PINAR SU

2015 ANNUAL REPORT

Yaşar
for a better life

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

Trade Name
Pınar Su Sanayi ve Ticaret A.Ş.

Trade Registry & Number
Izmir Trade Registry 45707 K:2016

Authorized Capital
TL 50,000,000

Paid-in Capital
TL 12,789,345.27

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One of Turkey's leading corporate groups...

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

THE BEST-KNOWN BRANDS IN A NUMBER OF SECTORS

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

A CORPORATE GROUP THAT HAS AUTHORED MANY FIRSTS

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

In Turkey, Yaşar Group created/established:

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

IN KEEPING WITH ITS ENVIRONMENTAL AND SOCIAL AWARENESS APPROACHES

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

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

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

YAŞAR GROUP'S MISSION

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

FOOD & BEVERAGES GROUP

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

PINAR

COATINGS GROUP

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

TISSUE PAPER GROUP

- Viking Kağıt

TRADE & SERVICES GROUP

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

FOUNDATIONS

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

For a better life...

Pınar Su offers purity, vitality and health.

- We are the leading company in the packaged water industry, with high standards in all our business processes and an experience and expertise of 32 years.
- We offer consumers healthy products bottled at plants operating in compliance with hygiene norms.
- We hold a distinctive position in the market and our competitive products contribute to its development.
- We contribute to the national economy through exports, tax contributions and job creation.
- We recycle a significant amount of packaging waste and leave a clean environment for generations to come.

Chairperson's Message

“Pınar Su, the only nationwide company operating in Turkey's packaged water industry with 100% Turkish capital, continued to grow in 2015, increasing its net sales by 9.3% to TL 145 million compared to the previous year.”

Esteemed Stakeholders,

The packaged water market is growing both in Turkey and across the world. This pace of growth is fueled by a growing consciousness of health issues, improved retail channels and the increase of urbanization rate. Despite these social developments, economically 2015 was a year of challenging conditions throughout the globe.

Economic performance of the country was worse than expected, due to factors such as lower commodity prices, expectations based on the fiscal policy decisions of central banks, the high debt ratios of developed economies, the structural problems of developing countries and geopolitical considerations. Despite these developments, a positive ripple was created in global markets by the European Central Bank's policies of open-ended quantitative easing and the FED's cycle of "monetary tightening", starting in December and driven by strong economic activities and improvements in the labor market. In 2015, Turkey experienced many problems due to regional geopolitical risks and global conditions, as well as strong fluctuations in rates for currency exchange. In terms of macroeconomics, we expect 2016 to be better than the previous year and predict growth fueled by the continuation and expansion of cautious monetary policies and fiscal discipline, with an accompanying increase in local demand.

Packaged water, the beverage market's fastest growing sector

The stable growth of the packaged water industry in Turkey is very pleasing despite the dormant economy in 2015. The market for non-alcoholic beverages in Turkey grew by 4% with regards to volume, compared to the previous year, and the biggest contribution (3.5%) came from the packaged water segment. This resulted in global investors focusing on the bottled water market in Turkey as well as in foreign acquisitions of competing companies. As of the end of 2015, Pınar Su is now the only company with 100% Turkish capital operating nationwide in Turkey's packaged water industry. The packaged water sector in Turkey is estimated to have reached a total volume of 11.1 billion liters and a total turnover of TL 4.5 billion in 2015. In an industry in which there are about 300 companies that have been licensed

by the Turkish Health Ministry, consumption is divided into 58% home-delivered carboy containers and 42% PETs. In 2015, the retail market for PET grew by 7.8% in tonnage and 14.9% in revenue, compared to 2014 (Nielsen), and the 19-liter carboy segment shrunk by 2% (SUDER). Perceptions of glass-bottled products being healthier increased the amount of these products introduced to the market.

32 years of operation

Pınar Su, Turkey's first packaged water brand, offers its products to the consumer for 32 years. In modern plants located at Aydın-Bozdoğan, Isparta-Eğirdir and Sakarya-Hendek, water pumped from nearby springs is bottled immediately without any impairment or changes to its original, natural mineral composition. The springs are located far away from habitation and where flow rates and chemical properties do not vary during the year due to rainfall or drought. The Company is strongly focused on the use of healthy packaging and is sensitive about packaging as well as its products. In addition to new products in glass bottles, we also redesigned the packaging of our product line Pınar Denge Mineral Water. We also extended the flavored water range with watermelon and strawberry flavored products.

Offering faster, more practical and superior-quality products to customers, the Company achieved a volume increase of 2.3% in 2015

We offer our customers services to place orders online and via an app from smart phones. Carboy and PET vendors operate according to Company-specific norms. The installed Asos system monitors whether deliveries were made on time or not. In order to standardize the distribution of PET products, vendors have been integrated to the SAP system.

As of 2015, the Company was ranked as the fourth biggest company in the packaged water sector, with growth in volume of 2.3% and a growth in revenues of 9.3%, compared to 2014. Net sales turnover of Pınar Su amounted to TL 145 million and, by the end of the year, its equities were TL 53.7 million and total assets TL 149.6 million.

We believe our fourth plant at Bursa-Inegöl will help us make a huge jump in our sector in 2016

The Company has undergone a period of large investment over the last three years. Within this scope, in March 2015 a decision was made to invest in a new water bottling plant and our fourth plant was commissioned on land owned by the Company in Bursa-Inegöl. The first phase, consisting of the carboy bottling plant, was completed after a rapid investment of TL 14 million into the Bursa-Inegöl Plant. Test production started in December 2015 and the Company plans to complete phase two of the plant, which consists of the complete PET manufacturing line and plants in 2016. With this investment, increase is expected in sales especially in Istanbul and Ankara. In 2015, the Company continued to invest in modernization and capacity increase and, due to improvements in cost optimization and business processes, gross profit increased by 21%, compared to the previous year, amounting to TL 68.7 million. Pınar Su had a share of 4.3% for the PET water segment in 2015. 10% of Pınar Su's total sales resulted from exports and the products were sold to 24 countries in in wide geography. We will keep a close watch on global developments in international markets with the aim of pursuing growth in exports.

Pınar Su shares the corporate management approach of Yaşar Group, with a strong dedication to ethical values and a strong commitment to principles of transparency, reliability and fairness. As a result of strict compliance with the requirements of the Turkish Code of Commerce and The Capital Market's Board of Turkey, our corporate governance rating was revised upwards to 9.37 over 10 in 2015.

Supporting a sustainable future

Our Company operates in a business which owes its fundamental resource to nature and is essential to the whole world. Aware of the responsibilities involved, we attach great importance to the preservation of nature and a sustainable future. Compared with that of other consumer goods, the production of packaged water is relatively less energy-intensive and leaves less carbon footprint. However, we reached a decrease of 21% in our carbon footprint in 2014 and continue to measure our carbon footprint in pursuit of even lower carbon emissions. As a founding member of ÇEVKO, The Environmental Protection and Packaging Waste Recovery/Recycling Trust, we work closely with the organization in its packaging-waste collection and recycling efforts. In 2015, Pınar Su was granted with a certificate of thanks at the Yeşil Nokta Industry Awards in the Large-Scale Enterprises group category of Preventative Applications By Decreasing Resources In Packaging Design.

In line with our mission of social responsibility, we became the National Basketball Team's Official Beverages Supplier in 2015

With the Pınar brand, we diligently engage in social projects by supporting art, education, sport, and the protection of cultural assets. In 2015, Pınar Su became the Official Beverages Supplier of the Turkish Basketball Federation and the National Basketball Teams.

The most important commitment of Pınar Su to its customers is to maintain superior quality and hygiene. We will continue to bring our consumer together with their health, being their “Source of Life”. In 2016, we aim to offer our customers new products arising from an investment focus on automation. We will be more ambitious, competitive and efficient in the market.

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

Best regards,

Emine Feyhan Yaşar
Chairperson of the Board

Board of Directors

Emine Feyhan Yaşar
Chairperson

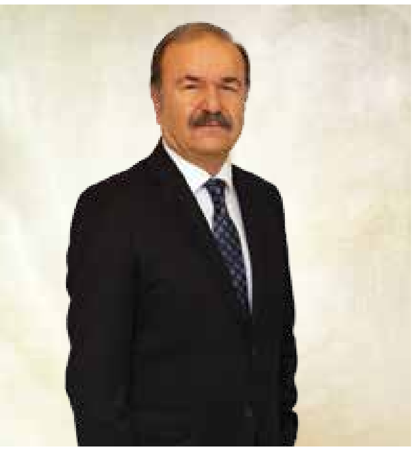
İdil Yiğitbaşı
Vice Chairperson

Ali Yiğit Tavas
Independent Member

Kemal Semerciler
Independent Member

Yılmaz Gökoğlu
Member

Ergun Akyol
Member



Zeki Ilgaz
Member

Senior Management, Committees

Board of Directors & Term

NAME	TITLE	TERM
EMİNE FEYHAN YAŞAR	CHAIRPERSON	26.03.2015 - 1 YEAR
İDİL YİĞİTBAŞI	VICE CHAIRPERSON	26.03.2015 - 1 YEAR
ALİ YİĞİT TAVAS	INDEPENDENT MEMBER	26.03.2015 - 1 YEAR
KEMAL SEMERCİLER	INDEPENDENT MEMBER	26.03.2015 - 1 YEAR
YILMAZ GÖKOĞLU	MEMBER	26.03.2015 - 1 YEAR
ERGUN AKYOL	MEMBER	26.03.2015 - 1 YEAR
ZEKİ ILGAZ	MEMBER	26.03.2015 - 1 YEAR

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

Corporate Governance Rating:
In the year 2015, Pınar Su's corporate governance rating was revised as 9.37 out of 10.

Senior Management

NAME	TITLE
HÜSEYİN KARAMEHMETOĞLU	GENERAL MANAGER
ONUR ÖZTÜRK	FINANCIAL AFFAIRS AND FINANCE DIRECTOR

Audit Committee

NAME	TITLE
ALİ YİĞİT TAVAS	HEAD
KEMAL SEMERCİLER	MEMBER

Corporate Governance Committee

NAME	TITLE
ALİ YİĞİT TAVAS	HEAD
YILMAZ GÖKOĞLU	MEMBER
ERGUN AKYOL	MEMBER
ONUR ÖZTÜRK*	MEMBER

Early Detection of Risk Committee

NAME	TITLE
KEMAL SEMERCİLER	HEAD
YILMAZ GÖKOĞLU	MEMBER
ZEKİ ILGAZ	MEMBER

*Appointed to replace Gökhan Kavur as of 07/23/2015.

* Résumés of Board Members and Senior Managers are available on pages 31-32.

Corporate Profile

32 years ago, **Pınar Su** began to lead a new sector by producing the **first packaged water** in Turkey. The Company continues to grow and now exports to **24 countries**.

Pınar Su's **hygiene** implementations are well above the standards of the industry and the **physical, chemical** and **microbiological** properties of the water are tested at all phases, from the initial collection until bottling, and the water is made available for consumption.

2015 Financial Performance

(TL Million)	01/01/2014-31/12/2014	01/01/2015-31/12/2015
Net Sales	132.2	144.5
Gross Profit	56.8	68.7
Gross Profit Margin	43.0%	47.6%

(TL Million)	31/12/2014	31/12/2015
Total Assets	122.2	149.6
Total Equities	58.9	53.7
Debt/Equity Ratio	0.93	0.56

1,539,000 TONS TOTAL PRODUCTION CAPACITY

558,000 TONS MADRAN ANNUAL BOTTLING CAPACITY

625,000 TONS GÖKÇEAĞAÇ ANNUAL BOTTLING CAPACITY

356,000 TONS AKÇAAĞAÇ ANNUAL BOTTLING CAPACITY

SHAREHOLDING STRUCTURE OF PINAR SU (%)

Shareholder	Share Rate (%)	Share Amount (TL)
Yaşar Holding A.Ş.	58.00	7,417,546.56
Pınar Süt Mamulleri San. A.Ş.	8.77	1,122,150.07
Others	33.23	4,249,648.64
Total	**100**	**12.789.345,27**

Pınar Su's shares are traded on Borsa Istanbul Main Market under ticker symbol "PINSU". The Company's capital is represented entirely by bearer shares, each one of which entitles its owner or proxy to a single vote when attending a general meeting of the Company.

