PINAR ET
2016
ANNUAL REPORT

Yaşar
for a better life

Reporting Period
01.01.2016 - 31.12.2016

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

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

Authorized Capital
TL 100,000,000

Paid-in Capital
TL 43,335,000

Contact Information

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Twitter: @PinarKurumsal
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Instagram: pinarlayasam

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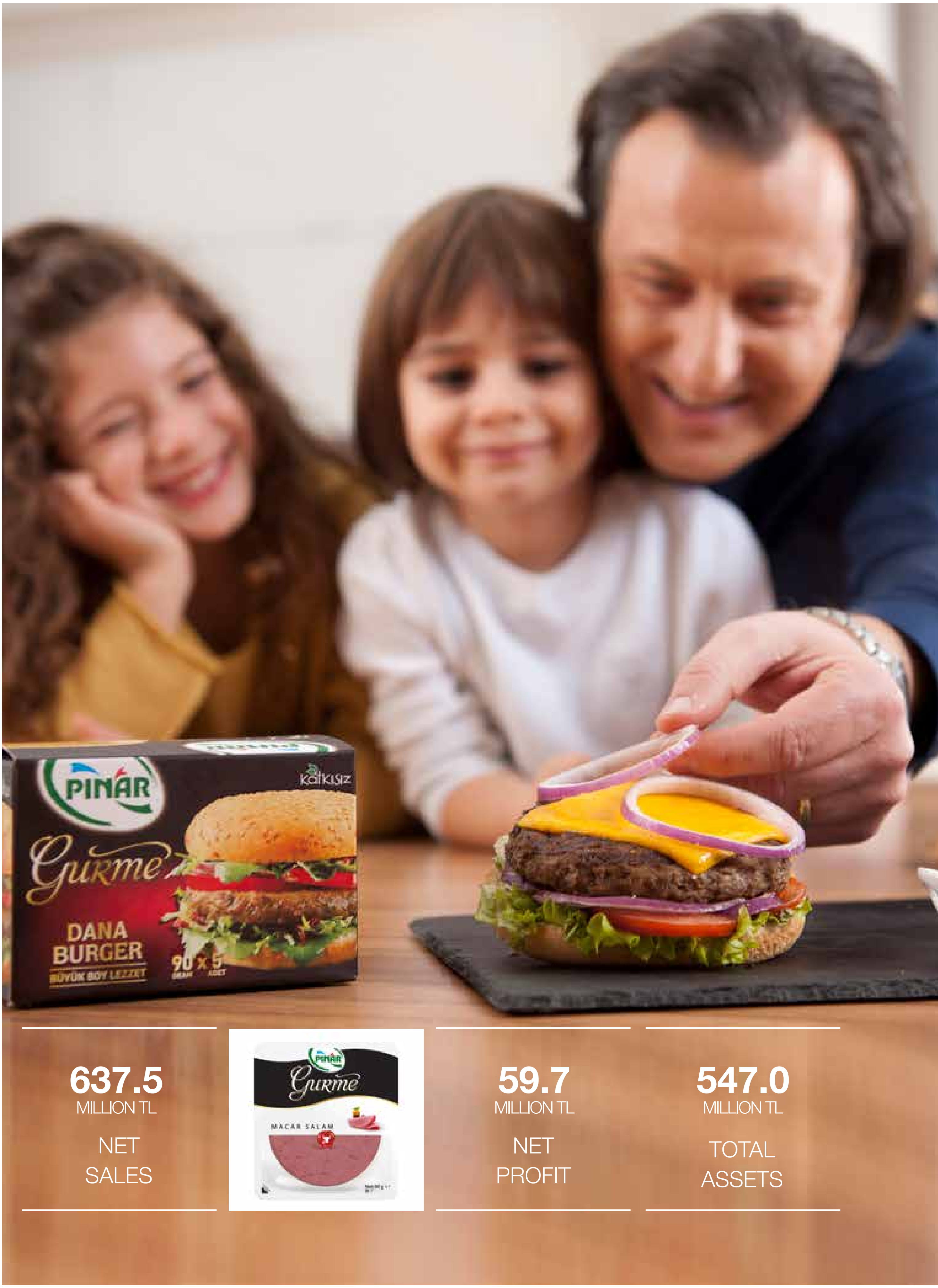


637.5
MILLION TL
NET SALES

59.7
MILLION TL
NET PROFIT

547.0
MILLION TL
TOTAL ASSETS

Turkey's Hardworking, Productive Leading Group…

"Durmuş Yaşar Enterprise," established in 1927 by Durmuş Yaşar in İzmir, has become one of leading group companies in Turkey. Contributing to the Turkish economy without compromising society, environment, quality of life, human health or ethics, with an ethos of "Constantly working, producing and benefiting the country," Yaşar Holding comprises 21 companies, 24 factories and facilities, two foundations and approximately 7,500 employees.

FOOD AND BEVERAGE GROUP

Food
- Pınar Süt
- Pınar Et
- Yaşar Birleşik Pazarlama
- Pınar Foods GmbH
- HDF FZCO

Water
- Pınar Su

Agriculture, Livestock and Fishery
- Çamlı Yem Besicilik

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

TISSUE PAPER GROUP
- Viking Kağıt

TRADE AND SERVİCE GROUP
- Altın Yunus Çeşme
- Bintur
- Yaşar Dış Ticaret
- Yaşar Bilgi İşlem ve Ticaret
- Yadex International GmbH
- Desa Enerji
- Desa Elektrik
- Arev Gayrimenkul

FOUNDATIONS
- Yaşar Eğitim ve Kültür Vakfı
- Selçuk Yaşar Spor ve Eğitim Vakfı

Operations in Various Sectors with Turkey's Most Famous Brands

One of Turkey's most established companies, Yaşar Holding mainly operates in the food, beverage and coatings sectors. Flagship brands Pınar and DYO take their place near the top among the most recognized brands by consumers in Turkey. In addition to food, beverage and paint, Yaşar Holding A.S. operates in tissue, international trade and energy sectors and Pınar Süt, Pınar Et, Pınar Su, Dyo Boya, Viking Kağıt and Altın Yunus Çeşme shares are listed at Borsa İstanbul. Established Organization Brought Several "Firsts" to Turkey

Yaşar Holding Broke New Ground in Turkey thanks to its Innovative Approach:
- First paint factory and brand, DYO
- First private dairy factory adherent to international standards, PINAR SÜT
- First first-class holiday village with 1,100 beds, ALTIN YUNUS ÇEŞME
- First private paper factory, VİKİNG KAĞIT
- First natural spring water in one-way package, PINAR SU
- First private integrated meat processing plant, PINAR ET
- First integrated turkey processing plant
- First culture fishing plant and first culture fish farming, PINAR DENİZ

Dignifying Environment and Society

Yaşar Holding tracks the impacts of possible effects of manufacturing and commercial activities on the environment and humans, and seeks to minimize them in compliance with all laws and regulations.

Yaşar Group supports education, sports, culture and arts by organizing various corporate social responsibility projects and creates several events and studies via the Yaşar Education and Culture Foundation and Selçuk Yaşar Sports and Education Foundation. Yaşar University works to become one of the leading universities in the country.

Yaşar Group joined the United Nations (UN) Global Compact on November 12th 2007, and within this scope published a Progress Report for 2009 and 2010 and Sustainability Report for 2011, 2012, 2013, 2014 and 2015. Please visit company web site www.yasar.com.tr to see progress and sustainability reports published by the Holding within the scope of Global Compact

The Group signed the UN Women's Empowerment Principles "CEO Support Declaration" in 2012 and made commitments to fair gender policies via the "Equity at Work Declaration."

Chairperson's Message

We developed new product designs in 2016 with the principle of "continuous recovery" and improved our current products adopting new technologies. We continued presenting trustworthy, delicious and proper products for our consumers through R&D works.

Dear Shareholders,
Continuing its activities as a member of Yaşar Holding, one of the leading and most reputable groups in Turkey, our Company has offered healthy, delicious and innovative products for its consumers since its establishment in 1985. The operations of Pınar Et, which produces according to the Turkish Food Codex and EU Standards, are inspected every year by the Turkish Standards Institution and international independent food inspection agency, SAI Global. Celebrating its 31st anniversary in 2016, Pınar Et has been a leader in the sector and a pioneer of the modern meat processing industry in Turkey since its establishment. Pınar Et operates with the objective of efficiency-based sustainable growth.

Economy in Turkey and in the world
Although it achieved considerable growth with the support of domestic demand in the first two quarters of 2016, the Turkish economy fell into a constriction in the third quarter. In the 2017-2019 Medium-Term Program of the Republic of Turkey Ministry of Development, the target growth rate for 2017 is 4.4%. It is predicted in IMF forecasts that the Turkish and global economies will grow by around 3%. We are hopeful that several unfavorable developments we experienced in the last year will be followed by a more stable environment in 2017.

Meat consumption in the world
We observe that meat consumption has increased worldwide. Sales volumes of the global meat market achieved growth with the help of increasing demand from developing countries in parallel with increases in income levels, and due to increasing populations. Meat consumption has slowed in Europe and the US, while developing countries accounted for the growth in this industry. Also, the demand for fish increased last year across the globe. The driving force behind global meat volume is the increasing income level in developing countries. The Middle East, Africa, Eastern Europe and Asia are the regions with fastest rise in demand. On the other hand, it is observed that

consumers in developed countries prefer frozen and processed foods to save time and such products are more prevalent on the shelves in North America, Western Europe and Australia.

Consumption trend
The approach to presenting detailed information for customers about nutritional content on product packaging is improving. Another obvious trend is increasing varieties of small portion products by decreasing fat and salt quantities in the products. According to TurkStat data, in the meat market where red meat consumption increased by 2.1% in 2016, the number of cattle increased by 0.6%, while the number of sheep and goats decreased by 1.4% compared to last year. The data of Nielsen shows that the market grew by 6% in terms of turnover, including discount stores, reaching 1.9 billion TL in 2016. When we look at the market, except for discount stores it grew by 2% in turnover, reaching 1.36 billion TL in volume. In order to meet diversified product ranges and customer expectations in all categories, Pınar Et expanded its product range by introducing new product varieties to its portfolio throughout the year. Accordingly, the Company increased its turnover by 18% in the category consisting of products such as ham, smoked brisket and pastrami.

Who are we
With high brand awareness and reliability, Pınar Et continues its production activities in the categories of delicatessen, frozen meat products, frozen dough products, frozen and fresh seafood and fresh meat products. It offers health and taste together through its nationwide distribution network. Pınar Et has maintained its leadership since the day it was established in the processed meat products sector. It produces differentiated products and meets the expectations and demands of a wide range of customer groups. As the first private integrated meat processing facility in Turkey, Pınar Et also supports development of the frozen food industry. Our company produces under the concept of "quality service and trust from experts to professionals" for the away from home consumption channel.Through high-quality production, we continue adding value to the national economy and our industry. We consider economic, environmental and social sustainability the formula for long-term, healthy and profitable performance. We shape our corporate strategies and targets based on this vision and support art, education, sports and protection of cultural properties.

We're growing in the frozen meat segment
Due to changing consumer lifestyles and the fact that more women are active in the workforce, the frozen products market keeps growing in Turkey as in the rest of world. According to Nielsen data, the frozen products market reached a volume of 317 million TL at the end of 2016, showing a growth of 26% in turnover and 8% in tonnage compared to 2015. The discount market channel accounts for 52% of this figure. The biggest contributor to turnover growth was the frozen seafood market, which grew by 72% compared to the previous period. Frozen dough products accounted for the largest segment in the market, with 77% in terms of turnover. With 18% of the market, the frozen meat market achieved turnover growth over 40%. With its performance especially in the frozen meat category, Pınar Et leads this segment. Our turnover in the frozen meat segment at the end of 2016 increased by 36% compared to 2015. Pınar's frozen seafood products achieved a turnover growth of 41%, while the growth rate in dough products was 31%. We aim to continue our efforts to develop new tastes and formats to expand the delicatessen market.

2017 and new products
As part of our competitive strategy in 2017, we aim to continue our leading position in the market by reaching consumers with high-value, customer-oriented products that we intend to develop by concentrating our R&D efforts in high value added product groups. We are planning to continue to work on calf breeding in 2017, which started in 2015 for the purposes of raw material supply safety. It is also our objective to maintain our efforts in the use of domestic substitutions for foreign exchange currency import materials (packaging materials, etc.). Thus, we will contribute to decreasing foreign exchange outflow from our country.

Innovative investments
In 2016, we made new product designs with the principle of "continuous improvement" and developed existing products by adapting them to new technologies. We kept offering safe, delicious and proper products for our consumers through R&D efforts. Accordingly, our company prioritized products with high competitive power and added value in 2016, introducing 4 new products to the consumer channel in frozen products, 1 to the AFH channel, 2 to the special products channel, and 3 to the export channel including delicatessen. In the category of delicatessen, 8 products were introduced to the consumer channel.

Stable financial performance
In addition to challenging economic conditions, the cyclical problems ongoing in the neighboring markets since 2015 continued in 2016 as well. Nevertheless, we increased our export turnover by 14% in 2016 compared to 2015. This increase was particularly due to sales of seafood and new product sales in the Gulf region. We maintained our stable and strong financial performance in 2016 and increased our total assets from 521.3 million TL in 2015 to 547.0 million TL in 2016. In 2016, our net sales increased by 7.9% to 637.5 million TL. In this period, our net profit amounted to 59.7 million TL, while operating profit amounted to 52.2 million TL.

Our priority is sustainability
Pınar Et's sustainability efforts continued in 2016 with extensive stakeholder analysis and determination of sustainability priorities. Pınar Et's sustainability priorities and strategy were determined. Yaşar Holding aims to reduce carbon emissions by 15% per ton of production until 2020. A support report was developed to ensure sustainability in supply chain and progress was thus made in supplier supervision. Sustainability has become a part of business processes at Pınar Et. I would like to extend my thanks to all of our shareholders, customers, customers, suppliers and employees who contributed to our Company's sustainable success and achievement of its goals.

Best Regards,

Emine Feyhan Yaşar
Chairperson of Board of Directors

Board of Directors

Emine Feyhan Yaşar
Chairperson

İdil Yiğitbaşı
Vice Chairperson

Mustafa Selim Yaşar
Member

Ali Yiğit Tavas
Independent Member

Kemal Semerciler
Independent Member

Yılmaz Gökoğlu
Member

Cengiz Erol
Member

Senior Management and Committees

Board Members and Terms of Office

NAME SURNAME	TITLE	TERMS OF OFFICE
EMİNE FEYHAN YAŞAR	CHAIRPERSON	29.03.2016 - 1 YEAR
İDİL YİĞİTBAŞI	VICE CHAIRPERSON	29.03.2016 - 1 YEAR
MUSTAFA SELİM YAŞAR	MEMBER	29.03.2016 - 1 YEAR
ALİ YİĞİT TAVAS	INDEPENDENT MEMBER	29.03.2016 - 1 YEAR
KEMAL SEMERCİLER	INDEPENDENT MEMBER	29.03.2016 - 1 YEAR
YILMAZ GÖKOĞLU	MEMBER	29.03.2016 - 1 YEAR
CENGİZ EROL	MEMBER	29.03.2016 - 1 YEAR

Limits of Authority:

Chairperson of Board of Directors and Board Members have the powers set out in relevant articles of Turkish Commercial Code and Articles 10 and 11 of the Company's Articles of Association.

Corporate Governance Rating:

In 2016, Pınar Et's corporate governance rating was revised upwards to 9.26 out of 10.

Senior Management

NAME SURNAME	POSITION
LEVENT DAĞHAN	DEPUTY CEO - HEAD OF FOOD GROUP
TUNÇ TUNCER	GENERAL MANAGER
ORKUN NALDELEN	FINANCIAL AFFAIRS AND FINANCE DIRECTOR

Audit Committee

NAME SURNAME	POSITION
ALİ YİĞİT TAVAS	HEAD OF COMMITTEE
KEMAL SEMERCİLER	MEMBER

Corporate Governance Committee

NAME SURNAME	POSITION
ALİ YİĞİT TAVAS	HEAD OF COMMITTEE
KEMAL SEMERCİLER	MEMBER
YILMAZ GÖKOĞLU	MEMBER
GÖKHAN KAVUR	MEMBER

Early Detection of Risk Committee

NAME SURNAME	POSITION
ALİ YİĞİT TAVAS	HEAD OF COMMITTEE
YILMAZ GÖKOĞLU	MEMBER
CENGİZ EROL	MEMBER

* Background information of Board of Directors and Top Management is given on pages 33-34.

Company Profile

Pınar Et, the first private integrated enterprise in Turkey, is the leading brand in Turkey's delicatessen, frozen meat and frozen seafood markets. Combining the concept of **quality** production with the advantage of being a **long-established** and **innovative** organization, the company **has been offering health and taste together for 33 years.**

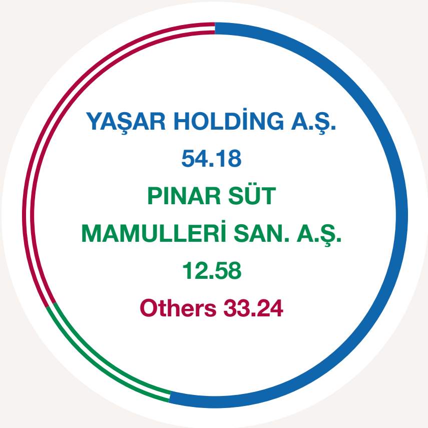
Financial Performance in 2016

(Million TL)	**01.01.2015 - 31.12.2015**	**01.01.2016 - 31.12.2016**
Net Sales	591.1	637.5
Gross Profit on Sales	99.1	106.2
Gross Profit Margin	16.8%	16.7%
Operating Profit	47.0	52.2
Operating Profit Margin	8.0%	8.2%

(Million TL)	**31.12.2015**	**31.12.2016**
Shareholder's Equity	406.2	418.9
Assets	521.3	547.0

Debt/Equity Ratio	0.28	0.31

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

Pınar Et's shares are traded at Borsa Istanbul Main Market under the ticker symbol "PETUN".
Information on privileges related to the Company's shares can be found in the Corporate Governance Principles Compliance Report.

Founded in 1983, Pınar Et has been producing delicious and innovative products in healthy production facilities since 1985 and offering them to consumers. Working with the aim of meeting the expectations and demands of different customer groups, Pınar Et produces differentiated products in the categories of delicatessen, frozen meat products, frozen bakery products, frozen seafood, seafood and fresh meat products. Offers a wide range of products to consumers. Pınar Et, which has high brand awareness and brand reliability both in the sector in which it operates and on consumer basis, sets trends in the sector while creating new segments with new products presented to the market.

Operations of Pınar Et, which makes production according to the Turkish Food Codex and EU Standards, are also inspected by the Turkish Standards Institution and international independent food inspection agency, SAI Global, every year.

The company continues its production in safe, healthy and hygienic conditions with a quality management system covering all business processes and has a complete service understanding in distribution activities. Pınar Et's distribution network constitutes the Turkey's largest cold and frozen product distribution chain, through Yaşar Birleşik Pazarlama (YBP), which spreads throughout Turkey with state of the art and flexible organization structure.

Pınar Et, basing its corporate strategy and objectives, sees production and service activities in high quality standards as well as economic, environmental and social sustainability as the formula for long-term, healthy and profitable performance, and supports and contributes to the arts, education, sports and preservation of cultural assets.

Pınar Et continues its activities as a member of Yaşar Group, one of Turkey's biggest and most highly respected corporate groups.

