticker symbol PETUN.

Initial Public Offering Date: 03.02.1986

**Ordinary General Assembly Meeting**

As per the resolution by the Board of Directors of Pinar Entegre Et ve Un Sanayii A.Ş., the Company's Ordinary General Assembly Meeting will be held on March 29, 2015, Tuesday at 14:30 at Kemalpaşa Caddesi No: 317 Pınarbaşı/İzmir.

**Profit Distribution Policy**

The general profit distribution policy of Pinar Entegre Et ve Un Sanayii A.Ş. is publicly disclosed available at the investor relations page of the Company's corporate web site ([www.pinar.com.tr](http://www.pinar.com.tr)) in Turkish and English.

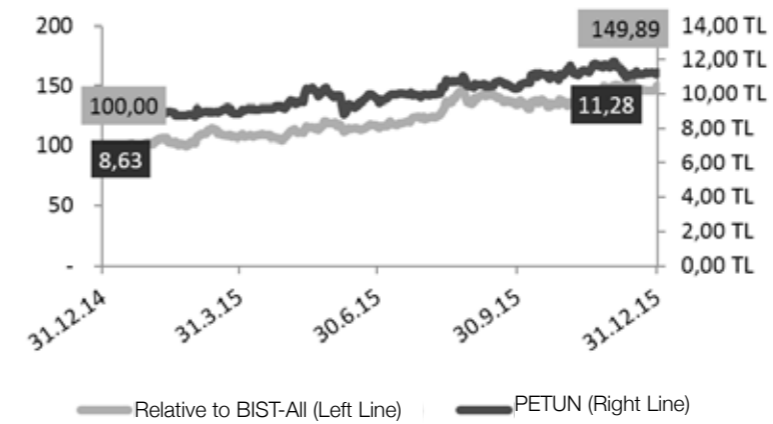
**Investor Relations**

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