Pınar Su laid the foundations of its first plant in 1984 and it became the first company to introduce Turkish consumers to mineral water bottled in non-returnable containers and continues to the pioneer in the industry with high standards across all its business processes.

Pınar Su is a member of Yaşar Group, one of Turkey's biggest and most highly respected corporate groups. As of the end of 2015, it is the only company in the water industry nationwide, with 100% Turkish capital. Today, water which Pınar Su obtains from its Madran, Gökçeağaç, and Akçaağaç springs is supplied to consumers in Turkey and in nearly thirty countries to which the Company exports under the label "Pınar Yaşam Pınarım" (Pınar: My Life Source).

Pınar Su continues its production with high-tech, Class 100 Barrier Isolator and Cleanroom, in its fully-automated filling plant environments, in which a positive interior air pressure is maintained.

Pınar Su is an industry leader, conforming to the highest standards in all of its business processes, from its plants to its logistics operations built on a strong infrastructure, and continues to leap forward within the market – nationally and internationally.

The Company focuses on increasing its market share by developing new products, while operating in line with its objectives of increased customer satisfaction and sustainable growth.

Certified Quality

Pınar Su's concerns for food safety, cleanliness, hygiene, health, quality, and environmental wellbeing are all attested to by the national and international certifications that it has been awarded. As market leader, Pınar Su was the first Turkish beverage company to achieve quality approval by attaining NSF International Certification from the US-based National Sanitation Foundation in 2007, and was also the first packaged water brand to be approved by the Turkish Standards Institution.

Competitive Advantages

"Pınar Su leads forward for sustainable growth, combining 32 years of experience and expertise with the principle of "unconditional customer satisfaction"."

DISTRIBUTION AND SERVICE NETWORK

- Sales and distribution network of vendors located all over Turkey
- Order hotline
- Online ordering
- App ordering (via smart phone)

PRODUCTION

- Mineral water supplied to the consumer under the most natural and hygienic conditions
- Logistical advantages arising from three production facilities near their target markets
- Ability to supply product in whatever form of packaging (PET, carboy, glass) consumers may prefer
- Strong know-how
- Cleanroom technology
- Sound and sustainable collaborative relationships with suppliers nourished by economies of scale and brand value

PRODUCT PORTFOLIO

- Production at Madran, Gökçeağaç and Akçaağaç natural water sources with springs supplied to market in all packaging formats
- Plain, fruit-flavored, naturally sparkling mineral water portfolio

BRAND AWARENESS

- Sector-specific knowledge base
- High brand relibaility
- High customer satisfaction

Innovative Approach to Products and Design

Pınar Su's market position is strengthened with new products and package designs, creating a distinctive presence with its specially designed glass bottles. Aware of the fast-paced growth potential of the segment, the Company plans to shape its coming strategies around natural mineral water.

Products

PINAR YAŞAM PINARIM

MADRAN
- 0.33L PET bottle
- 0.5L PET bottle
- 0.5L PET bottle easy cap
- 1.5L PET bottle
- 5L PET bottle
- 10L PET bottle
- 0.33L glass bottle
- 0.75L glass bottle
- 5L glass carboy
- 19L carboy

AKÇAAĞAÇ
- 0.33L PET bottle
- 0.5L PET bottle
- 1L PET bottle
- 1.5L PET bottle
- 3.25 L PET bottle
- 5L PET bottle
- 10L PET bottle
- 19L carboy

GÖKÇEAĞAÇ
- 0.33L PET bottle
- 0.5L PET bottle
- 0.5L PET bottle easy cap
- 1.5L PET bottle
- 3.25L PET bottle
- 5L PET bottle
- 10L PET bottle
- 19L carboy

PINAR DENGE SPARKLING MINERAL WATER
- Plain mineral water
- Fruit-flavored mineral water

PINAR

16
TOTAL NUMBER OF WATER AND MINERAL WATER VARIETIES

Health from the Most Superior-Quality Sources

Pınar Madran	
Fluoride	0.05 mg/L
Magnesium	1.11 mg/L
Calcium	3.14 mg/L
Sodium	4.85 mg/L
Chloride	3.80 mg/L
Nitrite	0
Ph	7.04

Pınar Akçaağaç	
Sulfate	2.2 mg/L
Sodium	1.5 mg/L
Chloride	2.0 mg/L
Nitrite	0
Ph	8.01

Pınar Gökçeağaç	
Sulfate	7.7 mg/L
Sodium	5.6 mg/L
Chloride	1 mg/L
Nitrite	0
Ph	8.2

Investments

“As it continues to grow with investments, Pınar Su plans a 45% increase in carboy production capacity, once the new plant in Bursa is launched for production.”

TL 24
MILLION
TOTAL SIZE OF INVESTMENTS

TL 14
MILLION
TOTAL INVESTMENTS FOR THE BURSA INEGÖL PLANT

Pınar Su carefully invests in springs located at places far away from habitation and where flow rates and chemical properties do not vary during the year due to rainfall or to drought. The Company produces in plants in three different regions of Turkey.

The Company’s high-quality water springs and modern production plants, with a total manufacturing capacity of 1,539,000 tons, are located in Aydın/Bozdoğan, Isparta/Eğirdir and Sakarya/Hendek.

INVESTMENTS FOR THE FOURTH PLANT

In addition to these three locations, with their favorable positions in terms of transportation and logistics, in March 2015, Pınar Su decided to invest in a new water bottling plant on property belonging to the Company in Bursa Inegöl. The Bursa Inegöl Plant, the Company's fourth plant, will be built with a budget of TL 14 million. After phase one, the Company started test production of carboy-packaged water in December 2015.

The Uludağ spring’s annual carboy bottling capacity of 360,000 tons is expected to increase sales, especially in Istanbul and Ankara. In 2016, the Company plans to complete phase two of the Bursa Inegöl plant, which consists of a PET manufacturing line and plants.

In 2015, Pınar Su’s total investments amounted to TL 23,753,914. The investments were distributed as TL 7,612,402 for buildings, underground and surface installations, TL 4,505,442 for machinery and equipment and TL 4,025,776 for fixtures.

Innovations

“Pınar Su continued with its innovative implementations in 2015, closely monitoring global and local consumer trends in line with its mission of keeping its pioneer status in the industry.”

Pınar Su manages its production, packaging, quality control, dispatch and order processes with 100% customer satisfaction in mind and offers new products and services based on changes in consumer trends.

7
NUMBER OF PRODUCTS LAUNCHED IN RENEWED PACKAGING

NEW LABEL AND SHRINK-WRAP DESIGNS

In 2015, in line with the developing “trend of healthy living” in Turkey, Pınar Su developed new products in the glass bottle segment, which is perceived as healthier and eco-friendlier, and launched 0.33L and 0.75L glass bottles with a new “Premium” design. The Company also renewed the design and diversified the cap colors of the Smurfs PET products for children. Pınar Su renewed the label and shrink-wrap designs of Pınar Denge Sparkling Water products to make them stand out on the shelves, while also promoting the product range and launching watermelon-strawberry flavored sparkling water.

Aiming to Stand Out

As part of its product positioning work for mineral waters, and aromas the Company aims to continue its investment in projects that strengthen technological infrastructure and ensure a higher level of customer satisfaction in 2016.

Quality Approach

“Pınar Su aims to incorporate sustainable development into all production and distribution standards and considers quality as an essential element of its business strategies.”

11

NUMBER OF CERTIFICATIONS

Pınar Su’s commitment to maintain standards in food safety, cleanliness, hygiene and health is demonstrated by its certifications: it was the first Turkish beverage company to achieve quality approval by attaining NSF International Certification from the US-based National Sanitation Foundation and was also the first packaged water brand to be approved by the Turkish Standards Institution (TSE).

“CLEANROOM” TECHNOLOGY

At all its production plants, Pınar Su makes use of efficient infrastructure and modern technologies, carrying out a fully-automated filling process by means of Class 100 Barrier Isolator and “Cleanroom” technologies, in which a positive interior air pressure is maintained while ambient air is continuously filtered.

Pınar Su implements globally-accepted quality systems and standards in its fully-equipped laboratories where the water is subjected to a battery of physical, chemical, and microbiological tests at every stage of production.

HIGH-QUALITY APPROACH IN PROCUREMENT

Pınar Su’s principles include continuous monitoring and developing performance of its partners and evaluating them within the frame of ISO 9000 Quality System Certification.

Through this procedure, Pınar Su assists its suppliers in developing their corporate structure and evaluates them monthly with regards to price, quality and delivery. Improvements are initiated with suppliers who need to live up to the norm.

Pınar Su procures its packaging materials, especially PET preform, from expert manufacturers and the number of active suppliers is systematically increased.

Pınar Su prefers to work with suppliers that have compatible corporate values and similar approaches to the issues of public health and the environment.

Productivity

“Pınar Su continued with OCI and Lean Six Sigma processes, concentrating on work to control expenditure with the aim of maintaining productivity in all business processes throughout 2015.”

In 2015, Pınar Su continued the “Cost Optimization” and “Energy Efficiency” projects, within the scope of Operational Cost Improvement (OCI), as well as implementing numerous measures in line with Lean Six Sigma practices to increase the efficiency of all business processes to achieve perfection and maximize customer satisfaction.

In addition to sustainably improve in business processes, all projects are also focused on improvement of efficiency and effectiveness of the Company’s human resources.

Seven projects originally started in 2014 under the headings of “Operational Excellence”, “Productivity Enhancement”, “Process Design”, and “Cost Improvement” were completed in 2015. Five projects were started in December 2015 and are planned to be finished by July 2016.

7

NUMBER OF COMPLETED PRODUCTIVITY PROJECTS

The Company in 2015

“As the bottled water industry grew, both globally and in Turkey, Pınar Su has proven its success, selling 535,940 tons of water in 2015, including 24 exports markets.”

ONE OF THE LARGEST COMPANIES OPERATING NATIONWIDE
100%
THE ONLY PACKAGED WATER COMPANY WITH 100% TURKISH CAPITAL

The market of bottled water is growing throughout the globe due to changes in consumer trends, and has recently become one of the fastest-growing and dynamic markets in developed countries.

Consumer demands, based on focused health and nutrition habits, is the driving force behind the sector's growth. In many developed countries, bottled water is much more than meeting water needs and is one of the major elements of a healthy lifestyle. Water is the preference of consumers who stay away from unhealthy, sugary carbonated beverages. In developed countries, bottled water is considered cleaner and therefore an alternative to tap water.

The drinking water segment has the highest share of the global bottled water market, while flavored and functional water segments are also growing quickly due to consumers seeking a healthy lifestyle.

TURKEY'S PACKAGED WATER INDUSTRY

In addition to these global developments, the bottled water industry in Turkey is also growing every year due to health awareness, developing retail channels and the increasing pace of urbanization rate. The biggest contribution to the 3.5% growth in the non-alcoholic beverages industry in 2015, compared to 2014, came from the bottled water segment (Nielsen).

Within this scope, global investors turned their attention to the bottled water market in Turkey, resulting in foreign acquisitions of competing companies. As a result of many competitors being sold to foreign companies, Pınar Su is now the only company nationwide with 100% Turkish capital operating in Turkey’s packaged water industry.