Founder of Modern Meat Industry in Turkey
Celebrating its 33rd anniversary in 2016, Pınar Et continues its leadership in the sector since its establishment. As the leader of modern meat industry, Pınar Et operates with the objective of efficiency-based sustainable growth.

Competitive Advantages

Pınar Et is gains its competitive power from being the first choice of consumers as a quality, reliable brand with constantly increasing brand value, quality production power, widespread distribution and supply network.

Pınar Et continues its leadership since the day it was established in the processed meat products sector, and also directs and contributes to the development of the frozen food sector.

Innovative production power that technology is used effectively, vision that integrates with its long-established experience, responsible and trustworthy manufacturer identity makes Pınar Et different in competition.

INCREASING BRAND VALUE

Pınar was selected as "The Most Successful Brand of 2016 in the Food Sector" in Marketing Turkey Magazine and the Akademetre Research Company's Integrated Marketing Awards.

QUALITY PRODUCTION POWER

- Innovative and pioneering identity
- More than 300 SKUs
- R&D experience
- Production in EU standards, hygienic conditions
- Technological and sectoral knowledge and experience
- Food safety and quality at every stage from supply to final product
- Production process certified with certificates

WIDESPREAD DISTRIBUTION AND SUPPLIER NETWORK

- Yaşar Birleşik Pazarlama, Turkey's biggest and most extensive frozen and cold chain distribution network
- 150,000 sales points
- Technical knowledge and experience
- Synergy in distribution of dairy and meat products
- Purchasing activities spread across 6 regions
- Strong relations with farmers

CERTIFICATES OF PINAR ET

- 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.7 (2015) Food Safety Standard
- IFS-Food V.6 (2012) Food Safety Standard
- Approval of Laboratory with ISO 17025:2012 Testing Service
- Halal Food Certificate
- SAI GLOBAL Food Safety

QUALITY AND RELIABLE BRAND

Consistency and continuity in quality, completely responding to customer requests and needs at the right time, and being reliable for the consumers are the strongest aspects of Pınar Et. Pınar Et, which is one of the most reliable brands in the industry with its uncompromising approach to product quality, reinforces its position in the market with well-defined marketing and sales processes.

Pınar Et Products

DELICATESSEN

- Soudjouk
- Salami
- Sausages
- Ham
- Smoked Meats
- Kavurma
- Pastrami

FROZEN MEAT PRODUCTS

- Burgers
- Meatballs
- Doner
- Breaded Meat Products

FROZEN DOUGH PRODUCTS

- Pizzas
- Puff Pastry
- Mantı (Turkish Type Ravioli)
- Boreks

Pınar Et continues to enrich its product range in five different categories by correctly analyzing the needs of its customers and consumers and developing their products according to this output.

FROZEN SEAFOOD PRODUCTS

- Shrimps
- Sliced Squid
- Anchovy, Sardine and Haddock
- Breaded Seafood Products

FRESH MEAT PRODUCTS

- Fresh Turkey
- Fresh Beef and Lamb

Innovations

Without compromising on quality of its products and services, Pınar Et continues its high-quality production studies with the aim of producing delicious products.

Pınar Et, realizing the product development processes by understanding and prioritizing consumer needs and requests, has improved its products by adapting them to new technologies, while making new product designs with the principle of "continuous innovation" in 2016.

Pınar Et, focusing on products with high competitive edge and added value, launched a total of 41 new products in 2016, 22 of which were for retail market, 13 were for private customers, 3 were for export and 3 were for AFH (Away From Home).

In 2017, Pınar Et also aims to take place in meals with its innovative products in processed meat products (delicatessen) and frozen meat & dough products & seafood products group which continues its competitive advantage. The company, which has been working on new varieties of burger products category in its frozen products group, will continue working in 2017 as well. Pınar Et, which will continue to bring dough products defined as "Regional" in a frozen product format in their original tastes to Turkish consumers, aims to continue to work on new flavors and formats that will grow and improve the market for all sub categories in the delicatessen category.

NEWLY LAUNCHED PRODUCTS

Consumer Products

- Açık Büfe Turkey Salami 75 g
- Aç Bitir Turkey Ham 60 g
- Aç Bitir Ham 50 g
- Şölen Heat-Treated Soudjouk 225g
- Aç Bitir Long Sausages 90 g
- Şölen Heat-Treated Soudjouk 225g
- Paçanga Borek 270 g
- Shrimps Casserole 350 g
- Açık Büfe Fermented Soudjouk 180 g
- Nimet Beef Burger 225 g
- Lezzet Keyfi Turkey Salami 75 g
- Nimet Meatball Burger 220 g
- Meatballs Pınar Lezzet Keyfi Akçaabat 400 g
- Lezzet Keyfi Beef Burger 220 g
- Pizzatto 4 Köşe Pizza 300 g
- Gurme Long Sausages 375 g
- Gurme Pastrami 90 g
- Pınar Salami 250 g
- Doyum Turkey Salami 50 g
- Pınar Crispy Fish Rings 400 g
- Pınar Crispy Fish Balls 400 g
- Kombinet Mixed Box Beef Meatballs 2700 g

Special Customers

- Beef Satır Meatballs
- Beef Kasap Meatballs
- Beef Spicy Meatballs
- Beef Burger 50-150 g
- Breaded Chicken Fillet
- Corn and Cheese Croquette
- Beef Meatballs Grill Burger (4:1)
- Ground Meat Doner 5-60 Kg
- Turkey Mar. Breast
- Misket Meatball (precooked)
- Akçaabat Meatballs (precooked)
- İnegöl Meatballs (precooked)
- Büfe Sausages 2.500 g

Export Products

- Doyum Sosiska Coctail Sausages 200 g
- Doyum Sosiska Long Sausages 300 g
- Turkey Salami XL 300 g

Away From Home

- Beef Meatballs Burger 2310 g
- Crispy Fish Rings 1000 g
- Crispy Fish Balls 1000 g

Production Based on Research and Analysis

Pınar Et works on packaging and in food production by taking into consideration the outputs of analyzes and research on consumer tastes and trends. The company responds to diverse and different needs thanks to its broad product portfolio, which meets the expectations of consumers of different ages.

R&D Activities

Pınar Et carries out R&D studies to increase the quality of products in the light of scientific, technological and innovative developments and respond to changing expectations. R&D activities are contributing to the strengthening of Pınar Et's market position.

Pınar Et R&D closely follows scientific and technological developments, innovative approaches and evaluates application areas and puts them into practice.

Through its continuing R&D activities, Pınar Et aims to present customers with innovative firsts that are the safest, most delicious and best products. Accordingly, 41 new products were launched for sale in 2016.

From the innovative works in 2016:
• Halka Crispy Fish: A utility model document was obtained from the Turkish Patent Institute for production of circular products from aquatic products.
• Paçanga Borek: The paçanga borek, a very popular local flavor in Turkish culinary culture, was brought to consumers in the form of frozen products prepared and ready to eat.
• Corn and Cheese Croquette: Snacks were made healthier by obtaining a product breaded with a mixture of milk, cheese and corn. Also, this product is a suitable choice for vegetarians.

Pınar Et aims to protect its leading position in the market by developing customer-focused products with R&D studies in line with the vision of creating innovations and firsts. To this end, the Company continues working to continue creating firsts by using different and innovative technologies, to increase R&D contribution by increasing the share of new products in turnover, and to achieve effective results by concentrating on industry and university collaborations.

R&D ACTIVITIES

- New product activities
- Current product improvements
- Product cost improvements
- Alternative raw material and auxiliary food additive improvements
- Packaging and alternative packaging improvements
- Shelf life improvements
- Joint project works with universities
- TÜBİTAK joint project works

Working to support and further strengthen the mission of offering health, taste and innovation, Pınar Et carries out many formulations and laboratory experiments for this purpose. We are continuing our research and development activities on products that are presently brought to consumers.

Pınar Et closely follows the Turkish Food Codex, which reinforces its success, and the sector with many new products developed every year and produces technical solutions for any technical problems that may arise in production.

Customer Satisfaction Focused Quality Approach

Not compromising production principle in safe, healthy and hygienic conditions, Pınar Et carefully controls all the processes through Quality Management System applied in every stage of production.

92%

CUSTOMER SATISFACTION RATIO ACCORDING TO 2016 PINAR COMMUNICATION CENTER SURVEY

150 THOUSAND

NUMBER OF SALES POINTS WITH PINAR MEAT PRODUCTS

Adopting the principle of unconditional customer satisfaction, Pınar Et manages all the processes that its customers produce with safe, healthy and hygienic conditions through the Quality Management System applied.

The company, identifying and monitoring the process steps of the production and the performance criteria of these processes, constantly improves the system that it has implemented. Pınar Et, while identifying the critical points by means of hazard assessments in the mentioned process streams and ensures that they are continuously monitored, performs all the applications within scope of the FSSC 22000 Food Safety Management System, which has been recognized worldwide and includes HACCP (Hazard Analysis and Critical Control Points) system.

FULLY-EQUIPPED LABORATORY

Beyond the analyzes specified in the regulations and communiqués related to Pınar Et's sector, there is a laboratory equipped with the ability to perform many different chemical, microbiological, sensory and molecular analyzes. The Company has been qualified to provide services to the TSE with the TSE Experimental Service Laboratory Approval Certificate received in 2008, which supports compliance with the requirements of TS ISO 17025 standard. The accuracy of the analyzes carried out in the laboratory and the competence of the laboratory personnel are monitored with the qualification tests participated in each year. In accordance with HACCP plans, legal requirements, customer demands and specifications, verifying the conformity of manufactured products in their own laboratories, the company monitors all factors that may create a risk as well as product analysis, from raw to final product.

AUDITS

Pınar Et, effectively implementing and continuously improving Quality and Food Safety Management Systems as well as Environment, Energy, Occupational Health and Safety and Laboratory Management Systems, have undergone audits of TSE Halal Food in April 2016 and TSE Management Systems in May 2016, and once again proved its success in audits. Spot audited in June 2016 and informedly audited in November 2016 by International Independent Auditing Institute SAI Global and evaluated with a score of A, the Pınar Et Işıkkent Aquaculture Products Plant of the Company

has passed the BRC and IFS audits, which are international food standards, in March 2016 and evaluated with a score of A.

Pınar Et also succeeded in the food safety and social responsibility audits regularly conducted by third party auditors on behalf of other customers.

Evidencing the halal slaughtering which has been practiced since its establishment, according to the Halal Standard published in 2011 by Turkish Standards Institute, Pınar Et has been subject to regular auditing in this respect. Having successfully completed the TSE Halal Food audit for the processed meat products category in 2016, the Company is entitled to receive certificates showing the conformity of all inputs and processes for halal food products.

SUPPLIER EVALUATION SYSTEM

Pınar Et has a very rigorous approach to working with suppliers who have principles that are in line with the concept of Food Safety, Quality, Environment, Occupational Health and Safety and Energy Management Systems. The company audits its collaborative suppliers in this context and requires improvement in necessary issues, and supports the institutions providing service. Thanks to its network of information, Pınar Et ensures that suppliers who are in constant contact are aware of possible developments and innovations in the sector. Pınar Et, organizing quality and innovation circles and cooperating, and trying to apply the mentioned innovations in priority, enlarges the business volume while increasing the business volume of the suppliers.

Pınar Et, who has been performing works to develop supplier risk analyzes, further elaborated the supplier evaluation criteria in 2016. The number of inspections to be carried out in the light of these evaluations has been determined, and Supplier Scorecards have been established for product and raw material suppliers.

Within the scope of the Supplier Evaluation System, alternative suppliers are primarily audited on site and, if their compliance is approved, started to be worked with by cooperation. Also, risk audits for current suppliers are made and on site audits and their frequencies are being planned.

Productivity Activities

Continuing Operational Cost Improvement (OCI) since 2000 and Lean Six Sigma since 2008, Pınar Et has gained significant cost advantages.

38

MILLION TL SAVING MADE BY OCI PROJECTS BETWEEN 2000-2016

725

TOTAL NUMBERS OF OCI PROJECTS BETWEEN 2000-2016

LEAN 6 SIGMA PROJECTS

Lean 6 Sigma applications are a management process and they pursue the goal of increasing process performance by detecting process variability and making them traceable and eliminating losses by avoiding waste of strategic improvements. Thus, business culture that is fast, efficient, innovative, based on customer understanding is created by proactive approach. Customer expectations along with corporate values are very important and importance is given to projects that are compatible with the company's strategies.

Pınar Et has continuously made improvements in process management without losing its customer focus and made 2.8 million TL savings by increasing the number of projects to 29 within scope of Lean 6 sigma works between 2008-2016, including Black Belt and Green Belt projects.

Pınar Et, listening to the customers and meeting their expectations, realizing valuable products and services for customers, will continue to support the sustainable profitable growth strategy.

OCI PROJECTS

In the Operational Cost Improvement initiatives that have started in 2000, a total of 725 OCI projects were realized by 2016, and 38 million TL were saved. In Operational Cost Improvement (OCI) applications, which are an important element of the innovation and talent management concepts that Pınar Et has internalized, employees are report problems related to their own areas of work and propose solutions which are implemented once they have received management approval, and cost improvements are obtained. The projects are rewarded with an encouraging approach.

Production Plants	
Integrated Red Meat Production Plant	Fresh/frozen beef and lamb Delicatessen products groups (soudjouk, salami, sausages, etc.) Frozen meat products (hamburgers) Frozen meat products (meatballs) Convenience foods (doner, precooked tray products)
Integrated Turkey Production Plant	Fresh/frozen turkey Frozen meat products (turkey and chicken)
Processed Aquaculture Products Plant	Frozen fish balls, natural aquaculture products
By-Products Production Plant	Feed raw materials

Investments

Investments in robot automation-based production lines, which are among the investments made by Pınar Et for its production facilities, were completed in 2016.

In the year 2016, 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.

In 2016, Pınar Et's aim was to continuously raise productivity and production quality levels with the investments made towards production facilities. In particular, investments in production lines based on robot automation aimed at increasing production efficiency were completed in 2016.

Accordingly, Pınar Et invested 15 million 952 thousand TL in 2016, namely 3 million 587 thousand TL in land, underground and land improvements and buildings, 9 million 86 thousand TL in machinery and facilities, 2 million 512 thousand TL in fixtures, 575 thousand in vehicles and 288 thousand TL in vehicles.

Some Investments in 2016

Investments on Food Safety
• Delicatessen production area renovation works have been completed. Within this scope, poultry manufacturing and newly formed chicken products manufacturing units were commissioned.
• Renovation and renovation works that will contribute to hygiene, quality and energy saving in the R&D areas have been completed.
• A new soudjouk packaging machine, which will make a difference in product packages, was purchased.

Investments on Automation
• Works on automation systems and palletizing line investment of sliced product lines are continuing.
• A fully automatic dough preparation and transfer system was activated for the delicatessen manufacturing unit.
• Investment process in the fully automatic weighing and packaging machines in the breaded frozen product line continues.
• Various machinery investments related to processed product processes at the fish plant were put into practice.
Investments on Energy Saving
• Insulated roof panel purchase has been made.
• "Scada" system was installed in the auxiliary plants.

Investments on Information Technologies
• Spice room manufacturing monitoring application was commissioned.
• Quality Documents Management System (QDMS) was commissioned.
• Weighing application was commissioned.
• Product packaging application was upgraded to the new version.

The Sector in 2016

In 2016, total meat production in Turkey has increased 5.5% and reached 3.1 million tons. Of this number, bovine red meat constituted about 1 million tons, ovine red meat 134 thousand tons, chicken meat 1.9 million tons and turkey meat 52 thousand tons.

MEAT SECTOR IN TURKEY

According to TUIK data, the total number of animals is 55.5 million in 2016, while the number of bovine increased by 0.7% in 2016 to 14 million 222 thousand. The number of cattle in bovines increased by 0.6% to 14 million 80 thousand, while the number of water buffalos increased by 6.2% to 142 thousand 73.

The number of ovines decreased by 1.4% in 2016 compared to the previous year; the number of ovines was 41 million 329 thousand. The number of sheep among the ovines decreased by 1.7% compared to the previous year and it was 30 million 983 thousand. As for the number of goats, it decreased by 0.7% compared to the previous year and was 10 million 345 thousand.

Read Meat Production

Although total red meat production decreased in the last quarter, it increased by 2.1% in 2016 and reached 1 million 173 thousand tons. Production increased by 4.4% in cattle, 7.7% in water buffalo, 17.5% in sheep, and 8.8% in goat meat. (TUIK)

The change in household habits, the decline in the number of people living in the homes, the increase in healthy eating habits, the preference for smaller portions of food with ease of consumption around the world, has also affected the meat sector as in all food sectors.

Due to this change, traditional flavors began to be offered with different alternatives and new trends emerged. This has also led to an increase of packaged product ranges offered in smaller portions globally. With increasing awareness about healthy nutrition, white meat is again preferred besides red meat which is important for consumption of daily protein needs, while seafood has become preferable due to being healthy and being able to turn into different flavor alternatives.

Significant global transformations continue to take place in the consumer goods market as well as the away from home eating and drinking sector. The most important of these are the new tastes which are formed by combining the usual tastes with different alternatives. These sample flavors reach consumers by gaining place in consumer products market. Pınar Et continued to work with certain decisions and principles in 2016 based on all these developments in the sector. The Company;

- Preserved the strong brand value that created meaning in the life of the consumers.
- Parallel to the expectations of the consumers, new products with high quality, taste and health value were brought to customers.
- Used its expertise in developing new products for overseas markets and created differentiation areas. Transformed the products of Turkish culinary culture in the nearby geographies with the competitive advantage of brand value.
- By continuing to develop new products and new brands to meet the needs of each of the sales channels and positioning these brands in different sales channels, continued to increase its strength in totality of trade.

In 2016, total meat production in Turkey increased by 5.5% to 3.1 million tons; these were about 1 million tons of bovine red meat, 134 thousand tons of ovine red meat, 1.9 million tons of chicken meat, 52 thousand tons of turkey meat production (TUIK).

In 2016, the total processed meat volume consisted of 43% soudjouk, 32% salami and 20% sausage products. A growth was especially seen in the soudjouk market in 2016. (except for BİM - Nielsen). In 2016, the frozen product market consisted of meat products (12%), breaded products (72%) and seafood products (4%). (Nielsen).

According to the Household Consumption Data Panel prepared by IPSOS, the total frozen meat and breaded products market reached 317 million TL in August 2015-August 2016 period. The biggest segment of the market consists of frozen dough products with a share of 77% in terms of turnover. Of the market, 18% is made up of frozen meat products segment and 5% is frozen seafood segment in terms of turnover. Pınar brand frozen products group also exhibited a parallel distribution and sales performance of the market.

As a reflection of the increase in urbanization and the number of working women, a trend of meeting delicatessen products, which are the most important of the traditional delicacies, with the consumers in the new weight in grams in accordance with the modern life has developed.

Pınar Et in the Industry

Continuing its growth in value added products, Pınar Et achieved a net profit of TL 59.7 million in 2016 with a net profit margin of 9.4%.

Pınar Et, which is one of the most preferred brands by consumers due its perfectionist approach, is producing by using the latest technologies and subjecting its products to rigorous quality control processes. Pınar Et, which is followed and exemplified in the sector with its determined standards and principles, increases its share both in domestic and foreign markets every year.

Pınar Et maintained its stable and strong financial performance in 2016 and increased its total assets from 521.3 million TL in 2015 to 547.0 million TL in 2016 with a growth of 4.92%. The Company's net sales in 2016 were TL 637.5 million with an increase of 7.86%. 97.37% of this figure was generated from domestic sales and 2.63% from overseas sales.

While Pınar Et continues its growth in value-added products, 92% of its product portfolio consists of delicatessen products and frozen products.

Pınar Et, which achieved a sales volume of 42 thousand tons in 2016, recorded a net profit of 59.7 million TL with a net profit margin of 9.4%, while the gross profit of the year-end was recorded as 106.2 million TL.

The efforts to increase commercial activities with new product groups in neighboring geographical markets for Pınar Et continued in 2016 as well. Especially in the markets of the Gulf countries, borek products, which have a place in the traditional Turkish culinary culture, were sold in frozen product format.

PRODUCT	REVENUE SHARE	POSITION
Total Delicatessen	21.2%	Leader
-Salami	42.5%	Leader
-Soudjouk	12.4%	Leader
-Sausage	40%	Leader

2016, except for BİM, Nielsen

EXPORT PERFORMANCE

The cyclical problems ongoing in the neighboring markets since 2015 continued increasingly in 2016 as well. Moreover, devaluations in the local currencies of countries neighboring Turkey, whose economies depend on oil and natural gas revenues, led to a further increase in the tough economic conditions of the year 2016. Despite these conditions, a dollar based increase of 14% in 2016 compared to 2015 was achieved. This increase was particularly due to sales of seafood and new product sales in the Gulf region in 2016.

In 2016, TRNC's share in Pınar Et's export turnover was 14% and Azerbaijan's share was 5%. In the Iraq market, which had a share of 4% in 2016, the growth rate was 60% compared to the previous year with new sales channels and new products that differed in these channels. In 2016, growth was achieved with new products launched to the Gulf region.

Consumers and Customers of Pınar Et

Pınar Et, which continues to produce delicious and healthy meat products for Turkey and export markets with the responsibility of being Turkey's first private enterprise integrated meat plant, always gives priority to consumer and customer needs.

Pınar Et takes meeting the needs of all the individuals of the society with the delicious and healthy products of the animal protein needs, which is the key to a healthy life cycle, as a mission, and carries out production by considering different consumer trends and palate. In addition to the delicatessen products that are developed as a result of long research and periodic analyzes carried out with this approach, the company offers its frozen foods consisting of meat, breaded and seafood products in a wide range of flavors.

Establishing its marketing strategy on the principle of "delicious and healthy life", Pınar Et carries out brand management, new product development and utilization of new business lines.

In 2016, Pınar Et considered to include continuing to create value and benefit for its consumers with its brands into its main strategies. With this main strategy, flavors that are unique in new product development activities, but which can also benefit consumers were focused on. Pınar Et expanded its target mass with new products offered to consumers even though it did not change the structure of the target mass which includes all of Turkey and reached with the wide and constantly renewed product range.

Sub Brands in Various Categories

Along with a variety of other Pınar products, the brand offers the following to reach the customers: Pınar Şölen, Pınar Gurme, Pınar Mangal Keyfi, Pınar Klasik in the soudjouk category; Pınar Balık in the seafood category and Pınar 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 Pınar Doyum brand and frozen pizza products through the Pınar Pizzatto brand.

COMMUNICATION CAMPAIGNS

In 2016, campaigns and promotional activities were carried out with the aim of increasing consumer awareness of the different Pınar Et product groups, enhancing the brand's prestige and introducing new products. Pınar Soudjouk products belong to the delicatessen product category which has generated the highest turnover, shown the strongest growth and faced the most difficult competition through the years, and communications of these products had priority. As the Pınar Soudjouk campaign was published to spread to whole of the year, an integrated marketing campaign was carried out and internet channels were used simultaneously with TV. In addition, close contact with our consumers was continued with tasting activities at the sales points.
During the European Football Championship period, the communication campaign of meatballs with football themed AçBitir branded products covering sports channels for male consumers entered the broadcasting campaign. Tasting activities continued at the sales points of meatballs and borek products without slowing down.

DISTRIBUTION

Yaşar Birleşik Pazarlama (YBP), a group company which has 9 regional offices and more than 100 dealers and reaching 150 sales points in total, continues to bring Pınar branded products to customers in the freshest, healthiest and fastest manner.

While 75% of Pınar Et's sales in 2016 were realized with Yaşar Birleşik Pazarlama channel, the direct channel's share in sales was 22% and the share of export was 3%. In addition, McDonalds and IKEA sales in this period were included in the direct channel.

Having a significant share in achieving market leadership of Pınar branded products thanks to its widespread and effective distribution power, Yaşar Birleşik Pazarlama carries out sales and distribution of products with experienced and strong personnel who are experienced in their fields, working customer-oriented and with more than 1.200 vehicles.

Yaşar Birleşik Pazarlama, which builds all its trade on productivity and reporting, constantly monitors its operations with today's most effective and modern software systems and reports its results accordingly. YBP gives great importance and support to the training of the whole team by developing training programs with the aim of increasing the sales skills both within the company and within the business partners.

Pınar in Away From Home Consumption Channel
The increase in the number of female employees and the increase in single-person dwellings are among the reasons that affect lifestyle habits, consumer trends, and hence the increase in away from home food consumption.

These changes cause the AFH (Away From Home) channel to gain value and importance every passing day. Reaching the AFH channel with “Pınar Professional” brand, Pınar Et offers service for a wide customer portfolio, including hotels, restaurants, catering companies and schools. The company also interacts with chef cooks as “Opinion Leaders” and learns the core of business, understands consumer needs well, and keeps developing innovative and practical products with a view to present healthy foods that make lives easier.

Pınar participated in the 4th EDT EXPO, which was organized at CNR Expo on March 24-27, 2016. The tastes created by different consultant chefs using Pınar’s products were shared with participants for four days. In particular, Researcher Author Chef Ömür Akkor’s exhibition themed “1000 Years of Anatolia” attracted great attention.

As part of EDT EXPO, the contest “Gelenekten Geleceğe Lezzet Pınar’ı” (Taste of Pınar from Tradition to Future) was held. Local tested modernized by 10 university teams using Pınar’s products were evaluated by a jury of chefs. The first three entrants ranked were given gifts by Pınar for their career development. 3 teams received “Leadership Training for Taste Hunters” organized on May 18-20 at Altın Yunus Hotel.

The 2nd National Cookery Camp was organized in Mengen, Bolu, by AŞOMDER (Association of Graduates of Bolu Mengen Cookery School) for 4-year Gastronomy Departments and 2-year Vocational Culinary Schools. In the camp where Pınar brand was also available as a supporter, there were various trainings with the Pınar products.

Exhibitions Attended by Pınar Et in 2016
- Dubai GULF FOOD 2016 Exhibition / 21-25 February 2016
- 3rd Şanlıurfa Food, Agriculture and Livestock Exhibition / 3 - 6 March 2016
- Seafood Expo North America 2016 / 6 - 8 March 2016
- EDT EXPO 2016 / 23 – 26 Mart 2016
- Paris SİAL 2016
- Anufood Exhibition / 14 - 16 April 2016
- Healthy Nutrition and Healthy Living Days in Turkey - Natural 2016 Exhibition / 14 - 17 April 2016
- Future Fish Eurasia 2016 / 2 - 4 June 2016
- İzmir International Fair / 26 August - 4 September 2016
- Sirha-İstanbul Exhibition / 24 - 26 November 2016

Pınar Communication Center
Acting in line with the principle of “Consumers and customers first”, Pınar Et, with its customer-oriented understanding, reviews and considers all requests and suggestions.

Accessible from anywhere in Turkey on 444 76 27, without the need to dial an area code, the Pınar 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. Consumers are provided information as soon as possible regarding the issues received. PIM’s answering rate is 92% and 87% of calls are answered within the first 15 seconds.

The 2016 satisfaction survey conducted among consumers revealed that the level of satisfaction with the Pınar Communication Center is 92%. The Twitter account, **“twitter.com/InfoPinar”**, is also used to review requests and recommendations and resolve problems through social media.

Suppliers of Pınar Et

Pınar Et's meticulously selected and tested suppliers consist of hundreds of companies located in every region of Turkey. Pınar Et fulfills the promise of delicious and healthy products offered to its consumers through its long-standing collaborations.

1,200

NUMBER OF FARMS VISITED BY PINAR ET ANNUALLY

Suppliers play an important role in supplying Pınar Et's "safe and hygienic products" to its customers and consumers. Pınar Et, which meets the needs of meat with live animals purchased from many domestic breeding farms in different regions throughout Turkey, is expanding its purchase hinterland every day and thus continues to work with many new suppliers to support the manufacturer.

Pınar Et, which provides all live turkey purchases and some of the bovine purchases from Çamlı Yem Besicilik, the agricultural production company of the Yaşar Group, also offers a balanced distribution of the supply chain with the careful and latest technological feedings from its own bovine ranch.

Pınar Et, which carries out slaughtering processes with the latest technological methods at its own facilities, supports and nourishes cattle breeding for the supply of bovine animals at the best quality under the control of the active technical staff in the field.

FOOD SAFETY AUDITS

Pınar Et develops long-term cooperation with its suppliers in accordance with the criteria, which are subject to regular audits in parallel with the concept of providing quality and healthy products. With the audits made, new materials suitable for food safety are developed jointly, suppliers are offered the opportunity to enter new business areas. Pınar Et carries out supplier audits within its annual audit plans and provides supplier's action plans to identify and improve missing areas.

The company conducts field inspections and process-oriented applications, and conducts field visits with certain periods starting from procurement. Thus, by providing the highest quality, most reliable raw materials, approximately 1000-1200 farms are visited per year. Pınar Et, who has established close cooperation with its suppliers for safe food supply from the farm to the table, subjects all its meat suppliers to audits without exception and continues to work with all the suppliers who are eligible under the criterion.

The company takes into consideration many criteria such as infrastructure, experience, capacity, complying with Pınar Et rules, using legal compliance and legal inputs, complying with animal welfare, and evaluates accordingly.

Thanks to its information network of supply chain management communication, Pınar Et ensures that suppliers who are in constant contact are aware of possible developments and innovations in the sector. Pınar Et, organizing quality and innovation circles and cooperating, and trying to apply the mentioned innovations in priority, enlarges its business volume while increasing the business volume of the suppliers.

Pınar Et Family

Pınar Et, which does not compromise on the concept of "People First", employed an average of 908 people in 2016. Employing fair human resources policies, the Company is focused on efficiency and competence in line with its core business policies and strategies.

908	105
AVERAGE NUMBER OF EMPLOYEES IN 2016	NUMBER OF INTERNSHIP STUDENTS IN 2016

Pınar Et, which adopts the strategy of attracting and developing the "qualified, creative, innovative, motivated and high performance" work force in the market and increasing the commitment of its employees, is investing in its employees with training and motivation programs.

With this strategy, Pınar Et 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, and operates through the principle of "increasing productivity of employees by developing skilled and effective human resources", which is a part of Yaşar Group corporate culture.

Pınar Et, to make it one of the basic pillars of growth and development as being effective, productive and long-term, has made several efforts to increase the personal, professional and management skills of its employees in 2016:

• Pınar Et, providing personal and vocational trainings to Yaşar Academy Online Training Platform in addition to internal and external training for its employees, also provided a total of 14,663 hours of training per person and an average of 16 hours of training per person during 2016. The trainings given by the company were mainly gathered in three groups as personal development, professional and management skills.
• Pınar Et, employing an average of 908 people in 2016, provided internship opportunities to 105 university and 37 high school students throughout the year.
• Pınar Et, who has been evaluating feedback with the "Employee Opinion Survey" since 1998, increased employee satisfaction by acting according to the results of the survey in 2016.

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

In line with Yaşar Holding's approach, Pınar Et defines its sustainability approach under 5 topics, namely "Energy and Climate Change", "Water Consumption and Waste ", "Material Consumption and Waste Materials", "Health and Safety" and "Social Contribution", and considers its priorities accordingly.

Pınar 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.

Pınar Et, with its pioneering and exemplary corporate identity, keeps its responsibility towards the environment and keeping it in the forefront and continues its activities with the aim of eliminating adverse effects on the environment in all processes or keeping them at a low level.

Pınar Et considers economic, environmental and social sustainability as the formula of long-term, healthy and profitable performance. Basing its corporate strategy and objectives on this strategy, the Company continues all its improvement efforts to increase productivity in production operations and energy consumption with a sustainability team that is structured within the Yaşar Group.

WATER AND ENERGY MANAGEMENT

Having established TS EN ISO 14001 Environmental Management System in 2004 and TSE EN ISO 50001 Energy Management System in 2013, Pınar Et aims to produce with "less energy, less water and less waste" as its main target.

Aiming for the efficient management of water used in all production processes, Pınar Et made savings by continuing working towards measuring and monitoring water consumption throughout the factory in 2016.

WASTE MANAGEMENT

Pınar Et manages the wastes generated as a result of its production activities through the Waste Management System, to keep the Environmental Management System under proper supervision. In this context, it was ensured that the types of waste were determined, collected separately at the source, temporarily stored and transferred to the licensed recycling facilities. The report, which includes the management plan, was submitted to the Ministry of Environment and Urban Planning for approval. Data on waste management are regularly recorded every year in the information system of the Ministry of Environment and Urbanization.

IMPROVEMENTS IN LOGISTICS MANAGEMENT

Pınar Et focuses on the efficiency in logistics processes and supports customer satisfaction with its activities supporting the Green Logistics approach in terms of transportation of products and services.

With the new route optimization model, the company provides efficiency in intercity land transport operations throughout the country, simultaneously creating a logistical model based on more and faster transport volume with less distance, with the goal of environmental sustainability.

Out of almost 40,000 separate shipments made by Yaşar Food Group companies, a total of 91% of non-perishables and 55% of perishables transported across the country were carried by articulated Lorries.

The 2016 Dealer (Customer) Logistical Services Satisfaction Survey reveals a satisfaction level of 95%.

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 and performance values are regularly reported to these firms.

ENVIRONMENTAL POLICY AND IMPLEMENTATION

Pınar Et continues to work in accordance with the legal obligations in line with the Environmental Policy prepared within the scope of the Environmental Management System, with the principle of protecting the environment and reducing pollution in its activities.

Pınar Et, which provides training throughout the year to raise awareness of its employees about energy use and the environment, has set targets for reducing energy use in new investment projects.

Audited each year by third party organizations within the scope of documents and certificates it owns, the company passes successfully through all audits. Pınar Et also evaluates its suppliers with the audits they are subjected to regarding their environmental responsibilities.

CARBON AND WATER FOOTPRINT CALCULATION

With a team formed by Carbon Leader, Yaşar Group defined 2010 as its basis and started measurement operations.

Accordingly, the Holding continued calculation and reporting of "Corporate Carbon Footprint" in 2016. Accordingly, Pınar Et aims to reduce its carbon emissions by 15% by 2020.

Following the carbon footprint activities, Yaşar Holding intends to perform water footprint calculation and reporting in specific pilot regions in order to monitor consumption of natural resources and increase its environmental awareness, and thus started to perform for decreasing water consumption. Water Leaders were defined and trained as part of these water footprint initiatives. Water footprint studies are aimed to be started in 2017.

IMPROVEMENT - ENERGY CONSUMPTION ACTIVITIES

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

For an area of about 10,000 m2, the insulation-free roofing material was replaced by an insulated roofing material.

ENVIRONMENTAL RESPONSIBILITY

Within the scope of the sapling planting project which was initiated in 2014 with the aim of establishing environment protection awareness, saplings are planted with the help of Forest Regional Directorate on behalf of all employees who brought 10 waste batteries and the employees are given certificates by their own names.

OCCUPATIONAL HEALTH AND SAFETY PRACTICES

Internalizing valuing its employees as an institutional principle, Pınar Et attaches great importance to occupational health and safety training and continues to raise awareness in order to provide a safe and healthy working environment, as well as legal obligations and to spread security culture.

Pınar Et prepares and implements preventive plans for work accidents and occupational diseases that may occur by carrying out risk analysis on Occupational Health and Safety and these studies are carried out with the participation of employees.

Having the TSE 18001 Occupational Health and Safety Management System certificate, Pınar Et continues to take preventive measures by continually keeping control mechanisms in place to remove or minimize unsafe situations and activities at workplaces to prevent and reduce work accidents. In addition, who frequently reviewing working conditions, Pınar Et takes precautions without losing time when any faulty situation is detected. Pınar Et regularly monitors the Occupational Health and Safety Policy according to changing conditions.

The Company, regularly conducting Occupational Health and Safety Committee meetings in 2016 by taking the opinions of its employees and improving its system, also keeps track of the legal compliance of companies that are or will be cooperating by also considering the safety of external service contractors and suppliers, and informs the companies it is working with about the changes in the legislation.

Pınar 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

Pınar Et works, produces and develops projects for a conscious and healthy society with "Pınar" brand, which carries out many social responsibility activities in the field of sustainable education.

3 MILLION

NUMBER OF CHILDREN REACHED BY PINAR KIDS THEATER IN 30 YEARS

46,992

NUMBER OF ENTRIES SUBMITTED TO PINAR KIDS ART COMPETITION OF 2016

Pınar Et, acting with the principle of giving back what it receives from the society, carries out social responsibility projects in the fields of arts, education, sports and preservation of cultural assets and considers the continuous support provided as an important and indispensable tool of the principle of giving back to society.

The "Pınar" brand, which includes Yaşar Group's Pınar Süt with Pınar Et and Pınar Su, produces value for the whole society through its products, the direct and indirect employment opportunities it creates, the investments, the goods and services it performs and the taxes it pays.

PINAR KIDS THEATER

Pınar Kids Theater aims to foster a love of theater among children and contribute to their cultural and personal development. Over the course of 30 years, the Pınar Kids Theater has reached more than three million children, and performed a new play called "Game Train" in the school year of 2015-2016. Pınar Kids Theater went on a tour covering İzmir, Tire, Ödemiş and Milas and reached thousands of children thanks to this game which was designed professionally in terms of stage, music, decoration and costumes. Pınar Kids 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 KIDS ART COMPETITION

The Pınar Art Competition has been running for 35 years with the aim of increasing primary school children's interest in the fine arts, and its main theme in 2016 was "My Dreams for Future".

Out of 46,992 entries submitted from every part of Turkey, the Turkish Republic of Northern Cyprus, Germany, Qatar, United Arab Emirates, Kuwait and Saudi Arabia, the works of 27 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 Büyükada, Istanbul as well as tablet PCs.

PINAR KIDS PAINTING WORKSHOP

Pınar Children’s Painting Workshop was organized in 2016 for the first time. Pınar Painting Workshop was built for 5 days at 7 shopping malls in 7 provinces (Samsun, Şanlıurfa, Kahramanmaraş, Adana, Ankara, İstanbul, İzmir). Pınar Children’s Painting Workshops reached 4,025 children.

SUPPORT FOR SPORTS

Pınar has been supporting sport as the sponsor of Pınar Karşıyaka Basketball Team for 19 years. It also contributes to development of basketball by supplying drinks and taking on name sponsorship.

PINAR KSK

Pınar contributes to education, sports and protection of cultural properties as part of its sports communication activities with the concept of “social citizenship”. With this corporate culture approach, Pınar Karşıyaka Sports Club has been supported for about 60 years under the leadership of Selçuk Yaşar, Founder and Honorary President. Since 1998, Pınar supports Pınar Karşıyaka Basketball Team and thousands of young athletes as the main sponsor. Pınar supports Pınar Karşıyaka to unite people, youngsters and children of İzmir around sports to make İzmir a city of basketball, and its recent achievements include Turkish Cup Championship, Presidential Cup Championship and Turkish Basketball League Championship. Pınar Karşıyaka also successfully represented Turkey in EuroChallenge and Euroleague. Besides its support for Pınar Karşıyaka Basketball Team, Pınar provided about 25.000 children with the opportunity of sports in young teams and sports schools, together with Pınar Karşıyaka Basketball Branch.