It is estimated that the bottled water market in Turkey reached 11.1 billion liters in volume and TL 4.5 billion in revenue in 2015 (SUDER), and current use of industrial capacity is estimated to be 40%.

In 2015, packaged water consumption per capita is estimated to 143 liters, 62 liters in PET containers and 81 liters in carboys. (SUDER). In an industry in which there are about 300 companies that have been licensed by the Health Ministry, consumption is divided into 58% home-delivered carboy containers and 42% PETs (SUDER).

In 2015, the retail market for PET grew by 7.8% in tonnage and 14.9% in revenue, compared to 2014 (Nielsen), and the 19-liter carboy segment shrunk by 2% (SUDER).

GLASS BOTTLES

Among others, disinformation about health issues arising from the use of polycarbonate carboys shifted the demand to glass bottles. This resulted in many companies launching glass-bottled products.

Together with new brands entering the market in different bottle sizes, this product group that used to be consumed almost exclusively at restaurants, hotels, cafes and similar away-from-home venues, began to be offered on the retail market and served at home.

11.1 BILLION L
VOLUME OF WATER MARKET IN TURKEY

40%
CURRENT LEVEL OF INDUSTRIAL CAPACITY USED IN THE SECTOR

143L
WATER CONSUMPTION PER PERSON IN TURKEY

7.8%
TON-BASED GROWTH IN RETAIL PET SEGMENT

58%
SHARE OF CARBOYS IN WATER CONSUMPTION

42%
SHARE OF PET BOTTLES IN WATER CONSUMPTION

Pınar Su and the Sector

"In 2015, Pınar Su achieved a growth of 9% in revenue and 2% in volume, compared to 2014. Despite the shrinkage accross the country, the Company increased its share of carboy in general sales."

144.5
TL MILLION
TOTAL
TURNOVER

4.3%
DOMESTIC MARKET
SHARE OF
PINAR SU

24
NUMBER OF
COUNTRIES
EXPORTED TO

By the end of 2015, Pınar Su was ranked fourth in the Turkish packaged-water industry. The product portfolio is divided in 38% carboy, 61% PET bottles and 1% glass-bottled water and mineral water. Despite the 2% shrinkage of the national carboy segment in 2015, the share of this segment within the total water products sold by Pınar Su increased by 3% and the Company's share in the local market increased as well.

In 2015, Pınar Su sales amounted to 535,940 tons in volume, with a revenue of TL 144.5 million. Based on these figures, in comparison to 2014, the Company grew by 9% in revenues and 2% in volume. 90% of total sales were domestic sales.

By the end of 2015, the Company's gross profit margin was 47.6% and its gross profit amounted to TL 68.7 million. Pınar Su equities were TL 53.7 million and total assets amounted to TL 149.6 million by the end of the year.

EXPORTS

Pınar Su has been active in a wide range of international markets for 32 years, keeping closely focused on global developments and identifying customer needs in existing and potential foreign markets. The Company focuses on growth in Europe through new sales channels and continues its branding efforts in these markets.

In 2015, Pınar Su exported to 24 different countries, 71% of which were made to Germany and Britain. 10% of sales were through international channels and export revenues totaled USD 5.5 million.

Continuing to grow and defend its position as leader in the European market, which is still the foremost destination for Turkish brands, in the year 2015, Pınar Su shipped its products to Germany, UK, Ireland, Belgium, Netherlands, Austria, Switzerland, France, Kosovo, Czech Republic, Macedonia, Greece, Malta, Northern Cyprus, Libya, Kuwait, Qatar, Palestine, Israel, Bahrain, UAE, Iraq, Singapore, Australia, USA, Azerbaijan and Romania.

2015 PINAR SU IN FIGURES

- The total packaged PET water segment grew 7.8% in tonnage and 14.9% in revenues. Pınar Su is number 4 in the sector with a market share of 4.3%. (Nielsen)
- Advertising costs increased by 237% as compared to 2014, amounting to TL 6 million.
- Exports accounted for 10% of net sales and TL-denominated export turnover increased by 17%, compared to the previous year.
- Pınar Su made 75% of its sales through vendors and sold also to markets and chain stores.
- Most of the TL 24 million investment went into the new plant at Bursa Inegöl.
- The right of use was extended by 5 years for the Aydın Bozdoğan spring and by 10 years for the Sakarya Hendek spring.

Foreign Markets

While Pınar Su continues to add new markets to its portfolio, it also plans to increase activity in existing foreign markets. Pınar Su is benefitting from the increased demand for glass-bottled products in international markets, like in Turkey, and aims to set itself apart with work on marketable designs.

Consumers, Customers, and the Company

> "Pınar Su shapes its strategies based on regular market research, aiming to maintain its image as expert and a brand of superior-quality, trustworthiness and full of life-energy."

Its target audience is the ABC1 Social Grade, including the age group of 25 to 45, especially women. The Company serves its customers and consumers by accurately assessing and evaluating market requirements before offering its products. The Company offers 12 types of water in 3 different types of packaging and 4 types of mineral water in 1 packaging type.

Pınar Su offers 19L and 5L carboys, as well as other PET packages for households and various sizes of glass and PET packaging for the AFH venues.

Pınar Denge Sparkling Mineral Water, launched by Pınar Su in 2013 in response to customer demand, distinguishes itself from its competitors being high in mineral and low in sodium levels. Pınar Denge Sparkling Mineral Water offers plain and fruit-flavored water.

89%

SATISFACTION RATE FOR PINAR SU CUSTOMERS

Pınar Yaşam Pınarım Bottling Plant

MADRAN

Located 1,000 meters above the nearest places of habitation in Aydın-Bozdoğan, the Pınar Madran spring is the source of one of the best-quality and most palatable mineral waters available in Turkey. Its average hardness rating is 1.65 Fr.

AKÇAAĞAÇ

The Pınar Yaşam Pınarım-Akçaağaç spring is located in Isparta-Eğirdir at a place remote from centers of habitation and potential sources of industrial pollution. The unique magnesium and calcium content of the water these springs provide, help to keep the metabolism in balance.

GÖKÇEAĞAÇ

The Pınar Yaşam Pınarım-Gökçeağaç spring and plant are located in Sakarya-Hendek, surrounded by beautiful and untouched nature.

MARKETING STRATEGY

Pınar Su sales communications are focused on "trust, purity and family bonds", with an emphasis on the strength and reputation of the "Pınar" brand. The Company communicates brand-associated values along with the qualities of healthy and delicious water. Pınar Su continues to grow its sales and distribution network and invests in marketing in line with specific strategies.

Pınar Su deploys a competitive marketing strategy closely related to current trends, strengthening its market position by launching new products to meet demands and expectations of consumers.

In 2015, operations with regards to these strategies included:

- Promotion campaigns in the Carboy category of the Packaged Water Products Group in conjunction with other brands with the same target audience, and work to strengthen the Company's competitive edge by improving the infrastructure of ordering channels.
- With the relaunch of its "For Those Who Know how to Live" campaign, Pınar Su reinforced its image as a life-giving brand offering vitality.
- In the Recycled Packaging category, national and regional promotional campaigns were conducted throughout the year in line with expectations of consumers at home.
- In 2015, the Company accelerated the pace of its digital initiatives, launching social media accounts and sharing information on its products and services through the account "yasampinarimsu" on Facebook and Twitter.

PINAR SU ORDER HOTLINE

Pınar Su gives great importance to the effective management of its Pınar Su Order Hotline call center in order to hold onto existing customers, gain new ones, and boost customer satisfaction in general.

By means of a single and easily remembered telephone number (444 99 00), the Pınar Su Order Hotline makes it easy for customers to reach Pınar Su from anywhere in Turkey. The system redirects customers to their nearest regional dealership, thus ensuring that they receive the fastest and most effective service possible.

“Pınar Su has diversified its order channels to ensure an easy, practical and fast order process for households, and measures the service quality of its vendors through monitoring.”

In late 2012, the Company launched the “Pınar Su Order App” for iOS and in 2013 the app was available for Android units as well. For the first time in Turkey, customers now have the convenience of directly placing orders online and given the option of specifying delivery on dates and times of their own choosing. This app accounted for 5.6% of orders placed through all Pınar Su order channels in 2015.

The Customer Relationship Management (CRM) system that was introduced in 2011 has increased the effectiveness of the system and brought Pınar Su a step closer to its goal of boosting consumer loyalty and allegiance by being a company that knows its customers well and responds quickly to their needs. The Company continued its customer segmentation work through the CRM infrastructure in 2015 and started to plan loyalty campaigns targeting specific customer segments.

SERVICE AND DELIVERY WORKS

In order to ensure the most superior-quality of service to customers, Pınar Su has formulated storage, office, stock, vehicle, delivery and personnel standards to be followed by all carboy and PET vendors.

- Support is extended to vendors through training booklets, regional exchanges and training programs. The Pınar Su Quality Department specialists regularly control, evaluate and certify vendors as well.

- Pınar Su uses the Asos system, which sends the order directly to the mobile phone of the distributor and monitors whether deliveries were made on time or not. The system, which was also developed for use with smart phones, sends the customer’s address to the distributor along with a map.

- “Müşterimetre” research for monitoring the performance of carboy vendors continued in 2015. Pınar Su regularly evaluates the performance of vendors based on overall satisfaction as well as customer feedback on service quality and delivery time.

- Pınar Su ensures standardized PET distribution services through the SAP system, standard for all vendors.

PINAR COMMUNICATION CENTER

Pınar Su takes an approach of “consumers and customers first”, carefully reviewing requests and recommendations with a consumer-focused approach.

Accessible from anywhere in Turkey on 444 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. PIM's answering rate is 92% and 88% of calls are answered within the first 15 seconds.

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

Employees and the Company

“Based on its awareness that the only competitive strength which cannot be replicated is personnel, Pınar Su’s human resources policy is rooted in recruiting employees with high level of achievement and loyalty, matching the right individual with the right task.”

Pınar Su operates with a principle integral to the culture of Yaşar Group, “increasing the efficiency of work force by developing skilled and effective human resources”, and aims to build a qualified personnel by attracting qualified, creative, innovative, highly-motivated and high-performing individuals. Pınar Su considers its employees as the foundation of growth and development and actively uses modern and globally-accepted procedures by human resource.

Pınar Su’s human resources policy is rooted in the principles of:

- Creating a pool of skilled candidates for every position as a center of attraction,
- Creating employees who are successful and have a strong sense of loyalty by matching individuals with the right jobs,
- Speeding up new recruits' adaptation to the job and the workplace through orientation programs,
- Conducting a variety of intramural and extramural training programs that address many different issues while focusing on the progression of employees in line with the current and future needs,
- Evaluating the performance of employees to encourage performance-focused work. Using the results of such evaluations in HR training & development activities, career planning, and compensation & merit awards,
- Conducting Employee Opinion Surveys in order to gauge employees’ opinions on various issues and, based on their results, developing and implementing appropriate action plans that enhance employee job satisfaction and loyalty,
- Ensuring that all processes are compliant with business law, legislation and the Company's regulations,
- Taking all legal measures mandated by the Occupational Health and Safety Act to prevent occupational risks, ensure a safe workplace and safe working conditions, protect health and safety and eliminate factors that create risks or may lead to accidents.

In 2015, Pınar Su had an average of 452 employees on the payroll. The Company continued to use the “Employee Opinion Survey” to consider the opinions of employees on various issues and take action plans to increase employee job satisfaction and loyalty.

452
AVERAGE NUMBER OF EMPLOYEES

Environment and Sustainability

"Pınar Su considers economic, environmental and social sustainability as the key to a long-term, healthy and profitable performance, and strives to minimize the environmental effects of its business processes as well as improve its environmental performance."