Pınar Newspaper

Pınar Newspaper, published tri-monthly and an important reference source for farmers who are engaged in dairy and meat farming, is prepared for 4.000 manufacturers and features topics such as stockbreeding, dairy technology, and animal health.

SPONSORSHIPS

Contributing to sectoral development and participating in many congresses since its establishment, Pınar continues to be a supporter of these organizations held in such fields as quality, food, R&D and marketing. Pınar creates opportunities to meet with industry leaders and scientists by sponsoring activities in Turkey to develop cooking, gastronomy and culinary culture. In 2016, Pınar Et sponsored 4 congresses, 3 symposiums and 15 events.

Awards and Certificates

In 2016, Pınar Et was awarded in a wide range of fields such as marketing, ethics, communication, energy efficiency and packaging in local and international organizations.

Gold Medal in Currency Support (Izmir Chamber of Commerce)
Pınar Entegre Et ve Un San. A.Ş

Gold Medal in Trading Profit (Izmir Chamber of Commerce)
Pınar Entegre Et ve Un San. A.Ş.

Silver Award from International Stevie Business Awards to Pınar Painting Contest
Pınar won the Stevie Award at the Stevie Business Awards 2016, where more than 3,800 applications were made from more than 60 countries, for the Social Responsibility Project of the Year in Europe with the “International Pınar Kids Painting Contest”.

Institutions Adding Value to City Award
Pınar and Yaşar Holding won the Institutions Adding Value to City Award by placing in the first two in “Research on Institution Adding Value to İzmir” conducted by Marketing Turkey with Akademetre Research Company.

The Most Successful Brand in the Food Sector in “Integrated Marketing Awards”
Pınar won The Most Successful Brand of 2016 in the Food Sector Award in Marketing Turkey Magazine and the Akademetre Research Company’s Integrated Marketing Awards given according to the “Reputation and Brand Value Performance Measurement” research for the sector within 43 categories.

Pınar Et's Milestones

Since its inception, Pınar Et has been one of the most trusted brands among consumers and over its 33 years it has introduced numerous innovations.

Meat Products Sector Leader

1983 The foundations of Pınar Et are laid. **1985** Pınar Et, Turkey's first fully-integrated and privately-owned meat plant, is established.**1987** Pınar Et introduces Turkey's first hamburger mix specially made for the food trade.**1994** Pınar 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** Pınar Et launches production of sliced meat products for the first time in Turkey, using clean-room technology and under the strictest hygienic conditions. **2001** Pınar 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** Pınar Et moves to TS ISO 9001:2000 Quality Management System certification. **2004** Pınar 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** Pınar Et becomes the first company in its sector to receive TSE ISO 22000 Food Safety Management System certification**.** **2007** Pınar Et becomes the first company in its sector to receive TSE OHSAS 18001 Occupational Health & Safety Assessment Series certification. • The Company's success is recognized by an award from the Izmir branch of KalDer, the Turkish Quality Association. **2008** Pınar 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– Pınar Misket Meatball and Pizzato Alaturka (a thin-crust pizza)– are introduced. **2010** The Pınar Et "Aç Bitir" (easy-open, smaller-sized) product line of salami, sausages, and soudjouks is launched. **2011** Pınar Et Profesyonel is set up to cater for the away-from-home channel. • Pınar Et demonstrates its expertise in charcuterie with the launch of its "Şölen", "Delight", and "Gurme" labels, Gurme soudjouks and sausages made from top-quality meat are introduced to the market. **2012** In a survey conducted by GfK RepMan Reputation Research Center, Pınar Et is identified as one of Turkey's ten most highly-respected companies. • BrandSpark International awards Pınar Et "Best New Product" for its "Aç Bitir Salami" and "Gurme Burger" products. • According to Nielsen and Superbrands, Pınar Et is one of Turkey's top ten superbrands. **2013** Börek varieties are introduced to consumers: **2014** "Su Böreği" and "Gurme Mantı" are introduced to consumers. • In the charcuterie category, production began of "Pınar Gurme" salami, ham and smoked meats. • Pınar's "Aç Bitir" communication campaign received a Golden Effie, one of the Turkish advertising industry's most respected awards. **2015** "Aç Bitir" smoked Turkey Breast Meat is added to the Aç Bitir lineup **2016** The Most Successful Brand of the Year in Food Sector • Pınar Gourmet pastrami and Paçanga Borek are presented to consumers taste.

CORPORATE GOVERNANCE PRACTICES AND FINANCIAL INFORMATION

BOARD OF DIRECTORS

Emine Feyhan Yaşar - Chairperson
Emine Feyhan Yaşar received a bachelor's degree from Boğaziçi University Administrative Sciences Faculty in 1978 and a post-graduate degree in Department of Economics from Dokuz Eylül University. Yaşar started her career in 1978 at DYO as a Human Resources Expert and served as Personnel Affairs Coordinator, Tourism Coordinator and Executive Committee Member, and acted as Vice Chairperson and Board of Directors Member. Feyhan Yaşar served as Vice Chairperson of Yaşar Holding Board of Directors (1997 – 2003) and Chairperson of Yaşar Holding Board of Directors (2004 – 2009) and still serves as Vice Chairperson of Hedef Board of Directors. Serving as Chairperson of the Board of Directors of Pınar Su, Pınar Et and Altın Yunus and as Board Member at other Yaşar Group companies, Emine Feyhan Yaşar is also the Vice Chairperson of Yaşar Holding Board of Directors.
Yaşar, acting as Chairperson of Beverages Industry Commission of Union of Chambers and Commodity Exchanges of Turkey, also serves as Vice Chairperson of Yaşar Education and Culture Foundation, Board Member of Corporate Governance Association of Turkey (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). Emine Feyhan Yaşar is a member of Turkish Industry and Business Association (TÜSİAD), Union of Turkish Dairy, Meat and Food Industrialists and Manufacturers (SETBİR) and Aegean Industrialists and Businessmen Association (ESİAD).

İdil Yiğitbaşı – Vice Chairperson
Graduated from Boğaziçi University Business Administration Department in 1986 and completing MBA in Indiana University, İdil Yiğitbaşı started her professional life in Yaşar Holding as President Assistant. Yiğitbaşı 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 acted as Vice Chairperson of Yaşar Holding Board of Directors from 2003 to 2009. Yiğitbaşı served as the Chairperson of Yaşar Holding Board of Directors from April 2009 to April 7, 2015 and was appointed as the Vice Chairperson on this date. Yiğitbaşı is a Board Member of Turkish Industry and Business Association (TÜSİAD) and Member of Union of Turkish Dairy, Meat and Food Industrialists and Manufacturers (SETBİR), ESİAD and Corporate Governance Association of Turkey (TKYD) and acts as a member of board of directors for a number of Yaşar Group companies.

Mustafa Selim Yaşar - Member
Graduated from Paris-Académie Arqueille Sorbonne in 1976, the New York University in 1980 and from the Pace University Business Administration-Finance Department in New York in 1981, Mustafa Selim Yaşar started his career at Yaşar Dış Ticaret A.Ş. in the same year. After working in Yaşar Dış Ticaret A.Ş. in various positions for 8 years, he served as CFO in Yaşar Holding A.Ş. between 1988 and 1996; moreover, he served as President of Coatings-Chemistry and Beverage Group in the same years. Yaşar held the positions of Board Chairperson and CEO of Otak-Desa A.Ş. and Desa Enerji A.Ş. from 1997 to 2000. Acting as Chairperson of Board of Directors of İzmir Teknopark A.Ş., BDS İş Geliştirme Ltd. Şti. and Yüzey İnşaat Taahhüt A.Ş. since 2000, Yaşar served as Board Member, Board Chairperson and President of Assembly of the Aegean Region Chamber of Industry from 1991 until 1997 and served as Vice Chairperson of Aegean Industrialists and Businessmen Association, of which he is a founding member, for 4 years. Having functioned as Deputy Chairperson of İzmir Metropolitan Municipality Council and as a member of Karşıyaka Municipal Council from 2004 to 2009, Mr. Yaşar currently serves actively at a number of non-governmental organizations. Acting as Chairperson of Board of Directors of Desa Enerji A.Ş., Dyo Boya A.Ş. and Yaşar Birleşik Pazarlama A.Ş. since March 2014, Mr. Yaşar also serves as Chairperson of Board of Directors of Yaşar Dış Ticaret A.Ş. and Yaşar Holding A.Ş since March 2015.

Ali Yiğit Tavas - Independent Member
Ali Yiğit Tavas graduated from Ege University Faculty of Agriculture Department of Agriculture Technology as Certified Agriculture Engineer in 1979 and started his career as Production Engineer in Pınar Süt in the same year. He served as Technical Promotion Expert and Chief of R&D Department and was transferred to Pınar Et in 1984 and worked as Production Manager, R&D Manager, Assistant Technical General Manager, General Manager and Food Group Production Director Assistant. Tavas served as Assistant Director in Yaşar Food Group Meat and Meat Products Assistant Director from 2001 to 2003 and then retired from the group. Serving as Production Coordinator in Abalıoğlu Holding between 2004 and 2006, Mr. Tavas still acts in the Board of Directors of other companies in Yaşar Group.

Kemal Semerciler - Independent Member
Semerciler was born in 1958. He graduated from Uludağ University Faculty of Economics and Administrative Sciences. Semerciler started his career at Yapı Kredi Bank as an assistant inspector in 1981 and worked as Manager in departments of Financial Control and Budget, General Accounting and Financial Affairs between 1990 and 2003. He worked as Chairperson of Board of Inspectors between 2004 and 2006. Semerciler served as Assistant General Manager of the Legislation Department from 2006 to 2008 and as the Consultant to the General Manager of Yapı Kredi Bank from 2008 to 2009. Acting as Member of Board of Directors and Inspector in many affiliates of the bank during his term in Yapı Kredi Bank, Semerciler served as Board Member in Abank between March 2010 and March 2016.

BOARD OF DIRECTORS

Yılmaz Gökoğlu - Member

Yılmaz Gökoğlu has a bachelor's degree from Ankara University Faculty of Political Sciences Economics-Finance Department in 1977, served as an Account Expert at the Ministry of Finance from 1978 to 1982 and joined Yaşar Group in 1983. Working in various senior management positions in the group especially in financial operations and inspection fields, Gökoğlu was elected as a member of Yaşar Holding Board of Directors in April 2007. Acting as General Secretary of Board of Directors in Yaşar Holding, Gökoğlu also serves as Member of Board of Directors in companies included in 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 State of New York University in 1983. Erol worked as an Assistant Professor of Finance at Çukurova University from 1983 to 1985, as Associate Professor of Finance at Yarmouk University in Jordan from 1985 to 1990 and in the Department of Business Administration at the Middle East Technical University (METU) from 1990 to 1993, and as Professor of Finance in Middle East Technical University from 1993 to 2010. He was an Advisor to the CEO of Ereğli Demir Çelik Fabrikaları A.Ş. between 1991 and 1994, Board Member at Ankara Sigorta and Chairperson at Ankara Emeklilik Sigorta between 2000 and 2003, advisor to the Board of Directors at İnterfarma Tıbb. Mal. A.Ş. from 2002 to 2004, Board Member at İnterfarma Tıbb. Mal. A.Ş. from 2004 to 2008, Head of the Department of Business Administration at METU from 2008 to 2010 and worked as Assistant to President of METU and Member of Executive Board of 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 served as faculty member in the same department and the Manager of the Institute of Social Sciences from 2010 to 2015. 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

Graduated from Ankara University, Faculty of Political Sciences, Department of Public Finance. Levent Rıza Dağhan started his career as an Assistant Manager with British International Leisure Group Turkey in 1986. Mr. Dağhan worked as Branch Manager and Managing Director of Operational Planning and Analysis in the London head office. He began to work for Yaşar Holding's Auditing Department in 1991. After working as Auditor, Auditing Coordinator, Vice President of Head of Auditing, he continued as Vice President of Financial Affairs and Finance in the Coating-Chemistry Group from April 2001 to December 2003. From January 2004 to June 2009, Mr. Dağhan carried out his duties as CEO of Öğer Group and held offices actively in the capacity of Member of Board of Directors and Vice President at Group companies, especially, Öğer Holding and Atlasjet International Airlines. He was Head of Financial Affairs and Budget Control at Yaşar Holding Inc. from June 2009 to September 2015. Mr. Dağhan was appointed Deputy CEO of Food Group in September 2015.

Tunç Tuncer – General Manager

Having completed his undergraduate study at Ege University Faculty of Agriculture, Department of Agricultural Products Technology in 1985, Mr. Tunç Tuncer started his career at Pınar Entegre Et ve Un Sanayi A.Ş. as Production Engineer in the same year. After a position as Technical Director from 1999 to 2012, Mr. Tuncer has been working as General Manager of Pınar Et since June 2012.

Orkun Naldelen – Financial Affairs and Finance Director

Orkun Naldelen, after completing his undergraduate study at Dokuz Eylül University Faculty of Economics and Administrative Sciences, Department of Public Finance in 1997, started to work in the Accounting Department at Yaşar Birleşik Pazarlama Dağıtım, Turizm ve Ticaret A.Ş. in 2000. Between 2000 and 2016, Mr. Naldelen served as Accounting Team Leadership and Accounting Manager Afterwards, he assigned served as Director of Financial Affairs and Finance at Pınar Entegre Et ve Un Sanayii A.Ş. in December 2016.

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

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.

AGENDA

AGENDA FOR 2016 ORDINARY GENERAL ASSEMBLY OF PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. DUE ON MARCH 30, 2017

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 2016 prepared by the Board of Directors,
4. Reading and deliberating the Independent Auditor's Report for 2016 fiscal year,
5. Reading, discussion and approval of 2016 Financial Statements,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2016 operations,
7. Negotiation and resolution on amendment of article 4 titled "Head Office and Branches of the Company" of Articles of Incorporation in order to adopt Company's head office address to MERSIS (Central Registry System) where Central Address System and trade registry transactions are carried out electronically,
8. Under the Registered Capital System Communiqué of Capital Markets Board numbered II-18.1, 5 years validity period for registered capital cap in amount of 100.000.000,00 TL will be at the end of 2017, negotiation and resolution about amendment of Article 6 titled "Registered Capital" of the Articles of Incorporation in order to extend the validity period of our Company's registered capital cap to cover years 2017-2021,
9. 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,
10. 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,
11. 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,
12. 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,
13. 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,
14. Deliberating and voting on matters pertaining to the year's profits,
15. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,
16. Wishes and opinions.

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 March 29, 2016 have been implemented. An Extraordinary General Assembly Meeting was not convened during 2016.

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 2016 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 2016, the Company's donations and grants to various organizations and institutions amounted to TL 803,265.

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 2016 - 31 December 2016.

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
No changes were made to the articles of incorporation during the reporting period.

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 December 31, 2016, remuneration and other benefits to the members of the Board of Directors and senior executives amounted to TL 6,339,896.

Disclosures Concerning Special Audit and Public Audit Conducted During the Fiscal Year
During 2016, 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 418,932,935 as at December 31, 2016 indicates that the issued capital of TL 43,335,000 has been very well maintained.

ARTICLES OF ASSOCIATION AMENDMENT DRAFT

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

PREVIOUS TEXT THE HEAD OFFICE AND BRANCHES OF THE COMPANY: Article 4 -	NEW TEXT THE HEAD OFFICE AND BRANCHES OF THE COMPANY: Article 4 -
The head office of the company is in Izmir. Its address is Şehit Fethi Bey Cad. No.120. In case of any changes in the address, the new address shall be registered in the trade registry and announced in Turkish Trade Registry Gazette. The notifications made to the registered and announced address shall be deemed to have been made to the company. In case the company does not register its new address in the registry term, this will constitute a reason for termination although the company moves from the registered and announced address. The company may open branches within and outside the country pursuant to Turkish Commercial Code, Capital Market Law and other legislative provisions. In case the company opens or closes branches, such actions shall be registered in the Trade Registry and announced in the Turkish Trade Registry Gazette.	The head office of the company is in Izmir. Its address is **Akdeniz Mahallesi Şehit Fethi Bey Caddesi No.120/101 Konak/IZMIR**. In case of any changes in the address, the new address shall be registered in the trade registry and announced in Turkish Trade Registry Gazette. The notifications made to the registered and announced address shall be deemed to have been made to the company. In case the company does not register its new address in the registry term, this will constitute a reason for termination although the company moves from the registered and announced address. The company may open branches within and outside the country pursuant to Turkish Commercial Code, Capital Market Law and other legislative provisions. In case the company opens or closes branches, such actions shall be registered in the Trade Registry and announced in the Turkish Trade Registry Gazette.
PREVIOUS TEXT REGISTERED CAPITAL Article 6 -	**NEW TEXT REGISTERED CAPITAL Article 6 -**
The Company accepted Registered Capital System pursuant to the provisions of Capital Market Law dated 28.07.1981, and started this system with the permission of Capital Market Board dated 27.04.1983 and numbered 111. The Registered Capital of the Company is TRY 100.000.000 (ONEMILLION TURKISH LIRA). Par value of each share: 1 Kr. Authorized capital stock permission granted by the Capital Market Board is valid for 5 (five) years between 2013-2017. Even if the authorized capital stock is not reached by the end of 2017, for the board of directors to decide for capital increase after 2017, an authorization from the general assembly shall be sought by obtaining permission from the Capital Market Board for the previously permitted authorized stock or a new authorized stock. In case such authorization is not obtained, the company shall be deemed to have exited the registered capital system. The issued capital of the Company is TRY 43.335.000, and TRY 41.877.500 of this capital has been met by Internal Resources, and TRY 337.500 of the capital has been obtained by the 7.5 times exchange unit of Capital Market Board and approved by the partners of TRY 45.000 belonging to Pınar Un ve Tarım Ürünleri Sanayi A.Ş., and	The Company accepted Registered Capital System pursuant to the provisions of Capital Market Law dated 28.07.1981, and started this system with the permission of Capital Market Board dated 27.04.1983 and numbered 111. The Registered Capital of the Company is TRY 100.000.000 (ONEMILLION TURKISH LIRA). Par value of each share: 1 Kr. Authorized capital stock permission granted by the Capital Market Board is valid for 5 (five) years between **2017-2021.** Even if the authorized capital stock is not reached by the end of **2021,** for the board of directors to decide for capital increase after **2021,** an authorization from the general assembly shall be sought by obtaining permission from the Capital Market Board for the previously permitted authorized stock or a new authorized stock. In case such authorization is not obtained, **the capital can not be increased based on the Board of Directors' decision.** The issued capital of the Company is TRY 43.335.000, and TRY 41.877.500 of this capital has been met by Internal Resources, and TRY 337.500 of the capital has been obtained by the 7.5 times exchange unit of Capital Market Board and approved by the partners of TRY 45.000 belonging to Pınar Un ve Tarım Ürünleri Sanayi A.Ş., and

the remaining TRY 1.120.000 is paid in cash. The issued capital in the amount of TRY 43.335.000 is composed of 4.333.500.000 shares among which 1.500.000 shares to the A group registered shareholders and 4.332.000.000 shares to B group bearer, with 1 Kr. value each.	the remaining TRY 1.120.000 is paid in cash. The issued capital in the amount of TRY 43.335.000 is composed of 4.333.500.000 shares among which 1.500.000 shares to the A group registered shareholders and 4.332.000.000 shares to B group bearer, with 1 Kr. value each.
The Board of Directors is authorized to increase the capital by issuing shares to the bearer/as registered up to the registered authorized stock in compliance with the provisions of the Capital Market Law and the regulations of Capital Market Board between 2013-2017 when deemed necessary.	The Board of Directors is authorized to increase the capital by issuing shares to the bearer/as registered up to the registered authorized stock in compliance with the provisions of the Capital Market Law and the regulations of Capital Market Board between **2017-2021** when deemed necessary.
Shares representing the capital are monitored pursuant to principles of dematerialising.	Shares representing the capital are monitored pursuant to principles of dematerialising.
The Board of Directors is authorized to issue privileged shares in their above or below par value, to limit the rights of shareholders to buy new shares, or to make decisions restricting the rights of the privileged shareholders.	The Board of Directors is authorized to issue privileged shares in their above or below par value, to limit the rights of shareholders to buy new shares, or to make decisions restricting the rights of the privileged shareholders.

STATEMENT OF INDEPENDENCE

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 12/31/1960,

• 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

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 12/31/1960,

• 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,

Kemal SEMERCİLER

PROFIT DISTRIBUTION PROPOSAL

At the Board meeting of our Company dated 03.03.2017;

When the net distributable profit is calculated for 2016; considering Turkish Commercial Code, Capital Markets Regulation, Corporate Tax, Income Tax and other legal regulation provisions, articles of our articles of association regarding profit distribution and our Profit Distribution Policy, according to the financial statements of our Company audited independently and prepared based on Turkish Accounting Standards and in accordance with Communiqué II-14.1 of Capital Markets Board, net distributable period profit is calculated as 59.689.181 TL and no General Legal Reserves were kept as legal limit is reached being 59.689.181 TL which is the net period profit of 2016.

Out of the distributable profit calculated, it is resolved to submit the following matters for the approval of Ordinary General Asembly;

- to distribute First Dividend to Shareholders in amount of 12.098.489 TL equal to 20% of distributable profit, a considering donations in amount of 803.265 TL made within the year parallel to CMB regulations,
- to reserve Board Allocation not exceeding 5% stipulated in the articles of incorporation over the remaining amount,
- to distribute Second Dividend to Shareholders in amount of 31.669.861 TL equal to 85,85% of our nominal issued capital (43.335.000 TL) together with First Dividend amount over the remaining amount (Total net amount of First and Second Dividend is 37.203.098 TL),
- to keep Legal Reserves in amount of 4.390.160 TL,
- to keep the entire remaining amount as Extraordinary Reserves.

Cash dividend shall be paid in net amount of 0,8585 TL for each share traded in exchange market with a nominal value of 1 TL.

Sincerely,
PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
2016 PROFIT DISTRIBUTION TABLE (TL)

1.	Paid-in/Issued Capital		43.335.000
2.	General Legal Reserves (According to Legal Records)		
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	68.946.061	59.320.139
4.	Taxes (-)	(9.256.880)	(8.731.395)
5.	Net Profit for the Period (=)	59.689.181	50.588.744
6.	Losses in Prior Years (-)	0	0
7.	General Legal Reserves (-)	0	0
8.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**59.689.181**	**50.588.744**
9.	Donations during the Year (+)	803.265	
10.	Net Distributable Profit for the Period Including Donations	**60.492.446**	
11.	First Dividend to Shareholders		
	- Cash	12.098.489	
	- Bonus Share		
	- Total	12.098.489	
12.	Dividends Distributed to Owners of Privileged Shares		
13.	Dividends Distributed to Others		
	- Members of the Board of Directors	2.300.000	
	- Employees		
	- Outside of Shareholders		
14.	Dividends Distributed to Owners of Redeemed Shares		
15.	Second Dividend to Shareholders	31.669.861	
16.	General Legal Reserves	4.390.160	
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	9.230.671	130.234
20.	Other Resources to be Distributed		
21	General Legal Reserve Fund for Other Sources 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.	37.203.098		62,33%	0,8585	85,85
	TOTAL	**37.203.098**		**62,33%**	**0,8585**	**85,85**

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 2016, 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.

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.

Technical infrastructure of web site for investor relations was renewed and user interface was improved in 2016. Donation policy of the Company was submitted for approval of 2015 general assembly and we made progress for the board committees to work more efficiently.

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)

Phone: 0 232 495 00 00
Fax: 0 232 489 17 89
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 50 investors, and responded to more than 100 queries by phone or e-mail. Shareholders requested information about situation of their dematerialized shares and regarding changes of share values. 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 2015 full year and for 2016 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.

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 2016, 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 2016.

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 2015 Annual General Assembly meeting took place on 29 March 2016 during the reporting period at the Pınar Süt factory located at Kemalpaşa Asfaltı No: 317 Pınarbaşı/IZMIR. At the 2015 ordinary general assembly meeting, 78,34% 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 is invited and 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 2015 Ordinary General Assembly meeting covered detailed descriptions about each general meeting 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.

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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.

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 2016 at the meeting. The Donations Policy was approved by 2015 Ordinary General Assembly.

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.
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 2015 has been completed on 31 May 2016.

2.6. Transfer of Shares

Transfer of shares is subject to the relevant provision of the Turkish Commercial Code (TCC).

PART III - PUBLIC DISCLOSURES AND TRANSPARENCY

3.1. Corporate Web Site and Its Content

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

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, Pınar Et also actively implements and constantly improves its environment, energy, and occupational health & safety management systems. The Company works on reducing its carbon footprint and water footprint.

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.

Pınar Communication Center 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, Pınar 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 105 university and 37 high school students in 2016.

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 sand development at the Company. The Company did not receive any complaints about discrimination as at 2016.

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

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

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

The duties of these representatives are to,
a) Hear workers' wishes and resolve their complaints exclusively with respect to matters at the workplace,
b) Ensure continued labor peace through worker-employer cooperation and labor fairness,
c) 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
Pınar Et seeks to comply with current environmental laws applicable to its business activities and with local regulations concerning environmental matters to which it is subject, to make productive use of natural resources, to control and reduce waste that causes environmental harm or else render it harmless, and to take other measures necessary to prevent pollution. In line with these goals, Pınar 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 Pınar 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. Under the tree planting project conducted with the aim of raising awareness for environmental protection, the Regional Directorate of Forestry plants trees in the name of every employee who brings 10 waste batteries.

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

Pınar Children's Art Workshop was conducted in 2016 for the first time in collaboration of Rönesans Holding.
In a bid to contribute to healthy development of the society, Pınar Et extends support to the Pınar Institute that has been established for carrying out researches, supporting researches and training, publishing the outcomes, and taking on activities to this end.

Pınar Et demonstrates its support for sports through its sponsorship of the Pınar 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 Pınar, 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 Surname	Title	Whether or Not Independent Member	Whether or Not Executive Member	Term
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
Kemal Semerciler	Independent Member	Independent Member	Not Executive	1 Year
Yılmaz Gökoğlu	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 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 and the declarations were published in the annual report.

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Two independent member candidates were presented for 2016 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 28, 2016 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 2016 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 2016 activities of the Board of Directors are provided below:
During the reporting period, the Board of Directors convened 39 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 2016 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 Kemal Semerciler. 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 Kemal Semerciler, 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 nonexecutive, 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.

Upon assessment held by Company's Board of Directors, it was determined that all committees of the company are created in accordance with the legislation, activities were effectively conducted in line with working principles created before and published in the Company's web site, periodically enough number of meetings was held during the year and as a result of such meetings; the Audit Committee provided efficiency of auditing company's accounting system and financial details and disclosing them to public and submitted their views, suggestions about this matter to board of directors regularly, that Corporate Audit Committee concluded determinations on strengthening the compliance to Corporate Management Principles and submitted to board of directors with their recommendations, that Early Detection of Risk Committee reviewed early warning systems and models for risks and determined risks.

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 Benefits

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

pwc

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. ("Company") for the period ended 31 December 2016.

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 that are subject to independent auditor's report dated 1 March 2017 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.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mehmet Karakurt, SMMM
Sorumlu Denetçi

İstanbul, 1 Mart 2017

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

1. We have audited the accompanying financial statements (balance sheet) of Pınar Entegre Et ve Un Sanayii A.Ş. ("the Company") as at 31 December 2016 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and 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 controls 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 our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/ or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's 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

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pınar Entegre Et ve Un Sanayii A.Ş.as at 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with the TAS.

Other Matter

5. The financial statements of the Company as at and for the year ended 31 December 2015 were audited by other auditors whose report, dated 29 February 2016, expressed an unqualified opinion on those statements.

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 1 March 2017.

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 2016 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.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mehmet Karakurt, SMMM
Sorumlu Denetçi

İstanbul, 1 Mart 2017

ORIGINAL COPY ACCEPTED AND SIGNED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

1 JANUARY - 31 DECEMBER 2016
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
(CONVENIENCE TRANSLATION INTO ENGLISH -
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PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS) AT 31 DECEMBER 2016 AND 2015

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

	Note Reference	31 December 2016	31 December 2015
ASSETS			
Current Assets			
Cash and cash equivalents	6	1.247.276	4.808.870
Trade receivables		100.975.081	73.068.298
- Trade receivables from related parties	7	80.267.399	52.356.985
- Trade receivables from third parties	8	20.707.682	20.711.313
Other receivables		197.587	9.554.065
- Other receivables from related parties	7	22.705	9.527.094
- Other receivables accompanying from third parties		174.882	26.971
Biological assets	12	13.005.644	6.711.357
Inventories	11	46.709.150	49.420.883
Prepaid expenses		2.297.885	2.273.359
- Prepaid expenses to third parties	13	2.297.885	2.273.359
Other current assets		227.560	148.341
- Other current assets from third parties	30	227.560	148.341
TOTAL CURRENT ASSETS		**164.660.183**	**145.985.173**
Non-Current Assets			
Financial investments		676.977	682.817
- Available- for-sale financial investments	48	676.977	682.817
Investments in Associates Accounted for Using Equity Method	4	159.359.258	155.569.186
Property, plant and equipment	15	221.779.692	218.716.356
- Land		85.109.400	85.109.400
- Land improvements		8.434.076	6.977.800
- Buildings		53.408.782	53.138.934
- Machinery, plant and equipment		63.081.514	61.992.519
- Vehicles		852.936	375.550
- Furniture and fixtures		10.892.984	11.025.631
- Construction-in-progress		-	96.522
Intangible assets		339.524	262.736
- Other intangible assets	18	339.524	262.736
Prepaid expenses		147.738	115.841
- Prepaid expenses to third parties	13	147.738	115.841
TOTAL NON-CURRENT ASSETS		**382.303.189**	**375.346.936**
TOTAL ASSETS		**546.963.372**	**521.332.109**

The financial statements for the period between 1 January - 31 December 2016 are prepared for publication by Pınar Entegre Et ve Un Sanayii A.Ş. It was approved by the Board of Directors on 1 March 2017.

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS) AT 31 DECEMBER 2016 AND 2015

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

	Note Reference	31 December 2016	31 December 2015
LIABILITIES			
Short-Term Liabilities			
Short-term borrowings		-	5.211.853
- Short-term borrowings due to third parties		-	5.211.853
- Bank borrowings	25	-	5.053.185
- Leasing debts	25	-	158.668
Other financial liabilities	25	3.994.144	973.559
- Other miscellaneous financial liabilities		3.994.144	973.559
Trade payables		84.441.575	74.783.125
- Trade payables due to related parties	7	14.842.553	13.529.072
- Trade payables due to third parties		69.599.022	61.254.053
Payables Related to Employee Benefits	28	1.855.086	1.002.746
Other payables		5.660.179	3.501.214
- Other payables due to related parties	7	3.053.000	1.523.500
- Other payables due to third parties	10	2.607.179	1.977.714
Deferred income		23.691	96.363
- Deferred income from third parties	13	23.691	96.363
Current income tax liability	41	2.363.485	2.027.660
Short term provisions		413.059	975.777
- Provision for employee benefits	28	359.859	922.577
- Other short term provisions	26	53.200	53.200
Other current liabilities		20.959	14.405
- Other current liabilities due to third parties	30	20.959	14.405
TOTAL SHORT-TERM LIABILITIES		**98.772.178**	**88.586.702**
Long-Term Liabilities			
Long term provisions		18.486.015	15.720.910
- Long term provisions for employee termination benefits	28	18.486.015	15.720.910
Deferred Income Tax Liabilities	41	10.772.244	10.793.366
TOTAL LONG-TERM LIABILITIES		**29.258.259**	**26.514.276**
TOTAL LIABILITIES		**128.030.437**	**115.100.978**

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS) AT 31 DECEMBER 2016 AND 2015

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

	Note Reference	31 December 2016	31 December 2015
EQUITY			
Equity attributable to owners of the parent company		**418.932.935**	**406.231.131**
Share capital	31	43.335.000	43.335.000
Adjustment to share capital	31	37.059.553	37.059.553
Other accumulated comprehensive income / (loss) that will not be reclassified to profit or loss		101.087.243	107.712.001
- Gains (losses) on revaluation and remeasurement	15	95.763.492	101.233.531
- Increases (decreases) on revaluation of property, plant and equipment		102.954.215	106.242.496
- Defined benefit plans actuarial loss arising from		(7.190.723)	(5.008.965)
- Share of other comprehensive income of investments in associates accounted for using equity method that will not be reclassified to profit or loss		5.323.751	6.478.470
Other accumulated comprehensive income (loss) that will be reclassified to profit or loss		12.496.195	12.262.159
- Gains (losses) on revaluation and reclassification		106.316	110.989
- Gains (losses) on remeasuring and/or reclassification of Available-for-sale financial assets	48	106.316	110.989
- Share of other comprehensive income of investments in associates accounted for using equity method that will be reclassified to profit or loss		12.389.879	12.151.170
Restricted reserves		34.802.135	30.555.315
- Legal reserves	31	34.802.135	30.555.315
Retained earnings		130.463.628	108.801.205
Net profit for the year		59.689.181	66.505.898
TOTAL EQUITY		**418.932.935**	**406.231.131**
TOTAL EQUITY AND LIABILITIES		**546.963.372**	**521.332.109**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016 AND 2015

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

	Note Reference	1 January - 31 December 2016	1 January - 31 December 2015
PROFIT OR LOSS			
Revenue	32	637.519.970	591.063.053
Cost of sales (-)	32	(531.979.552)	(491.959.632)
Gross profit from trading operations		**105.540.418**	**99.103.421**
Change in fair value of biological assets	12	677.221	-
Gross Profit		**106.217.639**	**99.103.421**
General administrative expenses (-)	34	(21.886.172)	(19.535.757)
Marketing, selling and distribution expenses (-)	34	(30.640.069)	(30.119.417)
Research and development expenses (-)	34	(1.675.215)	(1.919.052)
Other income from operating activities	35	2.227.702	1.915.852
Other expense from operating activities (-)	35	(2.041.011)	(2.443.331)
OPERATING PROFIT		**52.202.874**	**47.001.716**
Income from investment activities	36	1.006.733	1.009.513
Expense from investment activities (-)	36	(498.253)	(68.841)
Share of Results of Investment-in-Associates	4	14.348.562	25.346.986
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSE)		**67.059.916**	**73.289.374**
Financial income	38	2.279.937	2.303.086
Financial expense (-)	38	(393.792)	(224.146)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**68.946.061**	**75.368.314**
Tax expense of continuing operations		(9.256.880)	(8.862.416)
- Current period tax expense	41	(8.731.395)	(7.033.462)
- Deferred tax income / (expense)	41	(525.485)	(1.828.954)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**59.689.181**	**66.505.898**
PROFIT FOR THE YEAR		**59.689.181**	**66.505.898**
Earnings per Share		**1,3774**	**1,5347**
- Earnings per 1 Kr number of 100 shares from continuing operations	42	1,3774	1,5347

The accompanying notes are an integral part of these financial statements

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016 AND 2015

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

	Note Reference	1 January - 31 December 2016	1 January - 31 December 2015
OTHER COMPREHENSIVE (EXPENSE) INCOME STATEMENT			
Other Comprehensive Income that will not be reclassified to Profit or Loss:		**(2.586.463)**	**19.644.462**
Gains (losses) on revaluation of property, plant and equipment	15	-	15.471.641
Gains (losses) on remeasurements of defined benefit plans	28	(2.727.198)	(1.313.456)
Share of other comprehensive income of associates accounted for using equity method that will not be reclassified to profit or loss		(404.705)	5.146.099
- Gains (losses) on remeasurements of defined benefit plans of associates accounted for using equity method	4	(404.705)	(555.183)
- Revaluation increases (decreases) of property, plant and equipments of associates accounted for using equity method	4	-	5.701.282
Taxes relating to other comprehensive income that will not be reclassified to profit or loss		545.440	340.178
- Gains (losses) on revaluation of property, plant and equipment, Tax effect		-	77.487
- Gains (losses) on remeasurements of defined benefit plans, Tax effect	41	545.440	262.691
Other Comprehensive Income that will be reclassified to Profit or Loss:		**234.036**	**2.469.505**
Gains (losses) on remeasuring and/or reclassification on available-for-sale financial assets		(5.840)	54.042
- Gains (losses) on revaluation of available-for-sale financial assets	48	(5.840)	54.042
Share of Other comprehensive income of associates accounted for using equity method that will be reclassified to profit or loss		238.709	2.426.271
- Gains (losses) on revaluation and/or reclassification of available-for-sale financial assets	4	(882.330)	1.711.272
- Gains (losses) on cash flow hedges of associates accounted for using equity method	4	19.853	53.922
- Gains (losses) on foreign currency translation differences of associates accounted for using equity method	4	1.101.186	661.077
Taxes relating to other comprehensive income that will be reclassified to profit or loss		1.167	(10.808)
- Gains (losses) on revaluation and/or reclassification of available-for-sale financial assets, Tax effect	41	1.167	(10.808)
OTHER COMPREHENSIVE (EXPENSE)/ INCOME		**(2.352.427)**	**22.113.967**
TOTAL COMPREHENSIVE INCOME		**57.336.754**	**88.619.865**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

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

				Other Comprehensive Income/ (Expense) not to be Reclassified in Profit or Loss		Other Comprehensive Income/ (Expense) to be Reclassified in Profit or Loss					
	Share Capital	Adjustment to Share Capital	Gains (Losses) on Revaluation of Property, Plant and Equipments	Gains (Losses) on Remeasurements of Defined Benefit Plans	Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	Gains (Losses) on Revaluation and/or Reclassification Adjustments of Available-for-Sale Financial Assets	Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss	Restricted Reserves	Retained Earnings	Profit for the year	Total Equity
1 January 2015	**43.335.000**	**37.059.553**	**93.593.840**	**(3.958.200)**	**1.775.689**	**67.755**	**9.724.899**	**28.088.560**	**90.496.965**	**44.261.506**	**344.445.567**
Transfers	-	-	(2.900.472)	-	(443.318)	-	-	-	47.605.296	(44.261.506)	-
Dividend (Note 7.ii.m)	-	-	-	-	-	-	-	2.466.755	(29.301.056)	-	(26.834.301)
Total comprehensive income	-	-	15.549.128	(1.050.765)	5.146.099	43.234	2.426.271	-	-	66.505.898	88.619.865
- Profit for the year	-	-	-	-	-	-	-	-	-	66.505.898	66.505.898
- Other comprehensive income / (expense)	-	-	15.549.128	(1.050.765)	5.146.099	43.234	2.426.271	-	-	-	22.113.967
31 December 2015	**43.335.000**	**37.059.553**	**106.242.496**	**(5.008.965)**	**6.478.470**	**110.989**	**12.151.170**	**30.555.315**	**108.801.205**	**66.505.898**	**406.231.131**
1 January 2016	**43.335.000**	**37.059.553**	**106.242.496**	**(5.008.965)**	**6.478.470**	**110.989**	**12.151.170**	**30.555.315**	**108.801.205**	**66.505.898**	**406.231.131**
Transfers	-	-	(3.288.281)	-	(750.014)	-	-	-	70.544.193	(66.505.898)	-
Dividend (Note 7.ii.m)	-	-	-	-	-	-	-	4.246.820	(48.881.770)	-	(44.634.950)
Total comprehensive income	-	-	-	(2.181.758)	(404.705)	(4.673)	238.709	-	-	59.689.181	57.336.754
- Profit for the year	-	-	-	-	-	-	-	-	-	59.689.181	59.689.181
- Other comprehensive income / (expense)	-	-	-	(2.181.758)	(404.705)	(4.673)	238.709	-	-	-	(2.352.427)
31 December 2016	**43.335.000**	**37.059.553**	**102.954.215**	**(7.190.723)**	**5.323.751**	**106.316**	**12.389.879**	**34.802.135**	**130.463.628**	**59.689.181**	**418.932.935**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AT 31 DECEMBER 2016 AND 2015