0.015

AVERAGE CO² EMISSION PER TON

Amount of Recycled Packaging Waste

(Kg)	2014		2015	
	Used on the market	Recovered	Used on the market	Recovered
PET	4,354,026	1,915,771	4,932,394	2,367,549
PE	1,326,772	583,780	1,549,469	743,745
CARDBOARD	1,023,476	450,329	1,063,416	510,440
GLASS	1,921,581	845,516	2,150,339	1,032,163

Pınar Su strives to leave a legacy of a healthier physical and social environment so that generations to come can enjoy a better life in a more livable world, working in line with the United Nations Global Compact (UNGC) signed by Yaşar Holding in 2007.

Yaşar Holding lists five areas of concern within the approach of sustainability: "Energy and Climate Change", "Water Consumption and Waste Water", "Material Consumption and Waste Materials", "Health and Safety" and "Social Contribution". Pınar Su also uses this framework to define its approach to sustainability and its priorities on the environment.

In 2015, Pınar Su's operations focused on effective and efficient management of limited natural resources. To this end, the Company was engaged in various efforts to protect the environment, prevent pollution, make economical use of natural resources and properly dispose of wastes.

REDUCED ENERGY CONSUMPTION

At all its plants, Pınar Su makes great efforts to use resources effectively and efficiently, keep an eye on alternative applications and improve its carbon footprint.

In line with this, frequency inverters have been installed on high-pressure air compressors to prevent unnecessary energy use. Furthermore, product unit energy costs were lowered through the use of "demand meters" and "point tariffs" allowing production to be intensified at off-peak times when energy is cleaner and cheaper.

In awareness that the measurement and management of greenhouse emissions is vitally important for the protection of the environment and combatting climate change, Pınar Su regularly measures its carbon footprint in relation to energy conservation and alternative energy resource use and progress is closely monitored.

ÇEVKO COOPERATION

Pınar Su transferred its responsibility for the recovery and reuse of packaging wastes to the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO). As a result of this cooperation, it organizes training for consumers and municipal authorities on the collection of wastes at source, recovery and recycling.

The packaging of Pınar Su products is designed with reusability and recoverability in mind. In both production and post-use, attention is given to the use of packaging that will cause as little harm to the environment as possible.

Carbon Footprint Calculations

Pınar Su is responsible for 2 in 10,000 of Turkey's total carbon footprint and is ranked at number 13 in Yaşar Group itself with a 3% share of its emissions.

The Company's carbon dioxide emission is 0.015 tons of CO2 per 1 ton of product, and 75% of these emissions are from electricity consumption.

Pınar Su carbon calculations are made by a team established under the leadership of Yaşar Holding's Carbon Leader. In 2014, carbon emissions were reduced by 21%. The Company continued with calculating and reporting its "Corporate Carbon Footprint" in 2015.

Corporate Social Responsibility

> “Pınar Su continues to support arts, education and sports through the “Pınar” brand and sponsors many important events.”

Work under the “Pınar” brand is divided between Pınar Süt, Pınar Et and Pınar Su and many social responsibility projects initiated by Yaşar Group have become traditional.

The Group considers its ongoing support to art, education, sports, and the preservation of cultural assets as an important and indispensable way of sharing its gains with the society, according to the principle ‘from the society, for the society’.

PINAR CHILDREN'S THEATER

Over the course of 28 years, the Pınar Children’s Theater has reached more than three million children, fostering among them a love of theater through free performances, with every play being carefully crafted to contribute towards the cultural and personal development of its audiences. In the 2014-2015 season, Pınar Children’s Theater staged a new play called “A Love of Milk”, creating a visual spectacular for thousands of young theater-lovers in Çanakkale, Eskişehir and Izmir.

Pınar Children’s Theater has also functioned as a school for many famous actors in Turkish theater. At the start of 2015, it began staging a play called the “Game Train” free-of-charge.

10,000
NUMBER OF PEOPLE REACHED EVERY MONTH THROUGH THE YAŞAM PINARIM MAGAZINE

PINAR CHILDREN'S ART COMPETITION

The Pınar Art Competition has been running for 34 years with the aim of increasing primary school children’s interest in the fine arts, particularly painting and drawing, and its main theme in 2015 was “My Family and I”.
Out of 49,255 entries submitted from every part of Turkey, the Turkish Republic of Northern Cyprus, Germany, Qatar and United Arab Emirates, the works of 25 children were selected by a jury of education professionals and professional artists under the coordination of the respected painter Zahit Büyükişleyen. The successful children were awarded with a 1-week Art Camp in Istanbul as well as tablet PCs.

SUPPORT FOR SPORTS

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

Pınar KSK
Pınar has been supporting Pınar Karşıyaka (KSK) Basketball Team since 1998 and also gives 1,000 children the opportunity to play basketball at the Çiğli Selçuk Yaşar Facilities every year.

Pınar KSK were champions of Turkey’s Basketball Premier League in the 2014-2015 season and were among the top 24 teams in the Euroleague. Pınar KSK competed with major teams in the Pınar Cup, organized under its own name in October 1-3, 2015, and ranked as second.

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

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

PUBLICATIONS

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

CONGRESSES

Like every year, as part of its efforts to develop the industry, Pınar Su attended and supported numerous exhibitions and congresses in 2015 on quality, food, R&D and marketing.

Major Events Sponsored by Pınar Su in 2015

• Official Drinks Supplier of the Turkish Basketball Federation National Basketball Teams • Water Sponsor of Asics Çeşme Weekend • Water Sponsor of Bodrum Run Event • Water and Mineral Water Supplier of Boğaziçi University Career Days • Water and Mineral Water Supplier of Boğaziçi University Adhere Advertising Days • Brandseers Event Water Sponsor • Water Sponsor of Koç University's Spring Festival • Water Sponsor of Nike Women's Run Event • Water and Stand Space Sponsor of National Water and Health Congress

Awards and Certificates

"Pınar Su applies international standards at all its plants and in 2015, the "Pınar" brand, incorporating Pınar Su, was deemed worthy of many awards from reputable organizations."

Pınar Su proves its quality standards and technologies with certifications and received many awards at a number of local and international events in 2015.

• Pınar was among the 43 brands to be awarded at the Superbrands Awards for Turkey's best brands of 2014.
• At the Stevie Awards, one of the world's most prestigious awards events, in the "International Business Awards" category Pınar was granted with a Silver Stevie in "Best Social Responsibility Program in Europe" for Pınar Children's Theater and a Bronze Stevie in the "Best Communication Campaign - Media Relations" category for the Pınar Art Competition.
• Pınar was named 'Beverage Industry' leader at the Integrated Marketing Awards organized by Marketing Turkey magazine and Akademetre Research.
• Pınar Su was received a Certificate of Thanks at the Yeşil Nokta Industry Awards, in the Large-Scaled Enterprises group, for Preventative Measures Using Less Resources Through Packaging Design.

Pınar Su Documents and Certifications

TSE ISO EN 9000 - Quality Management System Certificate
TSE ISO EN 14000 - Environmental Management System Certificate
TSE ISO EN 22000 - Food Safety Management System Certificate
TSE ISO 10002 - Customer Satisfaction Management System Certificate
TSE ISG OHSAS 18001 - Occupational Health and Safety Management System Certificate
American NSF (National Sanitation Foundation) Food Safety Compliance Certificate
BRC (British Retail Consortium) Food Safety Compliance Certificate
TS 266 - Water - (For Personal Consumption) - Turkish Standards Compliance Certificate
TS 9130 - Natural Mineral Water - Turkish Standards Compliance Certificate
TS OIC SMIIC 1 – Halal-Compliant Certificate
UEA S. GSO 987 - United Arab Emirates Quality Standards Compliance Certificate

Pınar Su's Milestones

"Pınar Su continues to lead the sector with national and international achievements and add more success stories every year."

Leader of the Packaged Water Industry

1984 Pınar Su introduces consumers to Turkey's first packaged water under the "Pınar Şaşal" label. **1985** PVC containers are used for the first time. • Pınar Su exports goods to Germany for the first time. **1989** Pınar Su single-handedly accounts for 90% of all of Turkey water exports. **1995** Bottled water production capacity reaches 100,000 tons a year. **1996** Pınar Su opens its second plant in Aydın-Nazilli and introduces its "Pınar Madran" brand to consumers. **1997** Pınar Su introduces the first PET bottles for its Pınar Madran line of water and is awarded a gold plaque by the Turkish Standards Institute. **1999** Pınar Su receives ISO 9002 Quality Management System Certification. **2001** Pınar Su receives TSE ISO 14001 Environmental Management System Certification. **2002** Pınar Madran is marketed in carboys. **2003** The rights to the Sakarya and Isparta springs are acquired and Marmara Su is set up. Water from these two springs is marketed under the "Pınar Yaşam Pınarım" and the "Pınar Denge" labels respectively. • Pınar Su is awarded TS ISO 9001:2000 Certification. **2005** Pınar Su is awarded TS 13001 HACCP Food Safety System Certification. • Additional investments at the Pınar Madran plant occupying 64,000 m^2 of land in Aydın-Bozdoğan increase the plant's enclosed space from 14,000 m^2 to 17,000 m^2. **2007** Pınar Madran is the first Turkish beverage brand to be certified with the NSF International Quality Certification. **2009** Pınar Su is awarded TS ISO EN 9001:2008 Quality Management System Certification. **2010** The Pınar Su Order Hotline at 444 99 00 launches its service and can be accessed from anywhere in Turkey. • Pınar Su is awarded TS ISO EN 22000 Food Safety Management System Certification. **2011** Bottle weights are significantly reduced with the short-neck project. • Glass container design is revamped. • The new product in 1L package is launched. • Akçaağaç replaces Toros as source of the Company's mineral water in Isparta. • The Company is awarded TS 18001 Occupational Health & Safety Management System Certification. **2012** The Company is awarded TSE-ISO-EN 10002 Customer Satisfaction Management System Certification. • First "Season" concept glass bottles are introduced in the 0.33-liter and 0.75-liter format. • A new, POS-specific 3.25-liter PET bottle is launched. • Turkey's first web-based online carboy-ordering system is launched. • 5-liter glass carboys are introduced to the market. • A licensed Smurf-theme 0.5-liter Handy-Cap PET bottle is introduced for the children's segment. **2013** Pınar Su order-placement app running on Android and iOS platforms is launched. • BrandSpark International best new product awards are received for the 5L carboy and for the season-liveried glass bottle packaging formats in the individual beverage category. • The season-liveried series of glass bottles receives a gold medal at Ambalaj Ay Yıldızları Competition. • PET container production capacity is nearly doubled at Hendek and Isparta plants. • The Company enters the naturally sparkling mineral water category with plain, fruit-flavored, and vitamin-enriched fruit-flavored products. **2014** Newly-designed 0.33L and 0.75L glass bottles are introduced to the market. • Consumers are given the option to order PET-container and naturally sparkling mineral water products through the same vendors who supply them with 19L carboys. • Pınar Su receives BRC (British Retail Consortium) Food Safety Certification. • With the reduction in the amount of plastic raw material used in PET manufacture, labels on containers began displaying an eco-friendly bottle icon indicating the reduction both in their environmental impact and in their energy and carbon footprints. • According to the results of the Turkish National Customer Satisfaction Index survey in the second quarter of 2014, Pınar Su ranked first place in the packaged water industry with a score of 82 out of 100. **2015** 0.33-liter and 0.75-liter glass bottles are introduced with a new premium design. • The flavored water segment of the Mineral Water category was expanded with Watermelon and Strawberry flavors under the Pınar Denge label. • Pınar Su is the official water provider of the Turkish Basketball Federation and the National Basketball Teams.