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

	Notes	1 January - 31 December 2016	1 January - 31 December 2015
CASH FLOWS FROM OPERATING ACTIVITIES:		**36.400.710**	**34.672.200**
Profit (Loss) for the year		**59.689.181**	**66.505.898**
Profit (Loss) from Continuing Operations		**59.689.181**	**66.505.898**
Adjustments Related to Reconciliation of Net Profit for The Year:		**9.848.000**	**(3.893.789)**
Adjustments for tax expense	41	9.256.880	8.862.416
Adjustments for depreciation and amortisation expense	15,18	12.219.883	11.041.172
Adjustments for interest expense and interest gain		(404.187)	(1.176.214)
Adjustments for interest gain	35,36,38	(1.308.544)	(1.647.015)
Adjustments for interest expense	35,38	904.357	470.801
Adjustments for provisions		3.735.751	2.747.261
Adjustments for provisions related with employee benefits		3.735.751	2.759.735
Adjustments for other provisions		-	(12.474)
Adjustments for dividend (income) expense		(11.738)	(5.054)
Adjustments for undistributed profits of investments accounted for using equity method		(14.348.562)	(25.346.986)
Adjustments for undistributed profits of associates	4	(14.348.562)	(25.346.986)
Adjustments for fair value losses (gains)		(677.221)	-
Adjustments for fair value losses (gains) of biological assests or agricultural products	12	(677.221)	-
Adjustments for fair value loss (reversal)		36.874	59.735
Adjustments for decrease in fair value of inventories	4	36.874	2.695
Adjustments for fair value decrease (reversal) in receivables		-	57.040
Adjustments for losses (gains) arised from sale of fixed assets		337.652	54.263
Adjustments for losses (gains) arised from sale of tangible assets		337.652	54.263
Adjustments for unrealized foreign currency translation differences		(297.332)	(130.382)
Changes in Working Capital:		**(19.736.398)**	**(19.259.769)**
Adjustments related to (increase)/ decrease in trade receivables		(27.406.667)	(7.188.803)
Decrease (increase) in trade receivables from related parties	7	(27.854.568)	(424.764)
Decrease (increase) in trade receivables from non-related parties		447.901	(6.764.039)
Adjustments related to (increase)/ decrease in inventories		2.711.733	(10.480.072)
Adjustments related to (decrease)/increase in other receivables		(147.911)	11.235
Decrease (increase) in other receivables related with operations from non-related parties		(147.911)	11.235
Decrease (increase) in biological assets		(5.617.066)	(5.650.380)
Decrease (increase) in prepaid expenses		(56.423)	477.988
Adjustments for increase (decrease) in trade payable		9.443.468	2.914.675
Increase in trade payables to related parties	7	1.195.709	73.560
Increase (decrease) in trade payables to non-related parties		8.247.759	2.841.115
Increase (decrease) in payables related to employee benefits		852.340	154.392
Increase (decrease) in deferred income		(72.672)	87.604
Other adjustments for other increase (decrease) in working capital		556.800	413.592
Decrease (increase) in other assets related with operations		(79.219)	214.151
Increase (decrease) in other payables related with operations		636.019	199.441
Cash Flows from Operations		**49.800.783**	**43.352.340**
Payments related with provisions for employee benefits		(4.260.562)	(1.839.130)
Interest paid		(743.941)	(416.085)
Income taxes refund (paid)	41	(8.395.570)	(6.424.925)

The accompanying notes are an integral part of these financial statements

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AT 31 DECEMBER 2016 AND 2015

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

	Notes	1 January - 31 December 2016	1 January - 31 December 2015
CASH FLOWS FROM INVESTING ACTIVITIES		**5.482.632**	**(11.581.888)**
Interest received		1.308.544	1.647.015
Dividends received	7	10.367.358	6.931.890
Cash advances and loans made		-	(5.594.533)
Cash advances and loans made to related parties		-	(5.594.533)
Paybacks from cash advances and loans made		9.504.389	-
Paybacks from cash advances and loans made to related parties		9.504.389	-
Cash outflows due to purchase of fixed assets		(15.952.523)	(14.668.632)
Cash outflows due to purchase of tangible assets		(15.664.170)	(14.539.789)
Cash outflows due to purchase of intangible assets		(288.353)	(128.843)
Cash inflows from sales of fixed assets		254.864	102.372
Cash inflows from sales of tangible assets		254.864	102.372
CASH FLOWS FROM FINANCING ACTIVITIES		**(45.470.423)**	**(20.047.695)**
Cash inflows from other financial borrowings		5.469.808	6.231.327
Cash inflows from loans		2.607.894	5.177.707
Cash inflows from other financial liabilities		2.861.914	1.053.620
Cash outflows from other financial liabilities		(7.674.366)	(913.506)
Paybacks of borrowings		(7.674.366)	(913.506)
Dividends paid		(43.105.450)	(25.310.800)
Interest paid		(160.415)	(54.716)
Net Increase (Decrease) In Cash and Cash Equivalents Before Effect of Foreign Currency Translation Differences		**(3.587.081)**	**3.042.617**
EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		**25.487**	**24.284**
Net increase (decrease) in cash and cash equivalents		**(3.561.594)**	**3.066.901**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**4.808.870**	**1.741.969**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**1.247.276**	**4.808.870**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

The Company is a member of Yaşar Group. Majority of the Company's sales in the domestic market amounting approximately 75% (2015: 77%) 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% (2015: 33%) of its shares are quoted on the Borsa Istanbul ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 54% shares of the Company (2015: 54%) (Note 31).

The average number of personnel is 908 as of 31 December 2016 (31 December 2015: 911 personnel).

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 in line with the formats suggested by CMB and included required information. 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").

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 2016 and are adopted by the Company:

- 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 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 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 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.

b) Standards, Amendments and IFRICs applicable from 31 December 2016 are not listed as they are not related to the operations of the Company or do not have a material effect on the financial statements.

c) Standards, amendments and interpretations effective after 1 January 2017:

- Amendments to TAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments TAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- TFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 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.

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 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to TFRS 15, 'Revenue from contracts with customers', effective from annual periods begining on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

- TFRS 16 'Leases', effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:

    - TFRS 1,' First-time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
    - TFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
    - TAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

- IFRIC 22,' Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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.

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

New standards, amendments and interpretations issued and effective as of 31 December 2016 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 influance

Acquisitions of subsidiary acquisitions that do not result in the loss of significant activity or control gain are accounted for as goodwill in the value of the associate as the difference between the fair value of the associate's identifiable net assets and the fair value of the consideration paid for the asset as of the acquisition date.

The accounting policies of the investing entity accounted for using the equity method of accounting have been amended accordingly to ensure consistency with the accounting policies applied by the Company.

The equity method is not continued on the basis of the fact that the registered value of the investment in the associate is zero or the significant effect of the Group is terminated as long as the Group does not make any commitment or obligation in relation to the subsidiary. The recorded value of the investment in the date on which the significant effect is ended is shown as cost after that date. The amount previously recognized in comprehensive income / (expense) is related to net period profit / (loss) if appropriate in accordance with the provisions of the related TAS / TFRS, in proportion to the decrease in the proportion of the equity participations that do not result in loss of significant activity.The book value of the investment accounted for by the equity method is tested for impairment according to the policy described in Note 2.7.6.

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 2016 and 2015 (Note 4):

	Shareholding (%)	
	2016	**2015**
Investments-in-associates		
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) Functional and Reporting Currency

The financial statements of the Company and each subsidiary are measured in terms of the currency in which the entity is located and the main currency in which the operations are carried out ("functional currency"). The financial statements have been prepared in Turkish Lira ("TL"), which is the functional currency of the Company.

ii) 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.

iii) 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 TRY at the average foreign exchange rates in the period. As of 31 December 2016, the equivalent of EUR1 is TL3,7099 (2015: TL3,1776) and for the year then ended, the average equivalent of EUR1 is TL3,3413 (2015: TL3,0183). 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.

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

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.

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 2016 on a comparative basis with balance sheet at 31 December 2015; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2016 on a comparative basis with financial statements for the period of 1 January - 31 December 2015.

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.

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

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 assets'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.

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 Biological Assets

Biological assets are livestock stocks made up of fattening dentists for the purpose of slaughtering (Note12).

Biological assets are reflected in the financial statements taking into consideration the principles of TMS 41 "Agricultural Activities" standard. TMS 41 presents a hierarchical method of prioritizing measurement methods for the measurement of living entities. The basic principle used in the measurement of biological assets is the reflection of such assets to the financial statements over the fair values determined using certain assumptions, especially the carcass meat prices.

Changes in the fair value of biological assets are reflected in the income statement as "biological assets fair value differences".

2.7.4 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.

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

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.

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:

	Years
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 to retained earnings.

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

2.7.5 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.

2.7.6 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.

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

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. On the other hand, if there is not a fair value change fund accounted for under equity, in order to change the fair value of available-for-sale financial assets, the permanent negative differences are related to the direct income statement. Impairment losses on equity instruments classified as available-for-sale financial assets reflected in the comprehensive income statement can not be reversed over the comprehensive income statement.

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 masured annually. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

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.

2.7.7 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 (Note 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.

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

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.

2.7.8 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 masured 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.

- *Available-for-sale investments*

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

ii. Recognition and measurement

All financial assets other than those at fair value through profit or loss are initially recognized at fair value, including acquisition costs (transaction costs), and subsequently measured at fair value. Financial assets classified as available-for-sale financial assets with a controlling interest of less than 20% of the Company's share capital are accounted for at market prices in the financial statements if they are traded in the stock exchange and in the absence of an active market, By using generally accepted valuation methods. Available-for-sale financial assets that are not traded on a stock exchange and whose fair value can not be measured reliably because other methods used in the calculation of fair value are not feasible or feasible, and where the fair value can not be measured reliably are those items acquired before 1 January 2005 For the items acquired after 1 January 2005, at the acquisition cost, which is expressed in terms of the purchasing power of TL at 31 December 2004, less any impairment, if any. The Company recognizes the gains and losses on its available-for-sale financial assets that are not permanent (significant long-term and not significant), directly in equity until they are derecognized from the financial statements.

Fair value changes of securities classified as available-for-sale are calculated as the difference between the fair value at the balance sheet date and the amortized cost of those financial assets. When the Company is entitled to receive dividends from available-for-sale financial assets, dividend income from available-for-sale financial assets is recognized in the statement of comprehensive income by being accounted for under income from investment activities.

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

When available-for-sale financial assets are derecognised from the financial statements, the related gains or losses that are reported in equity are transferred to the statement of comprehensive income. Loans and receivables are accounted for at their discounted values using the effective interest rate method.

2.7.9 Earnings per share

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

2.7.10 Subsequent events

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

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.

2.7.11 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.

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.

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

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.

2.7.12 Accounting policies, errors and change in accounting estimates

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

2.7.13 Related parties

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

2.7.14 Segment reporting

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

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.

2.7.15 Leases

(1) The Company as the lessee

Finance Leases

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

2.7.16 Taxation on income

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

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

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

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).

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

2.7.17 Statement of cash flow

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

2.7.18 Share capital and dividends

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

2.7.19 Government incentives and grants

Government incentives and grants are recognized at fair value if the Company has a reasonable assurance that the incentives will be received and the Company meets minimum requirements.

The Company has been awarded the state incentives that Turquality project has been awarded for the branding of Turkish products abroad and the establishment of the Turkish Property image respectively; Reflects the financial statements under other income (Note 24).

2.7.20 Critical accounting estimates and judgements

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

a) Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company records the tax liabilities incurred by the supplemental tax that is estimated to be paid as a result of tax events. The tax deductions that arise from the investment incentives the Company has and are likely to benefit in the coming periods are reflected in the financial statements as it is highly probable that such incentives will be utilized in the future. Where the ultimate tax consequences arising from these items differ from those initially recorded, these differences could affect income tax provision and deferred tax liabilities in the periods in which they are set (Note 41).

b) Fair value determination of available-for-sale financial assets

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). If generally adopted valuation techniques are not used, it is assumed that fair value of the asset converges the carrying value.

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

c) Fair value determination of biological assets

Biological assets consist of cattle held for slaughtering and such biological assets are reflected to the financial statements using the fair values determined by using certain assumptions, especially the carcass meat prices, of the values carried in the financial statements.

d) 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. Assumed by the Company, the values of land, ground and overhead lines, buildings and machinery and equipment are estimated to be depreciated from their fair value at 31 December 2015, less depreciation in the current period.

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 m² 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 values that may occur during the realization of purchase / sale transactions may differ from these values.

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

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.

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 (2015: None).

NOTE 4 - INTEREST IN OTHER ENTITIES

Investments-in-associates:

	31 December 2016		31 December 2015	
	TL	**(%)**	**TL**	**(%)**
YBP	110.524.681	42,78	114.376.464	42,78
Çamlı Yem	29.404.184	23,38	25.327.942	23,38
Desa Enerji	11.476.564	26,41	9.828.200	26,41
Pınar Foods	7.953.829	44,94	6.036.580	44,94
	159.359.258		**155.569.186**	

Movement in investments-in-associates during the years 2016 and 2015 are as follows:

	2016	**2015**
1 January	**155.569.186**	**129.579.361**
(Decrease) / increase in fair value reserves investments-in-associates - net	(882.330)	1.711.272
Share of profit before taxation of investments-in-associates - net	14.348.562	25.346.986
Increase in revaluation reserve of investments-in-associates	-	5.701.282
Changes in cash flow hedge	19.853	53.922
Actuarial loss arising from defined benefit plans of investments-in associates-net	(404.705)	(555.183)
Dividend income from investments-in-associates (Note 7.ii.d)	(10.355.620)	(6.926.836)
Currency translation reserve	1.101.186	661.077
Elimination of net effect of unrealized profits on inventory	(36.874)	(2.695)
31 December	**159.359.258**	**155.569.186**

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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)**
31 December 2016					
- YBP	454.542.466	304.953.442	17.817.119	1.633.551.020	(2.595.831)
- Çamlı Yem	341.885.833	216.117.043	18.229.852	405.531.331	(653.745)
- Desa Enerji	50.694.926	7.241.666	6.240.801	50.217.035	-
- Pınar Foods	18.540.603	841.827	1.815.896	55.556.297	2.450.156
31 December 2015					
- 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

Details of significant investment in associates of the Company as at 31 December 2016 and 2015 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 (2015: None).

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2016	**31 December 2015**
Cash in hand	31.729	59.021
Banks	405.172	4.657.056
- Demand deposits	155.172	507.056
- Time deposits	250.000	4.150.000
Other	810.375	92.793
	1.247.276	**4.808.870**

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NOTE 6 - CASH AND CASH EQUIVALENTS (Continued)

As of 31 December 2016 time deposits amounting to TL 250.000 (2015: 4.150.000) mature less than one month (2015: less than one month) and bear the effective weighted average interest rates of 7,25% per annum ("p.a.") (2015: 11,73% p.a.).

As of 31 December 2016, there are no foreign currency demand deposits (2015: EUR 68.628, equivalent of TL199.542), whereas cash in hand at 31 December 2016 comprised of USD 3.318 and EUR 2.695, equivalent of TL21.675 (2015: USD 5.656 and EUR 3.905, equivalent of TL28.854).

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 2016 and 2015 are as follows:

i) ***Balances with related parties:***

	31 December 2016	31 December 2015
a) Trade receivables from related parties- current:		
YBP	76.513.164	50.032.174
YDT	4.368.081	2.934.760
Desa Enerji	27	-
	80.881.272	**52.966.934**
Less: Unearned finance income	(613.873)	(609.949)
	80.267.399	**52.356.985**

The effective weighted average interest rate on TL denominated short-term trade receivable is 9,02% p.a. as of 31 December 2016, (2015: 11,00%) and mature within two months(2015: two months).

As of 31 December 2016, trade receivables of TL 1.986.507 (2015: TL 741.795), over which no provision for impairment is provided of over-due receivables and aging is shown Note 49.a.

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

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

	31 December 2016	31 December 2015
Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("Dyo Boya")	22.705	101.289
Pınar Süt Mamülleri Sanayii A.Ş. ("Pınar Süt")	-	9.418.107
Viking Kağıt ve Selüloz A.Ş. ("Viking")	-	7.698
	22.705	**9.527.094**

As of 31 December 2016, the Company has no non-trade receivables from Pınar Süt (31 December 2015: non-trading receivables amounting to TL 9.418.107 with an effective interest rate of 12%).

c) Trade payables to related parties - current:

	31 December 2016	31 December 2015
Çamlı Yem	12.057.751	10.681.816
Yaşar Holding	1.721.244	1.634.091
Yadex Export-Import und Spedition GmbH ("Yadex")	647.103	746.773
Hedef Ziraat Tic. ve San. A.Ş. ("Hedef Ziraat")	391.642	282.144
Other	111.563	272.268
	14.929.303	**13.617.092**
Less: Unincurred finance cost	(86.750)	(88.020)
	14.842.553	**13.529.072**

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

As of 31 December 2016, the effective weighted average interest rate applied to those payables is 9,02% (2015: 10,68%) and maturity is 2 months (2015: 2 months).

d) Other short-term payables to related parties:

Other short-term payables to related parties consist of the Board of Directors' appropriation amounting to TL 2,600,000 and TL 453,000, respectively, to be paid in respect of the decision taken at the Ordinary General Assembly Meetings held on 29 March 2016 and 25 March 2015 (31 December 2015: The decision taken at the Ordinary General Assembly Meeting consists of the allocation of the board of directors to be paid upon request).

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

ii) ***Transaction with related parties***

	1January- 31 December 2016	**1 January- 31 December 2015**
a) Product sales:		
YBP	480.253.917	458.445.202
YDT	20.917.632	16.281.250
Çamlı Yem	4.968.025	2.873.124
Other	9.194	7.358
	506.148.768	**477.606.934**

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.

	1January- 31 December 2016	**1 January- 31 December 2015**
b) Service sales:		
Çamlı Yem	329.482	255.696
Pınar Süt	157.631	218.605
YBP	91.534	49.925
YDT	50.412	103.958
Other	135.950	137.624
	765.009	**765.808**
c) Finance income and income from investment activities:		
Yaşar Holding	1.530.263	1.405.925
Dyo Boya	33.114	55.021
Viking	26.491	44.016
Çamlı Yem	6.623	11.004
	1.596.491	**1.515.966**

The majority of finance income consists of bail commission charges which is closed at total 2016 amounting to TL 1.596.491(2015: TL 1.515.966), for the borrowings obtained by Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company (Note 38.i). The commission rates of bail and financing used in the associated intercompany charges is 0,50% p.a. (2015: 0,50 % p.a.).

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

d) Finance income and income from investment activities:

	1 January - 31 December 2016	**1 January- 31 December 2015**
Pınar Süt	804.581	799.551
Dyo Boya	28.973	23.038
Viking	840	1.257
Yaşar Holding	-	166.035
	834.394	**989.881**

Income from investment activites consist of interest and delay interest income that are related to non-trade receivables of the company.

e) Dividends received:

YBP (*)	10.355.620	6.926.836
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	11.738	5.054
	10.367.358	**6.931.890**

(*) Subsidiary (Note 4)

f) Other incomes from related parties:

YDT	709.892	631.826
YBP	542.600	509.232
Çamlı Yem	164.695	142.219
Other	4.252	12.731
	1.421.439	**1.296.008**

Other incomes are related to foreign exchange gain from YDT, and the rent of cars and building from YBP and Çamlı Yem.

g) Product purchases:

Çamlı Yem	90.746.237	76.689.120
Yadex	3.075.259	5.382.812
Hedef Ziraat	2.599.685	1.821.807
Pınar Süt	669.498	760.255
Other	36.943	23.876
	97.127.622	**84.677.870**

The product purchases performed from Çamlı Yem are mainly related to turkey and fish.

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

h) Service purchases:

	1 January - 31 December 2016	1 January - 31 December 2015
Yaşar Holding	8.165.941	7.572.195
YBP	1.833.249	1.736.087
YDT	924.969	885.560
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("YABİM")	950.162	-
Bintur	198.735	197.611
Other	1.016.625	1.026.457
	13.089.681	**11.417.910**

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

i) Purchases of property, plant and equipment and intangible assets:

Yaşar Holding	169.538	87.019
YBP	134.554	-
Çamlı Yem	56.587	-
YDT	-	419.210
Other	-	18.663
	360.679	**524.892**

j) Other operating expenses:

Çamlı Yem	676.870	371.634
Other	67.072	44.451
	743.942	**416.085**

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

k) Financial expenses from related parties

YBP	7.500	7.500
	7.500	**7.500**

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

l) Other expenses from related parties:

	1 January - 31 December 2016	**1 January - 31 December 2015**
YBP	172.500	171.000
Çamlı Yem	122.784	82.000
YDT	60.216	178.399
Other	99.817	86.607
	455.317	**518.006**

m) Dividends to related parties (*)**:**

Yaşar Holding	22.772.588	13.616.599
Pınar Süt	5.288.200	3.162.016
Other	2.600.000	1.700.000
	30.660.788	**18.478.615**

(*) On Ordinary General Assembly Meeting for the year 2015 as of 25 March 2016, it has been decided to distribute dividend amounting to TL 44.634.950 (31 December 2015: TL 26.834.301). TL 13.974.162 portion of this dividend (31 December 2015: TL 8.355.685) was paid to other shareholders.

n) Donations:

Yaşar Eğitim Vakfı	581.575	340.175
Yaşar Üniversitesi	200.000	350.000
	781.575	**690.175**

o) 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 2016	**1 January - 31 December 2015**
Total short-term employee benefits	6.125.241	5.532.652
After severance benefits	126.489	108.740
Other long-term benefits	88.166	22.883
	6.339.896	**5.664.275**

The portion of total short-term benefits amounting to TL 2.600.000 (31 December 2015: TL 1.700.000) consists of Board of Directors appropriation according to the decision taken at the Ordinary General Assembly.

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

ö) Bails given to related parties:

As of 31 December 2016 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 at 6 November 2014, amounting to USD 250,000,000 equivalent of TL 879.800.000 (2015: USD 250,000,000 equivalent of TL 726.900.000) 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 EUR 11.111.111, equivalent of TL 41.221.111 (2015: EUR 22.222.222,equivalent of TL 70.613.333) (Note 26).

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables:

	31 December 2016	**31 December 2015**
Customer current accounts	17.726.458	14.818.914
Cheques and notes receivable	3.433.908	6.433.876
	21.160.366	**21.252.790**
Less: Provision for impairment of receivables	(339.779)	(339.779)
Unearned finance income	(112.905)	(201.698)
	20.707.682	**20.711.313**

The effective weighted average interest rate on TL denominated trade receivable is 9,24% as of 31 December 2016 (2015: 11,37%) maturing within two months(2015: within two months).

The agings of trade receivables as of 31 December 2016 and 2015, over which no provision for impairment is provided, are as follows:

	31 December 2016	**31 December 2015**
Overdue	2.349.838	1.465.075
0 - 30 days	10.663.610	9.691.309
31 - 60 days	6.549.737	7.778.978
61 - 90 days	1.044.497	294.741
91 days and over	100.000	1.481.210
	20.707.682	**20.711.313**

As of 31 December 2016, trade receivables of TL2.349.838 (2015: TL1.465.075), 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 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
0 - 30 days	2.338.041	1.419.949
30 days and over	11.797	45.126
	2.349.838	**1.465.075**

b) Short-term trade payables:

Supplier current accounts	68.974.335	59.978.281
Cheques	1.035.180	1.703.300
	70.009.515	**61.681.581**
Less: Unincurred finance cost	(410.493)	(427.528)
	69.599.022	**61.254.053**

As of 31 December 2016, The effective weighted average interest rate on TL denominated trade payable is 9,30% p.a. (2015: 11,15% p.a). Trade payables mature within one month (2015: one month).

NOTE 9 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2015: None).

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

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

	31 December 2016	31 December 2015
Taxes and funds payable	2.461.349	1.884.304
Other	145.830	93.410
	2.607.179	**1.977.714**

NOTE 11 – INVENTORIES

	31 December 2016	31 December 2015
Raw materials	9.897.424	12.037.558
Raw materials in transit	2.079.849	2.427.268
Work in progress	16.691.467	14.492.663
Finished goods	12.007.068	14.831.553
Spare parts	5.325.000	5.028.234
Other	708.342	603.607
	46.709.150	**49.420.883**

The costs of inventories recognised as expense and included in cost of sales amounted to TL453.071.052 (2015: TL423.916.370) (Note 29). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell.

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NOTE 12 - BIOLOGICAL ASSETS

	31 December 2016	31 December 2015
Cattle	13.005.644	6.711.357
	13.005.644	**6.711.357**

The company raises of livestock comprising calf for slaughter. As of 31 December 2016, there are total of 2,479 units (31 December 2015: 1,590 units).

The movement of biological assets during the year is as follows:

	2016	2015
Beginning of the period (1 January)	**6.711.357**	**1.060.977**
Increase due to production and purchases	17.903.983	8.869.113
Sales and mortality during the year	(12.286.917)	(3.218.733)
Gain arising from changes in fair value less estimated point-of-sale costs	677.221	-
Period end (31 December)	**13.005.644**	**6.711.357**

NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2016	31 December 2015
a) Short-term prepaid expenses		
Prepaid expenses	1.266.893	2.182.746
Advances given	1.030.992	90.613
	2.297.885	**2.273.359**
b) Long-term prepaid expenses		
Advances given	147.738	115.841
	147.738	**115.841**
a) Deferred income		
Advances received	23.691	96.363
	23.691	**96.363**

NOTE 14 - INVESTMENT PROPERTY

None (31 December 2015: 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 2016 were as follows:

	1 January 2016	**Additions**	**Disposals**	**Transfers**	**31 December 2016**
Cost or valuation:					
Land	85.109.400	-	-	-	85.109.400
Buildings and land improvements	60.116.734	2.665.066	-	922.087	63.703.887
Machinery and equipment	61.992.519	9.054.867	(2.560.082)	31.331	68.518.635
Furniture and fixtures	39.674.604	2.440.884	(1.669.608)	71.000	40.516.880
Motor vehicles	2.385.171	575.457	-	-	2.960.628
Construction in progress	96.522	927.896	-	(1.024.418)	-
	249.374.950	**15.664.170**	**(4.229.690)**	**-**	**260.809.430**
Accumulated depreciation:					
Buildings and land improvements	-	(1.861.029)	-	-	(1.861.029)
Machinery and equipment	-	(7.412.853)	1.975.732	-	(5.437.121)
Furniture and fixtures	(28.648.973)	(2.636.365)	1.661.442	-	(29.623.896)
Motor vehicles	(2.009.621)	(98.071)	-	-	(2.107.692)
	(30.658.594)	**(12.008.318)**	**3.637.174**	**-**	**(39.029.738)**
Net book value	**218.716.356**			**-**	**221.779.692**

As of 31 December 2016, 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 2015 were as follows:

	1 January	Additions	Disposals	Transfers	Net off Accumulated Depreciation Before Revaluation	Increase/ (Decrease) in Revaluation	31 December 2015
Cost/ revaluation:							
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
	245.920.356	**14.539.789**	**(1.160.588)**	**-**	**(25.396.248)**	**15.471.641**	**249.374.950**
Accumulated depreciation:							
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)
	(46.169.049)	**(10.889.720)**	**1.003.927**	**-**	**25.396.248**	**-**	**(30.658.594)**
Net book value	**199.751.307**						**218.716.356**

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)

Current year's depreciation and amortisation charges were allocated to cost of goods sold by TL 8.279.094 (2015: TL7.431.188), to the cost of inventories by TL508.137 (2015: TL364.367), to general administrative expenses by TL1.020.676 (2015: TL861.922) (Note 34.b), to selling and marketing expenses by TL2.287.703 (2015: TL2.306.489) (Note 34.a), to research and development expenses by TL124.273 (2015: TL77.206) (Note 34.c).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipments as of 31 December 2016 and 2015 were as follows:

1 January 2015	**93.593.840**
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements, machinery and equipments - net	15.549.128
Depreciation transfer due to revaluation increase classified in retained earnings	(3.617.044)
Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings	723.409
Fund decrease due to sale of property, plant and equipment - net	(6.837)
31 December 2015	**106.242.496**
Depreciation transfer due to revaluation increase classified in retained earnings	(3.727.015)
Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings	745.398
Fund decrease due to sale of property, plant and equipment - net	(306.664)
31 December 2016	**102.954.215**

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 2016 and 2015, are as follows:

31 December 2016:	**Land**	**Land improvements and buildings**	**Machinery and equipment**
Cost	16.926.447	47.457.165	137.587.684
Less: Accumulated depreciation	-	(16.635.747)	(92.213.373)
Net book value	**16.926.447**	**30.821.418**	**45.374.311**
31 December 2015:			
Cost	16.926.447	43.870.012	130.754.904
Less: Accumulated depreciation	-	(15.646.952)	(89.939.078)
Net book value	**16.926.447**	**28.223.060**	**40.815.826**

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

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

None (2015: None).

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

None (2015: None).

NOTE 18 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the years ended 31 December 2016 and 2015 were as follows:

	1 January 2016 Opening	Additions	31 December 2016 Closing
Costs:			
Rights	17.975.237	288.353	18.263.590
Accumulated amortisation	(17.712.501)	(211.565)	(17.924.066)
Net book value	**262.736**		**339.524**

	1 January 2015 Opening	Additions	31 December 2015 Closing
Costs:			
Rights	17.846.394	128.843	17.975.237
Accumulated amortisation	(17.561.049)	(151.452)	(17.712.501)
Net book value	**285.345**		**262.736**

NOTE 19 - GOODWILL

None (2015: None).

NOTE 20 - EXPLORATION FOR AND EVALUATION OF MINERAL RESERVES

None (2015: None).

NOTE 21 - LEASING

None (2015: See Note 25.b).

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NOTE 22 - SERVICE CONCESSION ARRANGEMENTS

None (2015: None).

NOTE 23 - IMPAIRMENT ON ASSETS

None (2015: None).

NOTE 24 - GOVERNMENT GRANTS AND INCENTIVES

In the scope of Turquality Project implemented in 2016 and 2015 by Undersecreteriat of Foreign Trade to support brandization of products made in Turkey in foreign markets and to settle the image of Turkish goods, the Company was provided TL185.202 (2015: TL7.771) government incentive. The incentive amount is accounted as other income.

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

NOTE 25 - BORROWINGS AND BORROWING COSTS

a. Borrowings:

	31 December 2016	31 December 2015
Short-term borrowings	-	5.053.185
	-	**5.053.185**

As of 31 December 2016, the Company does not have any bank loans (31 December 2015: TL short term financial liabilities consist of agricultural credits with an annual average interest rate of 4%).

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.

b. Leasing:

As of 31 December 2016 the Company has short-term lease obligations (As of 31 December 2015 the company has short-term lease obligations amounting to TL158.668).

i. Other financial liabilities:

Other financial liabilities	3.994.144	973.559
	3.994.144	**973.559**

As of 31 December 2016 and 2015, other financial liabilities consist of credit card debt.

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

NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	31 December 2016	31 December 2015
a) Short-term provisions:		
Provision for litigations	53.200	53.200
	53.200	**53.200**
b) Guarantees given:		
Bails	921.021.111	797.513.333
Letters of guarantee	2.450.750	2.398.250
	923.471.861	**799.911.583**

As of 31 December 2016 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 at 6 November 2014, amounting to USD 250,000,000 equivalent of TL 879.800.000 (2015: USD 250,000,000 equivalent of TL726.900.000) 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 financialinstitutions amounting to EUR1 1.111.111, equivalent of TL 41.221.111 (2015: EUR 22.222.222,equivalent of TL 70.613.333).

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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 2016 and 2015 were as follows:

	31 December 2016			31 December 2015		
	Currency	**Amount**	**TL Equivalent**	**Currency**	**Amount**	**TL Equivalent**
CPM provided by the Company:						
A. Total amount of CPM given for the Company's own legal personality	TL	2.450.750	2.450.750	TL	2.398.250	2.398.250
B. Total amount of CPM given on behalf of fully consolidated companies		-	-		-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties		-	-		-	-
D. Total amout of other CPM			**921.021.111**			**797.513.333**
i.Total amount of CPM given to on			**879.800.000**			**726.900.000**
behalf of the majority shareholder	*USD*	*250.000.000*	879.800.000	*USD*	*250.000.000*	*726.900.000*
ii. Total amount of CPM given to on behalf of other Group companies which are not in scope of B and C			**41.221.111**			**70.613.333**
	EUR	*11.111.111*	*41.221.111*	*EUR*	*22.222.222*	*70.613.333*
iii. Total amount of CPM given on behalf of third parties which are not in scope of C			**-**		**-**	**-**
TOTAL			**923.471.861**			**799.911.583**
The ratio of total amount of other CPM to Equity			%220			%196

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

d) Guarantees received:

	31 December 2016			31 December 2015		
	Currency	**Amount**	**TL Equivalent**	**Currency**	**Amount**	**TL Equivalent**
Mortgages	TL	20.000	20.000	TL	70.000	70.000
Letters of guarantee	TL	6.642.000	6.642.000	TL	3.727.073	3.727.073
	EUR	264.250	980.341	EUR	177.358	563.573
	USD	12.650	44.518	USD	-	-
Guarantee notes	TL	315.000	315.000	TL	-	-
	USD	53.000	186.518	USD	53.000	154.103
			8.188.377			**4.514.749**

The Company does not have any guarantees received from related parties as of 31 December 2016 (2015: 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 2016, the fair value of the aforementioned properties located on the plots amounts to TL97.492.946. 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 2016 (2015: None).

NOTE 28 - EMPLOYMENT TERMINATION BENEFITS

	31 December 2016	**31 December 2015**
a) Payable due to employee benefits		
Social security premiums payable	1.817.059	946.379
Payables to personel	38.027	56.367
	1.855.086	**1.002.746**

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NOTE 28 - EMPLOYMENT TERMINATION BENEFITS (Continued)

b) Short-term provisions due to employee benefits

	31 December 2016	**31 December 2015**
Provision for seniority incentive bonus	351.848	294.566
Bonus provisions to top management	8.011	628.011
	359.859	**922.577**

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

	2016	**2015**
1 January	**628.011**	**628.011**
Bonus payment	(620.000)	-
31 December	**8.011**	**628.011**

c) Long-term provisions due to employee benefits

Provision for employment termination benefits	17.885.707	15.226.680
Provision for seniority incentive bonus	600.308	494.230
	18.486.015	**15.720.910**

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 TL4.297,21 for each year of service as of 31 December 2016 (2015: TL3.828,37).

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 TL4.426,16 which is effective from 1 January 2017 (1 January 2016: TL4.092,53) 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 2016	31 December 2015
Discount rate (%)	3,95	3,95
Probability of retirement (%)	98,35	98,21

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

	2016	2015
1 January	**15.226.680**	**13.107.839**
Interest costs	2.008.565	1.393.241
Actuarial losses	2.727.198	1.313.456
Paid during the year	(3.640.562)	(1.839.130)
Annual charge	1.563.826	1.251.274
31 December	**17.885.707**	**15.226.680**

The total of interest costs, actuarial losses and annual charge for the year is TL 6.299.589 (2015: TL3.957.971). TL3.572.391 portion (2015: TL2.644.515) of this amount was included in general administrative expenses and TL2.727.198 (2015: TL1.313.456) portion was included in other comprehensive income.

NOTE 29 - EXPENSES BY NATURE

	1 January - 31 December 2016	1 January - 31 December 2015
Direct material costs	453.071.052	423.916.370
Staff costs	52.002.217	43.783.656
Outsourced services	16.109.420	13.318.893
Advertisement	13.657.064	14.361.478
Depreciation and amortisation	12.076.113	11.008.943
Utilities	11.276.582	10.814.058
Repair and maintenance	9.798.301	9.048.499
Consultancy charges	8.386.988	7.900.117
Employment termination benefits	3.572.391	2.644.515
Rent	1.674.163	1.466.949
Other	4.556.717	5.270.380
	586.181.008	**543.533.858**

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NOTE 30 - OTHER ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
a) Other current assets:		
Income accrual	227.560	148.341
	227.560	**148.341**
b) Other current liabilities:		
Expense accrual	20.959	14.405
	20.959	14.405

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 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
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 2016 and 2015 were as follows:

	31 December 2016		31 December 2015	
Shareholders	**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
Share capital	**43.335.000**	**100**	**43.335.000**	**100**
Adjustment to share capital	37.059.553		37.059.553	
Total paid-in capital	**80.394.553**		**80.394.553**	

Adjustment to share capital amounting to TL37.059.553 (2015: 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).

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.

As at 31 December 2016, there are 4,333,500,000 (31 December 2015: 4,333,500,000) shares with1 Kr 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. The business and administration of the Company shall be carried out by a Board of Directors consisting of 5, 7 and 9 members to be elected by the General Assembly under the provisions of the Turkish Commercial Code and Capital Markets Board regulations. If the Board of Directors consists of 5 members, if it consists of 3 or 7 members, if it consists of 4 or 9 members, 5 members will be selected among the candidates to be shown by the shareholders of group "A" and among the candidates to be shown by shareholders "B" group. If the Board of Directors decides, the Managing Director / Members may be elected. However, the Chairman of the Board of Directors and the Managing Director / Members are selected among the members representing group "A".

The Board of Directors is authorized to issue shares above or below the privileged and nominal value to restrict new capital requirements in separate groups in accordance with the provisions of the Capital Markets Law and to restrict shareholders' rights to acquire new shares or to restrict the rights of privileged shareholders. At the end of the capital increases to be made from internal sources, bonus shares are given to existing shareholders in proportion to their shares.

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

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves out of their profits. According to the Turkish Commercial Code, the first legal reserve is appropriated as 5% of the statutory net profit up to 20% of the paid-up capital of the company. The second legal reserve is 10% of the distributed profit exceeding 5% of the paid-up capital. According to the Turkish Commercial Code, the legal reserves can only be used to offset losses, unless they exceed 50% of the paid capital, and it is not possible to use them any other way.