CORPORATE GOVERNANCE PRACTICES AND FINANCIAL INFORMATION

MANAGEMENT

BOARD OF DIRECTORS

Emine Feyhan Yaşar - Chairperson

Feyhan Yaşar has a bachelor's degree from Boğaziçi University's Administrative Sciences Faculty in 1978 and a post-graduate degree from Dokuz Eylül University's Economics Department. Feyhan Yaşar started her career in 1978 at DYO as a Human Resources Expert and served as Personnel Relations Coordinator, Tourism Coordinator and Executive Committee Member. She also served as Yaşar Holding Vice Chairperson and Board Member. Feyhan Yaşar served as Vice Chairperson of Yaşar Holding Board (1997 – 2003) and Chairperson of Yaşar Holding Board (2004 – 2009). She now serves as Vice Chairperson of Hedef Board. Feyhan Yaşar serves as Chairperson of the Board of Pınar Su, Pınar Et and Altın Yunus as well as a board member at other Yaşar Group companies and also as the Vice Chairperson of Yaşar Holding Board of Directors. She is also the Chairperson of Turkish Union of Chambers and Exchange Commodities (TOBB) Beverages Industry Commission, Vice Chairperson of Yaşar Education and Culture Fund, Board Member of Turkish Corporate Governance Association (TKYD), and member of the Board of Trustees at Yaşar University, Turkish Education Foundation (TEV), Health and Education Foundation (SEV), and Boğaziçi University Foundation (BÜVAK). Feyhan Yaşar is a member of Turkish Industry and Business Association (TÜSIAD), Union of Turkish Dairy, Meat and Food Industrialists and Manufacturers (SETBIR) and Aegean Industrialists and Businessmen Association (ESIAD) and Honorary Consul of Luxembourg in Izmir.

İdil Yiğitbaşı - Vice Chairperson

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

Ali Yiğit Tavas - Independent Member

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

Kemal Semerciler - Independent Member

Kemal Semerciler was graduated from Uludağ University's Faculty of Economics and Administrative Sciences and started his career at Yapı Kredi Bank as an assistant inspector in 1981. He served as a manager at Financial Control & Budget, General Accounting and Financial Affairs departments from 1990 to 2003 and served as the Chairman of the Board of Inspectors from 2004 to 2006. Kemal Semerciler served as the 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. Kemal Semerciler served as a Board Member and Auditor for many affiliates of Yapı Kredi Bank and serves as a Board Member for ABank since March 2010.

Yılmaz Gökoğlu - Member

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

MANAGEMENT

Ergun Akyol - Member
Ergun Akyol was graduated from Ankara University's Dairy Technology Department in 1983 and has a master's degree from the Microbiology Department of the same university in 1985. Akyol started his career in 1983 in Ankara and worked for a number of dairy plants. Akyol joined the Group in 1985 as a Quality Expert at Pınar Süt Mamulleri San. A.Ş. and served as Production Department Manager, Total Quality Manager, Business Unit Department Manager, Izmir Plant Assistant General Manager and Technical Assistant General Manager. Akyol served as Pınar Süt General Manager from 2001 to 2012, Pınar Süt Assistant Chairman from 2012 to 2014 and Yaşar Holding A.Ş. Board Consultant from March 2014 to December 2015. Ergun Akyol also holds seats on the boards of various Yaşar Group companies.

Zeki Ilgaz - Member
Zeki Ilgaz was graduated from Ankara University Agriculture Faculty Food Science and Technology Department in 1974 and served as a Manufacturing Manager at Meyve Suyu A.Ş. from 1977 to 1978. Ilgaz joined Yaşar Group in 1979 as a Shift Engineer at Pınar Süt A.Ş. and also served as Production Chief and Production Department Chief. He moved to Pınar Entegre Et ve Un Sanayi A.Ş. in 1986, and served as Meat Products Department Supervisor, Production Manager, Assistant General Manager of Technical Issues, Pınar Et General Manager and Consultant to Yaşar Holding CEO. Zeki Ilgaz is a Yaşar Holding Board Consultant since March 2014 and also the Board Chairman of Union of Turkish Dairy, Meat and Food Industrialists and Manufacturers (SETBIR) since April 17, 2014. Ilgaz also holds seats on the boards of various Yaşar Group companies.

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
Hüseyin Karamehmetoğlu – General Manager
Hüseyin Karamehmetoğlu was graduated from Hacettepe University's Business Administration Department and started his career as a Sales Expert at Unilever in 1990. He joined Yaşar Group in 1993 as a Sales Director at Yapaş A.Ş. and also served as Sales Chief and Assistant Region Manager. Hüseyin Karamehmetoğlu served as Ankara Region Manager of Yaşar Birleşik Pazarlama from 1999 to 2002, was assigned as the Sales Director in 2002 and is the General Manager of Pınar Su since 2011.

Onur Öztürk - Financial Affairs and Finance Director
Onur Öztürk was graduated from Dokuz Eylül University's Faculty of Economics and Administrative Sciences, Business Administration Department in 2000 and has a master's degree from the same university's Total Quality Management Department in 2010. He started his career in 2000 as a Customer Representative at Aktif Finansal Kiralama A.Ş. Öztürk served as an Assistant Inspector at the Board of Inspectors of Tansaş Perakende Mağazacılık ve Ticaret A.Ş. from 2001 to 2005. Onur Öztürk joined Yaşar Group as an Auditor in March 2005, served as the Financial Affairs and Finance Manager of Pınar Su San. ve Tic. A.Ş. from May 2014 to November 2015 and was assigned as the Financial Affairs and Finance Director of Pınar Su San. ve Tic. A.Ş. in November 2015.

RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

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

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

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

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

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

Future Risks Regarding Sales, Productivity, Income Generation Capacity, Profitability, Debt/Equity Ratio and Similar Matters
Under the risk management policy and procedures adopted across the Group, work is underway to create the risk inventory for all of the Company’s activities and to take necessary actions.
Along the line;
• The Company’s risk exposure is classified under the headings of strategic, operational, financial, external and compliance risks, and analyzed according to their impact and probability,
• Existing controls for material risks are reviewed with respect to their design and implementation, and optimum strategies and actions are identified,
• Results of the action taken are followed up, and
• Results and possible developments are reported to related units and assessed.

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

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

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

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

LEGAL DISCLOSURES

Information on the Extraordinary General Assembly Meeting during the Reporting Period, If Applicable
The decisions adopted in the Ordinary General Assembly Meeting held on March 26, 2015 have been implemented. An Extraordinary General Assembly Meeting was not convened during 2015.

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

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

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

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

During 2015, the Company's donations and grants to various organizations and institutions amounted to TL 55,965.

Lawsuits Filed Against the Company with a Potential Impact on the Company's Financial Standing and Activities and Possible Results
The related disclosure is presented in note 26 to financial statements for the period 01 January 2015 - 31 December 2015.

Disclosure of Administrative or Judicial Sanctions Against the Company or the Members of the Governing Body on Account of Practices Violating the Provisions of Legislation
There are no administrative or judicial sanctions imposed against the Company or the members of the governing body on account of any practice violating the provisions of legislation.

Changes in the Articles of Incorporation during the Reporting Period
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 31 December 2015, remuneration and other benefits to the members of the Board of Directors and senior executives amounted to TL 1,054,619.

Disclosures Concerning Special Audit and Public Audit Conducted During the Fiscal Year
During 2015, regular audits have been performed by various public agencies, after which no material notices have been served on our party.

The Company's Shareholders' Equity
The shareholders' equity worth TL 53,745,014 as at 31 December 2015 indicates that the issued capital of TL 12,789,345 has been very well maintained.

AGENDA

AGENDA FOR 2015 ORDINARY GENERAL ASSEMBLY OF PINAR SU SANAYİ VE TİCARET A.Ş. DUE ON MARCH 30, 2016

1. Opening and election of Presiding Committee,

2. Authorizing the Chairmanship Committee to sign the minutes of the General Assembly Meeting,

3. Reading, deliberating and approving the Annual Report 2015 prepared by the Board of Directors,

4. Reading and deliberating the Independent Auditor's Report for 2015 fiscal year,

5. Reading, discussion and approval of 2015 Financial Statements,

6. Acquitting the Company's directors of their fiduciary responsibilities for 2015 operations,

7. Laying down the Independent Audit Firm designated by the Board of Directors for the approval of the General Assembly pursuant to the Turkish Commercial Code and the Capital Markets Board requirements,

8. Determining the number of Board directors and their terms of office; making elections in accordance with the number of Board directors so determined; designating independent Board members,

9. Determining the rights provided to the Board directors such as compensation and attendance fees, bonuses and premiums pursuant to Article 408 of the Turkish Commercial Code,

10. Informing shareholders, pursuant to Article 12 of the Corporate Governance Communiqué no. II-17.1 issued by the Capital Markets Board, about guarantees, pledges, mortgages and sureties that have been granted by the Company in favor of third parties and about any income and benefits that may have been derived,

11. Submittal of the Donations Policy generated as per the Capital Markets Legislation to the approval of the general assembly,

12. Informing shareholders about any donations that were made during the year and laying down the donation limit set under the Capital Market legislation for the approval of the General Assembly,

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

14. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,

15. Wishes and opinions.

STATEMENT OF INDEPENDENCY

9 March 2015

As a candidate for independent member for the Board of Director of PINAR SU SANAYİ VE TİCARET A.Ş. (“The Company”), I declare that;

• I or my spouse or my up-to-second-degree relatives have not been employed in managing positions involving significant tasks and responsibilities in the last five years by the Company, other companies which are managed or significantly influenced by the Company or shareholders who manage or significantly influence the Company and legal persons managed or significantly influenced by such shareholders and I or my spouse or my up-to-second-degree relatives do not individually or collectively own more than 5% of its capital or voting rights or preferred shares and have not been engaged in major commercial activity with them,

• I have not been a shareholder (5% or more), manager with significant tasks and responsibilities or board member of companies which have provided significant services or products for or purchased them from the Company within the scope of agreements in the last five years including auditing (including tax audit, legal audit or internal audit), rating or consultancy services,

• I have the professional education, knowledge and skills required to fulfill the requirements of the tasks which will be assigned to me as an independent board member,

• Except for academicians and provided that it is in accordance with the related legislation, I am not working full-time at public institutions,

• I am resident in Turkey as per the Income Tax Law 193 dated 31/12/1960,

• I possess solid ethic standards, professional reputation and experience which will allow me to make contributions to the Company, maintain its objectivity regarding any conflicts between the Company and its shareholders and make unbiased decisions considering the interests of the beneficiaries,

• I am capable of allocating time for the Company which will allow getting sufficiently engaged in company business and fulfill the requirements of assigned tasks,

• I have not been a board member for more than six years in the last ten years,

• I do not hold the position of independent board member at more than three companies managed by the Company or the shareholders managing the Company or more than five stock-exchange-quoted companies,

• I am not registered and announced as a board member on behalf of the selected legal person,
and therefore I will serve at the board of directors of the company as an independent member.

Best regards,

Ali Yiğit TAVAS

STATEMENT OF INDEPENDENCY

9 March 2015

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• 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,

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• 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

PINAR SU SANAYİ VE TİCARET A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART I - Statement of Compliance with Corporate Governance Principles
a) During the operating period ended 31 December 2015, PINAR SU SANAYİ VE TİCARET 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 numbered 2.1.2, the hardships in practice create obstacles against full compliance.

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

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

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

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

PART II - SHAREHOLDERS
2.1. Investor Relations Department
The investor relations department handling communication with the investors has been set up at the Company pursuant to Article 11 of the Communiqué. Investor Relations Department reports to the Company's General Manager, Hüseyin Karamehmetoğlu.