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with Turkish Financial Reporting Standards ("TFRS"). At 31 December 2016, the restricted reserves of the Company amount to TL34.802.135 (2015: TL30.555.315). The unrestricted reserves of the Company, amounting to TL81.047.137 (2015: TL63.423.009), 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.

In accordance with the decision taken at the Ordinary General Assembly held on 29 March 2016, the Company has decided to distribute the distributable profit amounting to TL44.634.950 as dividend and board of directors' It was decided to pay the payments on 31 May 2016 in order to distribute dividends. In consideration of this profit distribution decision, the Company has allocated "Restricted Reserves" which is amounting to TL4.246.820 from the profit of year 2015. Since the general assembly for 2016 has not been made yet, no profit distribution decision has been taken.

NOTE 32 - REVENUE AND COST OF SALES

	1 January - 31 December 2016	1 January - 31 December 2015
Domestic sales	751.180.136	712.310.542
Export sales	20.294.350	15.784.645
Gross Sales	**771.474.486**	**728.095.187**
Less: Discounts	(121.422.021)	(123.046.062)
Returns	(12.532.495)	(13.986.072)
Net Sales	**637.519.970**	**591.063.053**
Biological assets fair value differences	677.221	-
Cost of Sales	**(531.979.552)**	**(491.959.632)**
Gross Profit	**106.217.639**	**99.103.421**

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NOTE 33 - CONSTRUCTION CONTRACTS

None (2015: None).

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

	1 January - 31 December 2016	1 January - 31 December 2015
a) Marketing, selling and distribution expenses:		
Advertisement	13.657.064	14.361.478
Staff costs	4.187.538	4.207.848
Consultancy charges	3.310.837	2.961.389
Depreciation and amortisation	2.287.703	2.306.489
Outsourced services	2.118.378	1.495.649
Repair and maintenance	1.527.403	1.423.111
Utilities	1.445.715	1.339.023
Rent	424.780	461.856
Other	1.680.651	1.562.574
	30.640.069	**30.119.417**

b) General administrative expenses:		
Staff costs	6.857.722	6.959.713
Consultancy charges	5.006.842	4.880.855
Employment termination benefits	3.572.391	2.644.515
Outsourced services	2.719.804	1.533.700
Depreciation and amortisation	1.020.676	861.922
Taxes (except corporate tax)	440.915	488.951
Utilities	392.655	381.126
Repair and maintenance	151.246	209.451
Other	1.723.921	1.575.524
	21.886.172	**19.535.757**

c) Research and Development Expenses:		
Staff costs	951.567	1.066.788
Outsourced services	124.705	109.714
Depreciation and amortisation	124.273	77.206
Other	474.670	665.344
	1.675.215	**1.919.052**

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NOTE 35 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
a) Other operating income:		
Rent income	688.742	645.287
Income from sales of scrap	544.979	564.978
Foreign exchange gain	544.682	307.753
Unearned financial income	200.817	107.947
Other	248.482	289.887
	2.227.702	**1.915.852**
b) Other operating expense:		
Donations	(803.265)	(698.945)
Due date charges	(743.942)	(416.085)
Unearned financial expense	(134.252)	(240.825)
Foreign exchange loss	(12.166)	(47.951)
Other	(347.386)	(1.039.525)
	(2.041.011)	**(2.443.331)**

NOTE 36 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
a) Income from investment activities:		
Interest income calculated on other receivables from related parties	834.394	989.881
Income from sales of property, plant and equipment	160.601	14.578
Other	11.738	5.054
	1.006.733	**1.009.513**
b) Expense from investment activities		
Loss from sales of property, plant and equipment	(498.253)	(68.841)
	(498.253)	**(68.841)**

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NOTE 37 - EXPENSES CLASSIFIED

Please refer to Note 29.

NOTE 38 - FINANCIAL INCOME AND EXPENSES

	1 January - 31 December 2016	1 January - 31 December 2015
i. Financial Income		
Bail income from related parties (Note 7 ii.c)	1.596.491	1.515.966
Interest income	443.926	626.499
Foreign exchange gain	239.520	160.621
	2.279.937	**2.303.086**
ii. Financial Expense		
Foreign Exchange loss	(161.842)	(98.050)
Interest expense	(160.415)	(54.716)
Bank commission expense	(64.035)	(63.880)
Bail expense from related parties	(7.500)	(7.500)
	(393.792)	**(224.146)**

NOTE 39 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please refer to Comprehensive Income.

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

None (2015: None).

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

As of 31 December 2016 and 2015, corporation taxes currently payable are as follows:

	31 December 2016	31 December 2015
Corporation taxes currently payable	8.731.395	7.033.462
Less: Prepaid corporate tax	(6.367.910)	(5.005.802)
Current income tax liabilities	**2.363.485**	**2.027.660**

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

Corporation tax is payable at a rate of 20% for 2016. (2015: 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

Dividends paid ton on-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to witholding tax. Otherwise, dividends paid are subject to witholding tax at the rate of 15% (2015: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur witholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2015: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2015: 17th) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offseting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within 25th of fourth month following the close of the financial year to which they relate.

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

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

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

According to Turkish Corporate Income Tax Law numbered 5520, effective from 21 June 2006, a 75% portion of the gains derived from the sales of preferential rights, usufruct shares and founding shares from investment equity and real porperty, 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 lenght 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 lenght 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 lenght principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised in a disguised manner through transfer pricing completely or partially, will be assessed as distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxplayer 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 2016 and 2015 are as follows:

	1 January - 31 December 2016	**1 January - 31 December 2015**
Current Corporation tax expense	(8.731.395)	(7.033.462)
Deferred tax income	(525.485)	(1.828.954)
Total taxation on income	**(9.256.880)**	**(8.862.416)**

The reconciliation of tax expense is as follows:

Profit before tax	**68.946.061**	**75.368.314**
Tax calculated at tax rates applicable to the profit	(13.789.212)	(15.073.663)
Expenses not deductible for tax purpose	(222.774)	(291.132)
Income not subject to tax	157.335	138.535
Tax effect upon the results of investments-in-associates	2.869.712	5.069.397
Deferred tax assets are capitalized and used during the period	1.763.848	1.292.808
Other	(35.789)	1.639
Total taxation on income	**(9.256.880)**	**(8.862.416)**

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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 mehtod using a principal tax rate of 20% (2015: 20%).

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2016 and 2015 using the enacted tax rates at the balance sheet dates are as follows:

	Taxable cumulative temporary differences		Deferred income tax assets/ (liabilities)	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Revaluation of property, plant and equipment	115.915.724	120.025.963	(12.961.509)	(13.783.572)
Difference between carrying values (excluding revaluation reserve) and tax bases tangible and and intangible assets	14.737.860	12.387.266	(2.510.825)	(2.040.706)
Provision for employment termination benefits	(17.885.707)	(15.226.680)	3.577.141	3.045.336
Difference between carrying value and tax bases of avaliable-for-sale investments	(1.761.518)	(1.755.678)	352.304	351.135
Investment incentives (*)	(3.742.864)	(7.239.365)	748.573	1.447.873
Other	(110.359)	(932.840)	22.072	186.568
Deferred income tax assets			4.700.090	5.030.912
Deferred income tax liabilities			(15.472.334)	(15.824.278)
Deferred income tax liabilities-net			**(10.772.244)**	**(10.793.366)**

(*) The Company has investment incentive certificate relating with production line investment. As of 31 December 2016, based on the best estimate of the Company management, it is highly probable to utilize investment incentive amounted to TL748.573 (2015: TL1.447.873)

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

1 January 2015	**(9.293.782)**
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
31 December 2015	**(10.793.366)**
Credited to statement of comprehensive income	(525.485)
Charged to actuarial loss arising from defined benefit plans	545.440
Charged to fair value reserve of avaliable for sale investments	1.167
31 December 2016	**(10.772.244)**

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NOTE 42 - EARNINGS PER SHARE

		1 January - 31 December 2016	1 January - 31 December 2015
Profit for the period	A	59.689.181	66.505.898
Weighted number of 100 shares with a Kr1 face value (Note 31)	B	4.333.500.000	4.333.500.000
Earnings per share with a Kr1 face value	**A/B**	**1,3774**	**1,5347**

There are no differences between basic and diluted earnings per share. Since the General Assembly meeting of the year 2016 has not been performed yet, dividend distribution decision has not been taken.

NOTE 43 - SHARE-BASED PAYMENT

None (2015: None).

NOTE 44 - INSURANCE CONTRACTS

None (2015: 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 Note 2.

NOTE 47 - DERIVATIVE FINANCIAL INSTRUMENTS

None (2015: None).

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NOTE 48 - FINANCIAL INSTRUMENTS

Avaliable for sale-investments:

	31 December 2016		31 December 2015	
	TL	%	TL	%
YDT	580.036	1,76	581.039	1,76
Bintur	96.941	1,33	101.778	1,33
	676.977		**682.817**	

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 2016, nominal discounts and growth rates are used in the fair value calculations.

As of 31 December 2016 and 2015, the discount and growth rates used in discounted cash flow models are as follows:

	Discount Rate		Growth Rate	
	2016	2015	2016	2015
Bintur	%19,00	%11,24	%1	%1
YDT	%17,80	%11,24	%1	%0

Movements of available-for-sale investments in 2016 and 2015 are as follows:

	2016	2015
1 January	**682.817**	**628.775**
Fair Value Change- YDT	(1.003)	40.592
Fair Value Change - Bintur	(4.837)	13.450
31 December	**676.977**	**682.817**

Movements of fair value reserve of available-for-sale investments in 2016 and 2015 are as follows:

1 January	**110.989**	**67.755**
Change in fair value - net	(5.840)	54.042
Deferrred income tax effect on fair value reserve of avaliable for sale investments (Note 41)	1.167	(10.808)
31 December	**106.316**	**110.989**

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 unpredicatiblity of financial markets.

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 instutions, 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 neccessary 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 anaysis of the Company as of 31 December 2016 and 2015 are as follows:

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

31 December 2016

	Recievables				
	Trade Receivables (1)		Other Receivables		
	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**80.267.399**	**20.707.682**	**22.705**	**174.882**	**405.172**
- The part of maximum credit risk covered with guarantees	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	78.280.892	18.357.844	22.705	174.882	405.172
B. Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired	-	-	-	-	-
C. Net book value of assets past due but not impaired	1.986.507	2.349.838	-	-	-
- The part covered by guarantees	-	-	-	-	-
D. Net book value of assets impaired					
- Past due amount (gross book value)	-	339.779	-	-	-
- Impairement amount (-)	-	(339.779)	-	-	-
- Colleteral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Colleteral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) The Company's receivables are mainly stemming from meat and by-products, frozen dough products and packaged food.

(2) In determining the related amounts, factors that increase the credit reliability such as the collateral received are not considered.

(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

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

(1) The Company's receivables are mainly stemming from meat and by-products, frozen dough products and packaged food.

(2) In determining the related amounts, factors that increase the credit reliability such as the collateral received are not considered.

(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

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

31 December 2016

	Recievables		
	Related Parties	**Third Parties**	**Total**
1 - 30 days overdue	1.751.488	2.338.041	4.089.529
1 - 3 months overdue	230.275	11.797	242.072
3 - 6 months overdue	4.744	-	4.744
The part of credit risk covered with guarantees	-	-	-
	1.986.507	**2.349.838**	**4.336.345**

31 December 2015

	Recievables		
	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	-	-	-
	741.795	**1.465.075**	**2.206.870**

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)

The liquidity risk analysis of financial liability types as of 31 December 2016 and 2015 is as follows:

	31 December 2016				
	Carrying Value	**Total Cash outflows per agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months(II)**	**1 - 5 years (III)**
Contractual maturity dates:					
Financial Liabilities					
Trade Payables	84.441.575	84.938.818	84.938.818	-	-
Other Payables and Other Financial Liabilities	7.770.019	7.770.019	7.770.019	-	-
	92.211.594	**92.708.837**	**92.708.837**	**-**	**-**

	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)**
Contractual maturity dates:					
Financial Liabilities					
Bank borrowing	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	2.013.434	2.013.434	2.013.434	-	-
	82.008.412	**82.548.537**	**82.548.537**	**-**	**-**

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.

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

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

	Foreign Currency Position							
	31 December 2016				31 December 2015			
	TL Equivalent	USD	Euro	Other (TL Equivalent)	TL Equivalent	USD	Euro	Other (TL Equivalent)
1. Trade Recievables	3.740.998	346.524	616.602	233.979	2.531.679	288.951	532.328	-
2a. Monetary Financial Assets (Cash, Bank Accounts included)	21.675	3.318	2.695	-	228.396	74.284	3.905	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	93.482	13.307	12.575	-	66.626	9.468	12.303	-
4. Current Assets (1+2+3)	**3.856.155**	**363.149**	**631.872**	**233.979**	**2.826.701**	**372.703**	**548.536**	**-**
5. Trade Recievables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non- Current Assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**3.856.155**	**363.149**	**631.872**	**233.979**	**2.826.701**	**372.703**	**548.536**	**-**
10. Trade Payables	684.202	-	184.426	-	2.633.384	28.777	590.257	674.112
11. Financial Liabilities	-	-	-	-	158.668	-	49.933	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**684.202**	**-**	**184.426**	**-**	**2.792.052**	**28.777**	**640.190**	**674.112**
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (15+16)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**684.202**	**-**	**184.426**	**-**	**2.792.052**	**28.777**	**640.190**	**674.112**
19. Net Asset/ Liability Position of Off-Balance Sheet Derrivative Instruments (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19a. Amount of Hedged Aasset	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19b. Amount of Hedged Liability	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
20. Net Foreign Currency Asset (Liability)	**-**	**-**	**-**	**-**				
Position (9-18+19)	**3.171.953**	**363.149**	**447.446**	**233.979**	**34.649**	**343.926**	**(91.654)**	**(674.112)**
21. Net Foreign Currency Asset (Liability) Position of Monetory Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**3.078.471**	**349.842**	**434.871**	**233.979**	**(31.977)**	**334.458**	**(103.957)**	**(674.112)**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
23. Amount of Foreign Currency Denominated Assets Hedged	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
24. Amount of Foreign Currency Denominated Liabilities Hedged	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
25. Export	**20.294.350**	**2.447.266**	**2.847.157**	**4.065.911**	**15.784.645**	**2.539.478**	**1.893.926**	**3.695.954**
26. Import	**18.003.473**	**2.292.480**	**3.169.516**	**683.353**	**20.541.739**	**1.589.640**	**4.949.043**	**450.900**

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

31 December 2016

	Sensitivity Analysis for Foreign Currency Risk			
	Profit/Loss		Equity	
	Appreciation of Foreign currency	Depreciation of Foreign currency	Appreciation of Foreign currency	Depreciation of Foreign currency
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	127.799	(127.799)	127.799	(127.799)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect Net (1+2)	**127.799**	**(127.799)**	**127.799**	**(127.799)**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	165.998	(165.998)	165.998	(165.998)
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect Net (4+5)	**165.998**	**(165.998)**	**165.998**	**(165.998)**
Change of other currencies by average 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	23.398	(23.398)	23.398	(23.398)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**23.398**	**(23.398)**	**23.398**	**(23.398)**
TOTAL (3+6+9)	**317.195**	**(317.195)**	**317.195**	**(317.195)**

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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
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	100.000	(100.000)	100.000	(100.000)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect – net (1+2)	**100.000**	**(100.000)**	**100.000**	**(100.000)**
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR - net	(29.124)	29.124	(29.124)	29.124
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	**(29.124)**	**29.124**	**(29.124)**	**29.124**
Change of other currencies by average 10% against TL:				
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 (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**(67.411)**	**67.411**	**(67.411)**	**67.411**
TOTAL (3+6+9)	**3.465**	**(3.465)**	**3.465**	**(3.465)**

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

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 2016 and 2015.

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 2016	**31 December 2015**
Finansal liabilities (Note 25)	3.994.144	6.185.412
Less: Cash and cash equivalents (Note 6)	(1.247.276)	(4.808.870)
Net debt	**2.746.868**	**1.376.542**
Total equity	**418.932.935**	**406.231.131**
Net debt / equity ratio	**%0,7**	**%0,3**

The Company management regularly monitors the debt/ equity ratio. The Company management regularly monitors the debt / equity ratio.

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, classified as financial liabilities (Note 25), other financial liabilities and trade payables (Note 8) are categorized as financial liabilities measured at amortized costs using effective interest method.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by aquoted 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 neccessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not neccessarily 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:

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

NOTES 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 2016 and 2015.

31 December 2016

	Level 1	**Level 2**	**Level 3** (*)	**Total**
Assets:				
Available-for-sale investments	-	-	676.977	676.977
Total Assets	**-**	**-**	**676.977**	**676.977**

31 December 2015

	Level 1	**Level 2**	**Level 3 (*)**	**Total**
Assets:				
Available-for-sale investments	-	-	682.817	682.817
Total Assets	**-**	**-**	**682.817**	**682.817**

(*) No transfers between Levels 1 and 2 during the years ended 31 December 2016 and 2015. For Level 3 Financial Instruments, please refer to Note 48.

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

NOTE 50 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

The following table presents the Company's non-financial assets that are measured fair value at 31 December 2016 and 2015.

31 December 2016

	Level 1	Level 2	Level 3	Total
Plant, property, equipment:				
Land	-	85.109.400	-	85.109.400
Building and land improvements	-	61.842.858	-	61.842.858
Machinery and equipment	-	63.081.514	-	63.081.514
Biological Assets:				
Biological Assets	-	13.005.644	-	13.005.644
Total Assets	**-**	**223.039.416**	**-**	**223.039.416**

31 December 2015

	Level 1	Level 2	Level 3	Total
Plant, property, equipment:				
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
Biological Assets:				
Biological Assets	-	6.711.357	-	6.711.357
Biological Assets	**-**	**213.930.010**	**-**	**213.930.010**

NOTE 51 - SUBSEQUENT EVENTS

None (31 December 2015: None).

NOTE 52 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None (31 December 2015: None).

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INFORMATION FOR INVESTORS

Stock Exchange
Pınar Entegre Et ve Un Sanayii A.Ş. shares are traded at Borsa Istanbul Star 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 Pınar Entegre Et ve Un Sanayii A.Ş., the Company's Ordinary General Assembly Meeting will be held on March 30, 2017, Thursday at 14:30 at Kemalpaşa Caddesi No: 317 Pınarbaşı/Izmir.

Profit Distribution Policy
The general profit distribution policy of Pınar 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) in Turkish and English.

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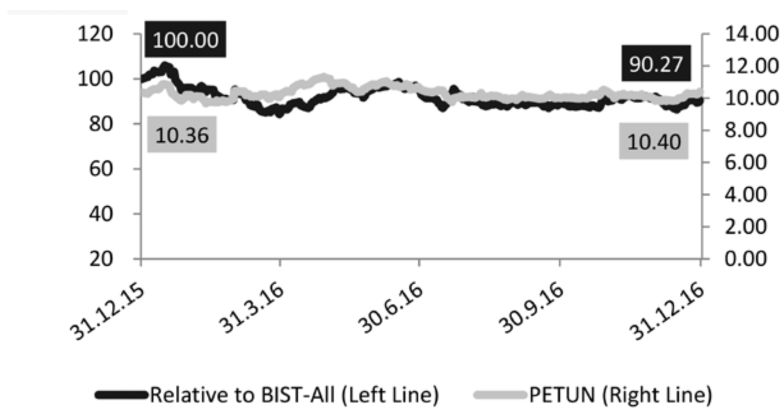
Pınar Et Share Performance (Compared to BIST ALL Index)



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