Contact information for Investor Relations Department is presented below:

Head of the Investor Relations Department: Onur Öztürk (certified with Corporate Governance Rating License)

Investor Relations Department Officer: Didem Ekin (holds Capital Market Activities Advanced Level License)

Tel: 0 232 495 00 00
Fax: 0 232 489 15 62
E-mail: investorrelations@pinarsu.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 30 Turkish and foreign investors, and responded to more than 50 queries by phone or e-mail. In addition, the Unit maintained contacts with Turkish and foreign analysts who carried out studies about our Company. The website has been updated regularly to make sure that up-to-date information is made available to the investors at all times. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests.

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

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

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

2.3. General Assembly
Pursuant to "Article 20 - Meeting Quorum" of the Company's articles of incorporation, the quorum requirements at annual and extraordinary General Assembly meetings are subject to the provisions of the Capital Market Law and of the Turkish Commercial Code.

The 2014 Annual General Assembly meeting took place on March 26, 2015 at the Pınar Süt plant located at Kemalpaşa Asfaltı No: 317 Pınarbaşı/IZMIR during the reporting period. At the 2014 ordinary general assembly meeting, 67.71% of the Company's capital was represented. During the meeting, shareholders electronically or physically attending the meeting or their proxies expressed their comments and wishes. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

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

The Company's General Assembly meeting announcements were promulgated under "Article 23 - 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 local newspapers, and shareholders whose addresses were on record with the Company were sent letters in which they were informed about the meeting date, location, and agenda. Prior to the general assembly meeting, the meeting date, place and agenda, the information that the Informational Document regarding the agenda is posted on the website, and the profit distribution proposal to be submitted by the Board of Directors to the general assembly were publicly disclosed in material event disclosures. The Informational Document drawn up for 2014 Ordinary General Assembly meeting covered detailed descriptions about each general meeting agenda item, as well as all the explanations, information and documents required by the legislation.

PINAR SU SANAYİ VE TİCARET A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

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

2.4. Voting Rights and Minority Rights

There are no special voting rights. The Company's articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. Without prejudice to the special provisions of the relevant legislation and articles of incorporation, voting is conducted through open ballot and by raising hands during the General Assembly meeting. Upon request by shareholders, the voting procedure will be determined by the General Assembly meeting. 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 decided otherwise on profit distribution in the relevant general assembly meeting, the profit distribution is intended to be realized in May of the year of the relevant general assembly meeting, the latest, and the date of profit distribution is decided by the General Assembly. General Assembly or Board of Directors (if authorized) may decide on distribution of dividends in installments in accordance with the Capital Market Regulations. 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 and in accordance with the Capital Markets Regulations.

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.

Despite the fact that the Company's 2014 operations resulted in profits, no profit will be distributed as there are no net distributable profits as per the legal records due to previous term losses.

2.6. Transfer of Shares

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

PART III - PUBLIC DISCLOSURES AND TRANSPARENCY

3.1. Corporate Web Site and Its Content

The Company's corporate website (www.pinar.com.tr) 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

Stakeholders participate in management through consideration of suggestions and proposals that will help with development in any matter concerning the Company's activities, which are received at the general assembly meetings or through various communication means.

For the purpose of securing customer satisfaction with the services rendered by our Company, job descriptions have been spelled out for all employees and related guidelines were formulated and made available for the information of our employees. Our customers can communicate their requests, and complaints, if any, about the Company's services to any level at the Company and they can also convey the same online to our Company. In line with the goals of customer retention, new customer acquisition and enhancing customer satisfaction, Pınar Su facilitates access of customers anywhere in Turkey to Pinar Su through a single and easy-to-remember Pınar Su Order Line (444 99 00) that can be dialed from all over the country, as well as through online ordering option and a smart phone application.

To guarantee customer satisfaction, the feedbacks received through Pınar Contact Center, our dealers, customer satisfaction surveys and other channels are evaluated by the Marketing, Total Quality and Production departments, and constant improvements are carried out. Dealer surveys are administered every year with our dealers, who are also our customers, and their problems, if any, are evaluated by the Sales, Marketing and Total Quality departments upon which improvements are made. In order to maximize the quality of the service given to customers, Pınar Su has formulated storage, back office, stock, vehicle, and delivery personnel standards that are applicable to both its carboy and its PET dealerships. To this end, support is extended to dealers through training booklets, regional exchanges and training programs; and specialists reporting to Pınar Su quality department regularly control, score and certify them.

Our suppliers are subjected to assessment within the scope of ISO 9000 Quality System Certificate, and are scored on a monthly basis with respect to prices, quality and delivery. Furthermore, information is exchanged regarding company visits, and efforts are spent to improve our quality and costs. 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.

To seek the employees' opinions about various topics, Employee Opinion Surveys are consulted, and the activities to further employee satisfaction and loyalty are carried out on the basis of action plans designed according to survey outcomes.

4.3. Human Resources Policy

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

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

PINAR SU SANAYİ VE TİCARET A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 no unionized workers at the Company.

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

In order to fulfill its responsibilities related to public health and the nature, Pınar Su has made it a principle to continually oversee and improve its environmental performance, while integrating with its manufacturers, suppliers and employees in the conduct of its production activities. The Company has been awarded ISO 14000 Environmental Management System Certification. Ongoing efforts are made to keep the environmental impact of the Company's operations remain within prescribed standards and that wastes are disposed of without causing environmental harm. Noise, fume, and other emission-related parameters are measured at regular intervals. PET, Glass, Cardboard, and other packaging waste is recycled via ÇEVKO as per the Environment Ministry regulatory requirements.

Pınar Su generates as much value for society as a whole through the direct and indirect employment opportunities that it creates, the investments that it undertakes, the goods and services that it purchases, and the taxes that it pays, as it does through the products it produces. In addition to those, the Company regards the constant support and contribution it extends to the arts, education, sports and preservation of cultural assets as a vital and integral instrument of its principle of giving back to the community.

Pınar Children's Art Competition and Pınar Children's Theater; sponsorship to Pınar Karşıyaka Basketball Team, official beverage sponsorship of Turkish Basketball Association and National Basketball Teams Pınar Newsletter and Yaşam Pınarım magazine are aimed at giving employees and the society an insight into culture, arts, sports and education.

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 corporate website.

PART V - BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

Members of the Company's Board of Directors:

Name	Title	Whether or Not 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
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
Ergun Akyol	Member	Not Independent Member	Not Executive	1 year
Zeki Ilgaz	Member	Not Independent Member	Not Executive	1 year

Hüseyin Karamehmetoğlu 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.

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

5.2. Operating Principles of Activity of the Board of Directors

The operating principles of the Board of Directors are spelled out as follows in Article 11 of the Company's articles of incorporation. Accordingly;

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

Board of Directors meetings are convened with a majority of its full membership and decisions are passed with a majority of those present in the meeting.

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

The details of the 2015 activities and operating principles of the Board of Directors are provided below:
During the reporting period, the Board of Directors convened 65 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. Before a meeting, the meeting agenda is sent to the members and meeting invitation is made. Usually, all members attend the meetings. In 2015 operating period, all decisions were passed with the unanimous vote of the members present in the meeting. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights.

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.

PINAR SU SANAYİ VE TİCARET A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The Audit Committee is headed by Ali Yiğit Tavas and its other member 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.

Corporate Governance Committee Chairperson is non-executive Independent Board Member Ali Yiğit Tavas, Committee Members are non-executive Board Members Yılmaz Gökoğlu and Ergun Akyol and Investor Relations Department Manager is Onur Öztürk. 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 of 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 Kemal Semerciler, a non-executive and independent board member, and its members are Yılmaz Gökoğlu and Zeki Ilgaz, 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. Since there are two independent members on the Company's Board of Directors, the same member serves on more than one committee under the Board of Directors.

5.4. Risk Management and Internal Control Mechanism

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

5.5. Strategic Targets of the Company

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

5.6. Financial Rights

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

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

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

To the Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş.

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

1. We have audited the annual report of Pınar Su Sanayi ve Ticaret A.Ş. (the "Company") for the period ended 31 December 2015.

Board of Directors' responsibility for the Annual Report

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

Independent Auditor's Responsibility

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

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

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

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

Opinion

4. Based on our opinion, the financial information in the annual report of Board of Directors of Pınar Su Sanayi ve Ticaret 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 Su Sanayi ve Ticaret A.Ş. to continue its operations for the foreseeable future.

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

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Atila Yılmaz Dölarslan, YMM
Partner
İzmir, 29 February 2016

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors of
Pınar Su Sanayi ve Ticaret A.Ş.

Report on the Financial Statements

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

Management's responsibility for the financial statements

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

Independent auditor's responsibility

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

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

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

Opinion

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

Other Responsibilities Arising From Regulatory Requirements

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

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

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

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

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Atila Yılmaz DÖLARSLAN, YMM
Partner

İzmir, 29 February 2016

PINAR SU SANAYİ VE TİCARET A.Ş.

FINANCIAL STATEMENTS
AT 1 JANUARY - 31 DECEMBER 2015
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION INTO ENGLISH -
THE TURKISH TEXT IS AUTHORITATIVE)

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.
STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS) AT 31 DECEMBER 2015 AND 2014

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

	Notes	31 December 2015	31 December 2014
ASSETS			
Current assets		**44.791.246**	**42.657.131**
Cash and Cash Equivalents	6	2.015.677	2.614.392
Trade Receivables		18.418.150	21.835.777
- Due From Related Parties	7	1.970.866	1.927.407
- Other Trade Receivables	8	16.447.284	19.908.370
Other Receivables		6.419.466	9.447.327
- Due From Related Parties	7	5.741.057	8.860.902
- Other receivables	10	678.409	586.425
Inventories	11	10.351.142	6.765.922
Prepaid Expenses	13	678.077	156.841
Prepaid Taxes	41	60.925	-
Other Current Assets	30	6.847.809	1.836.872
Non-Current Assets		**104.782.338**	**79.523.300**
Financial Assets	48	3.986.348	3.756.456
Other Receivables		1.800	1.800
- Other Receivables	10	1.800	1.800
Property, Plant and Equipment	15	96.420.590	75.502.358
Intangible Assets	18	249.993	253.293
Prepaid Expenses	13	4.123.607	9.393
TOTAL ASSETS		**149.573.584**	**122.180.431**

The financial statements at 1 January - 31 December 2015 and for the year then ended have been approved for issue by Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş. on 29 February 2016.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

ALTIN YUNUS ÇEŞME TURİSTİK TESİSLER A.Ş.
STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS) AT 31 DECEMBER 2015 AND 2014

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

	Notes	31 December 2015	31 December 2014
LIABILITIES			
Current liabilities		**63.090.226**	**38.457.787**
Short Term Borrowings		4.521.185	1.574.375
- Short Term Borrowings to Non-Related Parties	25	4.521.185	1.574.375
Short-Term Portion of Long-Term Borrowings		6.389.020	4.879.201
- Short-Term Portion of Long-Term Borrowings	25	6.389.020	4.879.201
Trade Payables		48.348.720	30.035.528
- Due to Related Parties	7	887.631	825.671
- Other Trade Payables	8	47.461.089	29.209.857
Payables for Employee Benefits	28	370.286	338.716
Other Payables		1.148.106	793.102
- Due to Related Parties	7	-	18.787
- Other Payables to Non-Related Parties	10	1.148.106	774.315
Deferred Income	13	1.111.322	236.762
Short-Term Provisions		1.201.587	600.103
- Provisions for Employee Benefits	28	269.545	261.621
- Other Short-Term Provisions	26	932.042	338.482
Non-Current Liabilities		**32.738.344**	**24.779.651**
Long-Term Borrowings		27.520.054	17.910.049
- Long-Term Borrowings to Non-Related Parties	25	27.520.054	17.910.049
Trade Payables		2.234.318	3.287.896
- Other Trade Payables	8	2.234.318	3.287.896
Long-Term Provisions		2.062.644	1.868.604
- Provisions for Employee Termination Benefits	28	2.062.644	1.868.604
Deferred Tax Liabilities	41	921.328	1.713.102
TOTAL LIABILITIES		**95.828.570**	**63.237.438**
EQUITY		**53.745.014**	**58.942.993**
Share Capital	31	12.789.345	12.789.345
Adjustment to Share Capital	31	11.713.515	11.713.515
Other Comprehensive Income/ Expense not to be Reclassified to Profit or Loss		23.981.913	21.788.895
- Revaluation of Property, Plant and Equipment	15	24.966.056	22.402.601
- Actuarial loss arising from Defined Benefit Plans		(984.143)	(613.706)
Other comprehensive Income/ Expense to be Reclassified to Profit or Loss		1.100.990	917.076
- Fair Value Reserves of Available-for-Sale Investments	48	1.100.990	917.076
Restricted Reserves	31	4.180.008	4.180.008
Retained Earnings		8.976.842	5.395.294
Profit/ (Loss) for the Year		(8.997.599)	2.158.860
TOTAL LIABILITIES AND EQUITY		**149.573.584**	**122.180.431**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.
STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2015 AND 2014

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

	Notes	1 January - 31 December 2015	1 January - 31 December 2014
Revenue	32	144.487.342	132.182.842
Cost of Sales (-)	32	(75.741.973)	(75.387.129)
GROSS PROFIT	32	**68.745.369**	**56.795.713**
Marketing Expenses (-)	34	(59.125.429)	(48.531.995)
General Administrative Expenses (-)	34	(15.243.623)	(12.418.491)
Other Operating Income	35	654.677	770.366
Other Operating Expenses (-)	35	(3.253.457)	(1.781.466)
OPERATING LOSS		**(8.222.463)**	**(5.165.873)**
Income from Investment Activities	36	1.316.619	9.442.719
Expense from Investment Activities (-)	36	(91.549)	(3.645)
OPERATING PROFIT/ (LOSS) BEFORE FINANCIAL EXPENSE		**(6.997.393)**	**4.273.201**
Financial Income	38	1.926.394	1.045.150
Financial Expenses (-)	38	(5.796.013)	(3.516.579)
PROFIT/ (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(10.867.012)**	**1.801.772**
Tax income of Continuing Operations		1.869.413	357.088
- Current Income Tax Expense	41	-	-
- Deferred Tax Income	41	1.869.413	357.088
PROFIT/ (LOSS) FOR THE PERIOD	**42**	**(8.997.599)**	**2.158.860**
Earnings/ (Loss) per share		**(0,7035)**	**0,1688**
- Earning/ (Loss) Per Share From Continuing Operations	42	(0,7035)	0,1688
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income/ expense not to be reclassified to profit or loss		**3.615.706**	**(214.744)**
- Actuarial Loss Arising from Defined Benefit Plans	28	(463.046)	(268.430)
- Increase in Revaluation Reserve		5.110.413	-
- Taxes for Other Comprehensive Income/ Expense not to be Reclassified to Profit or Loss	41	(1.031.661)	53.686
Other Comprehensive Income/ Expense to be Reclassified to Profit or Loss		**183.914**	**(8.120.890)**
- (Decrease)/ Increase in Fair Value Reserve of Available-for-Sale Investments		229.892	(8.868.003)
- Taxes for Other Comprehensive Income/ Expense to be Reclassified to Profit or Loss	41	(45.978)	747.113
OTHER COMPREHENSIVE (LOSS)/ INCOME		**3.799.620**	**(8.335.634)**
TOTAL COMPREHENSIVE LOSS		**(5.197.979)**	**(6.176.774)**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AT 31 DECEMBER 2015 AND 2014

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

	Notes	1 January - 31 December 2015	1 January - 31 December 2014
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net Period Income/ (Loss)		**(8.997.599)**	**2.158.860**
Adjustments to Reconcile Net Cash Generated from Operating Activities		**10.882.567**	**2.879.640**
Adjustment to Taxation on Income		(1.869.413)	(357.088)
Depreciation and Amortization of Fixed Assets	29	7.406.436	6.806.290
Gain from Sales of Property, Plant and Equipment - net	36	(573.511)	(127.738)
Impairment on property plant and equipment		108.031	-
Interest Income	38	(841.156)	(248.922)
Interest Expense	38	3.909.064	2.910.049
Provision for Employment Termination Benefits	28	449.992	422.420
Provision for Spring Water Fee	26	2.093.242	2.841.595
Dividend Income	36	-	(172.523)
Unrealized Foreign Exchange (Gain)/ Loss		199.882	(91.408)
Gain from Sale of Available for Sale Investments	36	-	(9.103.035)
Changes in working capital		**9.195.819**	**(2.109.801)**
Increase in Trade Receivables	8	3.461.086	(6.921.088)
Decrease /(Increase) in Inventories	11	(3.585.220)	822.288
Decrease/ (Increase) in Trade Receivables From Related Parties	7	(43.459)	367.483
Decrease in Other Receivables from Operating Activities		(9.799.293)	1.501.488
Increase in Trade Payables	8	17.197.654	2.361.059
(Decrease)/ Increase in Due to Related Parties	7	61.960	(401.100)
Increase/ (Decrease) in Other Debt and Liabilities from Operating Activities		1.903.091	160.069
Employee Termination Benefits Paid	28	(740.684)	(842.092)
Litigation Expenses and Fees Paid	26	(2.093.242)	(2.936.821)
Net Cash Used in Operating Activities		**(2.833.926)**	**(3.778.913)**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	38	841.156	248.922
Dividends Received	7.ii.g	-	172.523
(Increase)/ Decrease in Non-Trade Receivables from Related Parties	7	3.119.845	(8.430.922)
Purchases of Property, Plant and Equipment and Intangible Assets		(23.818.446)	(5.903.576)
Proceeds from Sales of Property, Plant and Equipment		1.094.577	326.794
Cash Inflow Related to Sale of Available for Sale Investments	48	-	13.165.000
Net Cash Used in Investing Activities		**(18.762.868)**	**(421.259)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflows Related to Increase in Financial Liabilities		22.517.288	10.946.490
Redemption of Borrowings		(8.840.259)	(4.399.328)
Interest Paid		(3.740.950)	(2.297.982)
(Decrease)/ Increase in Non - Trade Due to Related Parties		(18.787)	(1.520.327)
Net Cash Generated from Financing Activities		**9.917.292**	**2.728.853**
Net Increase in Cash and Cash Equivalents Before Foreign Currency Translation Differences		**(598.715)**	**1.457.380**
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		-	-
Net Increase in Cash and Cash Equivalents		**(598.715)**	**1.457.380**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**2.614.392**	**1.157.012**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**6**	**2.015.677**	**2.614.392**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.
STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2015 AND 2014

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.
STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2015 AND 2014

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

			Other comprehensive income/ (expense) not to be reclassified to profit or loss		Other comprehensive income/ (expense) to be classified to profit or loss				
	Share capital	**Adjustment to share capital**	**Revaluation reserve**	**Actuarial loss arising from defined benefit plans**	**Fair value reserve for available - for sale investments**	**Restricted reserves**	**Retained earnings**	**Profit/ (Loss) for the period**	**Total equity**
Balances at 1 January 2014	**12.789.345**	**11.713.515**	**23.749.585**	**(398.962)**	**16.850.943**	**4.180.008**	**12.689.795**	**(8.641.485)**	**72.932.744**
Adjustment (Note 48)	-	-	-	-	(7.812.977)	-	-	-	(7.812.977)
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-	(8.641.485)	8.641.485	-
Sale of property, plant and equipment	-	-	(2.217)	-	-	-	2.217	-	-
Total comprehensive loss	-	-	-	(214.744)	(8.120.890)	-	-	2.158.860	(6.176.774)
Depreciation transfer - net (Note 15)	-	-	(1.344.767)	-	-	-	1.344.767	-	-
Balances at 31 December 2014	**12.789.345**	**11.713.515**	**22.402.601**	**(613.706)**	**917.076**	**4.180.008**	**5.395.294**	**2.158.860**	**58.942.993**
Balances at 1 January 2015	**12.789.345**	**11.713.515**	**22.402.601**	**(613.706)**	**917.076**	**4.180.008**	**5.395.294**	**2.158.860**	**58.942.993**
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-	2.158.860	(2.158.860)	-
Sale of property, plant and equipment	-	-	(82.437)	-	-	-	82.437	-	-
Total comprehensive loss	-	-	3.986.143	(370.437)	183.914	-	-	(8.997.599)	(5.197.979)
Depreciation transfer - net (Note 15)	-	-	(1.340.251)	-	-	-	1.340.251	-	-
Balances at 31 December 2015	**12.789.345**	**11.713.515**	**24.966.056**	**(984.143)**	**1.100.990**	**4.180.008**	**8.976.842**	**(8.997.599)**	**53.745.014**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Pınar Su Sanayi ve Ticaret A.Ş. (the "Company") is engaged in the production of bottled water under the brand name "Pınar Yaşam Pınarım". The Company's production facilities are located in Aydın, Isparta and Sakarya whereas the Company's headquarter is located in Izmir.

Sales and distribution of the Company's products in the domestic market are performed by its own sales departments and its exports are performed by Yaşar Dış Ticaret A.Ş. ("YDT"), which is Yaşar Group company (Note 7).

The Company is subject to the regulations of Turkish Capital Markets Board ("CMB") and 31,78% (2014: 31,78%) of its shares are quoted on the "Borsa Istanbul" ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş ("Yaşar Holding") with 58.00% of shares of the Company (2014: 58,00%) (Note 31).

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

Şehit Fethibey Caddesi No:120
Alsancak/ İzmir

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1.1 Basis of Presentation of Financial Statements

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

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

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

The Company maintains its books of accounts and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. Subsidiaries operating in foreign countries have prepared their financial statements in accordance with the laws and regulations of the countries in which they operate. Other than land, buildings and land improvements, machinery and equipments and financial assets and liabilities carried at their fair values, financial statements are prepared and presented based on historical cost convention and in terms of Turkish Lira ("TL") which is the functional currency of the Company.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

2.2 Amendments in Accounting Policies, Comparative Information and Correction of Prior Year Financial Statements

2.2.1 Amendments in Turkish Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective as of 31 December 2015:

- Amendment to TAS 19 regarding defined benefit plans, effective from annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- Annual Improvements 2012 and 2013: Effective from annual periods beginning on or after 1 July 2014. There are some changes as a result of annual improvements projects 2010-2012 and 2011-2013 cycle.

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

c) New TFRS standards, amendments and TFRICs effective after 31 December 2015:

- 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.

- Annual improvements 2014, effective from annual periods beginning on or after
  1 January 2016. These set of amendments impacts 4 standards:

  - TFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
  - TFRS 7, 'Financial instruments: Disclosures', (with consequential amendments toTFRS 1) regarding servicing contracts.
  - TAS 19, 'Employee benefits' regarding discount rates.
  - TAS 34, 'Interim financial reporting' regarding disclosure of information

- TAS 1 "Presentation of Financial Statements"; effective from annual periods beginning on or after 1 January 2016. The purpose of this change is to improve the presentation of financial statements and disclosures.

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

- TFRS 15 "Revenue from Contracts with Customers", effective from annual periods beginning on or after 1 January 2017. The new standard, appears as a result of alignment project with Generally Accepted Accounting Principles in United States of America, aims the financial reporting of revenue and the world wide comparability of total revenues in financial statements. The new standard bases on the principal that revenue is accounted for when control of the good or service is transfered to customer, therefore control concept changes the current risk and reward concept.

- TFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

The Company will determine the effects of these amendments above on the financial statements and will apply after effective date. The above mentioned amendments and interpretations are not expected to have significant impact on the Company's financial statements.

2.2.2 Comparative information and correction of prior year financial statements

The Company's financial statements are prepared comparatively in order to enable the identification of financial position and performance trends. The Company prepared the balance sheet as of 31 December 2015 comparing to the balance sheet as of 31 December 2014, the comprehensive income, equity movement and cash flows for the year ended 31 December 2015 comparing to the comprehensive income, equity movement and cash flows for the year ended 31 December 2014. Comperative financial information are reclassified and significant differences are explained when necessary in order to be in line with the current presentation of financial statements.

2.3. Accounting policies, errors and changes in accounting estimates

Material changes in accounting policies and accounting errors are applied on a retrospective basis as if a prior period error had never occurred or the policy had always been applied. The effect of change in accounting estimate shall be recognized prospectively by including it in the statements 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. Summary of significant accounting policies

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

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

2.4.1 Revenue

Revenues are recognized on an accrual basis at the time deliveries are made, services are given and significant risks and rewards are transferred to the buyer, the amount of revenue can be measured reliably and **it is probable that the economic benefits associated with the transaction will flow to the Company** at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped less sales returns, sales discounts and commissions given (Note 32).

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.

Revenue is recognised as follows:

Sales of goods:

Sales of goods are recognised when the Company has delivered or sold products to the customer, the customer has accepted 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 accounted for in the period that they are provided by taking into consideration the completion rate.

Interest income:

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

Dividend income:

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

2.4.2 Inventory

Company's raw materials mainly consist of materials and packaging materials which are used to produce bottled water, finished goods mainly consist of bottled water.

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 such as labor and appropriate amount of factory overheads (based on normal operating capacities). The cost of inventories is determined on the monhtly weighted average basis (Note 11).

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

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

2.4.3 Property, plant and equipment

Property, plant and equipment, except for land and land improvements, buildings, machinery and equipment, acquired before 1 January 2005 are carried at cost, in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less the subsequent depreciation and impairment loss, if any, as of 31 December 2015. The Company's land and land improvements, buildings and machinery and equipments are stated at fair value, based on valuations by external independent valuer at 31 December 2015, namely TSKB Gayrimenkul Değerleme A.Ş. (Note 2.5.i and 15). As of the date of the revaluation, the accumulated depreciation of the property, plant and equipment subject to revaluation is netted by the cost of the property, plant and equipment and in the following periods revalued net book value is taken into consideration.

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 consolidated statement of comprehensive income to the extent that it reversed the impairment of the same asset previously recognized in the consolidated 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 asset's original cost is transferred from the revaluation reserve to the accumulated losses.

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.

Advances given for property, plant and equipment purchases are classified in prepaid expenses under non-current assets until related assets is capitalized. In each reporting period, salvage values of property, plant and equipments and approximate useful lives are reassessed and necessary adjustments are performed prospectively.

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:

Buildings and land improvements	25 - 45 years
Machinery and equipments	5 - 25 years
Motor vehicles (including leased machinery and equipment)	5 years
Furniture and fixtures	5 - 10 years

As of the balance sheet date, the useful lives of assets are reassessed and adjusted when necessary. 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 asset subject to impairment was revalued, the impairment loss is first deducted from revaluation fund and the remaining part is accounted for in comprehensive income statement.

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

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. On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

2.4.4 Intangible assets

Intangible assets have finite useful lives and mainly comprise of information technology systems, programs and some other rights. These assets acquired before 1 January 2005 are carried at cost, in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less the subsequent depreciation and impairment loss, if any, as of 31 December 2015. Costs associated with maintaining computer software programs are recognized as an expense when incurred. The intangible assets recorded at acquisition cost are amortized on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition. 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 (Note 18). For the purpose of assessing impairment, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows. 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 sell or value in use.

2.4.5 Impairment of assets

Impairment of financial assets

- Assets carried at amortized cost

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

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

- Significant financial difficulty of the issuer or obligor,
- A breach of contract, such as a default or delinquency in interest or principal payments,
- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation,

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

- 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 consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated 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 consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, impairment losses recognized in the consolidated comprehensive income statement, on equity instruments are not reversed through the consolidated statement of comprehensive income.

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.

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

2.4.6 Borrowing and borrowing cost

Borrowings are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 37). 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.

2.4.7 Financial assets

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

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.

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

- Available-for-sale investments

  The financial instruments that can not be subject to a different classification and that can be sold in order to meet the liquidity need or as a result of changes in interest rates and hold without any time constraint are classified as available-for-sale investments. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. The Company management is performing appropriate classification of these financial instruments as of the purchase date and is reassessing on a regular basis.

ii. Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date -the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. If the Company's financial assets that the Company has shares less than 20%, does not possess control or significant influence and classified as available for sale assets, are traded in stock exchange are accounted for by taking into account the market values. If there is not any active market, the Company is calculating the fair value of the financial asset by using generally accepted valuation standards. When the fair value of the financial assets can not be reliably measured due to the fact that there is not any market value, other methods used in order to calculate fair value are not appropriate and performable, the carrying amount of the financial asset acquired before 1 January 2005 are carried at cost, in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less the subsequent depreciation and impairment loss, if any, as of 31 December 2015.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

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

Dividend income is recognized in the statement of income as part of investment income when the Company's right to receive payments is established.

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

The Company does not have financial assets at fair value through profit or loss and held to maturity financial assets.

2.4.8. Foreign currency translations and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. The exchange differences that were recorded are recognised in the statements of income and other comprehensive income as part of the profit for the year.

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

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

2.4.9 Earnings/ (loss) per share

Earnings/ (loss) per share disclosed in the statement of income and other comprehensive income are determined by dividing net profit/ (loss) 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/ (loss) per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues 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.

2.4.10 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 authorized 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.

2.4.11 Provisions, contingent assets and contingent liabilities

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. 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 (Note 26).

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

i) Employee Benefits/Termination Benefit

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with existing social legislation and Turkish Labor Law in Turkey, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service. Provision is made for the present value of the defined benefit obligation calculated using the projected unit credit method (Note 28). All actuarial gains and losses are recognised in other comprehensive income in the statements of comprehensive income.

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

ii. Bonus Provision
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.

2.4.12 Related parties

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

2.4.13 Segment reporting

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

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 significant, there is a single reportable segment, and segment reporting is not applicable.

2.4.14 Current and deferred income taxes

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date (Note 41).

Deferred income tax income or expense is recognized in the statement of income and other comprehensive income, except to the extent that it relates to items recognized 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 is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined 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 realized or the deferred income tax liability is settled.

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. 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 utilized. To the extent that deferred income tax assets will not be utilized, the related amounts have been deducted accordingly.

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

2.4.15 Statement of cash flow

In the statement of cash flows, cash flows are classified into three categories as operating, investing 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 equipment 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.

2.4.16 Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on shares are recognized 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.

2.5 Critical accounting estimates and judgments

Preparation of financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognized 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:

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

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

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

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements and machinery and equipment were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.

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

- 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.

that would result from the outcome of a sales transaction between independent parties.

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

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

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

iii) 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 recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. In this respect, the Company did not recognise deferred income tax assets arising from tax losses carried forward and other deductible differences as their future utilisation is not virtually certain (Note 41). Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

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

2.6. 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 having 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 sales are presented as net if the nature of the transaction or the event qualify for offsetting.

2.7 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 (31 December 2014: None).

NOTE 4 - INTERESTS IN OTHER ENTITIES

Please see Note 48.

NOTE 5 - SEGMENT REPORTING

Please see Note 2.4.13.

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2015	31 December 2014
Cash in hand	4.702	18.178
Banks	91.132	1.298.599
- Demand deposits	91.132	1.298.599
- Turkish Lira	91.132	1.298.599
Other	1.919.843	1.297.615
	2.015.677	**2.614.392**

Company does not have any time deposits as of both 31 December 2015 and 2014. Other cash and cash equivalents includes the credit cards slips with an average term of 30 days (31 December 2014: 30 days).

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 banks is sufficient. The fair values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet dates.

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NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties:

	31 December 2015	31 December 2014
a)Trade receivables from related parties:		
Yaşar Dış Ticaret A.Ş. ("YDT")	1.627.614	1.342.667
DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("DYO Boya")	198.661	312.273
Pınar Entegre Et ve Un Sanayii A.Ş. ("Pınar Et")	-	10.862
Other	152.059	266.583
	1.978.334	**1.932.385**
Less: Unearned finance income	(7.468)	(4.978)
	1.970.866	**1.927.407**

As of 31 December 2015, effective weighted average interest rates of due from related parties to TL and EUR denominated receivables are 11,04% and 2,08% p.a., respectively (31 December 2014: TL and EUR denominated receivables are 8,67%, 2,17% respectively) and due from related parties mature within one month (31 December 2014: one month).

Due from related party balances are mainly resulted from the sales of bottled water. Sales and distribution of the Company's products in the domestic market are performed by its own sales departments and its exports are performed by YDT, as further explained in Note 1 to the financial statements.

As of 31 December 2015, due from related parties amounting to TL733.561 (31 December 2014: TL1.176.137) were overdue for a period of 3 months (31 December 2014: 3 months).

Company management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's receivables from related parties.

b) Other receivables from related parties:

Yaşar Holding	5.741.057	8.542.218
DYO Boya	-	169.773
Yaşar Dış Ticaret	-	115.370
Other	-	33.541
	5.741.057	**8.860.902**

As of 31 December 2015, the Company has short-term receivables from Yaşar Holding amounting to TL5.741.057 (2014: TL8.542.218) which are non-trade. The effective weighted average interest rate applied to those receivables is 12% p.a. (2014: 10% p.a.). Company management expects to collect other receivables from Yaşar Holding between three to twelve months.

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

As of 31 December 2014, the other receivables from related parties are attributable to bail commission charges in relation to bank borrowings obtained by Yaşar Group Companies from international capital markets and a financial institution under the guarantee of the Company (Note 38). Other receivables from related parties have an average maturity of 3-12 months.

c) Trade payables to related parties:

	31 December 2015	31 December 2014
Yaşar Holding	754.740	657.890
Pınar Foods GmbH ("Pınar Foods")	79.440	70.518
Other	56.696	102.837
	890.876	**831.245**
Less: Unearned finance cost	(3.245)	(5.574)
	887.631	**825.671**

The effective weighted average interest rate applied to due to related parties is 11,02% p.a. as of 31 December 2015 (31 December 2014: 8,46% p.a.) Due to related parties mature mainly within 1 months (31 December 2014: 1 months).

d) Other payables to related parties:

Yaşar Birleşik Pazarlama Dağıtım Turzim ve Ticaret A.Ş. ("YBP")	-	14.750
Other	-	4.037
	-	**18.787**

ii) Transactions with related parties:

	1 January - 31 December 2015	1 January - 31 December 2014
a) Product sales:		
YDT	10.425.382	8.882.203
Other	925.256	872.763
	11.350.638	**9.754.966**

Export sales and distribution of the Company's products are performed by YDT.

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

	1 January - 31 December 2015	1 January - 31 December 2014
b) Service sales:		
YDT	308.288	254.231
Desa	168.445	208.667
Yaşar Holding	23.509	149.579
Other	283.667	125.048
	783.909	**737.525**
c) Service purchases:		
Yaşar Holding	2.876.627	2.622.031
YDT	804.321	855.432
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	257.734	210.092
YBP	243.005	185.064
Pınar Süt Mamülleri Sanayii A.Ş. ("Pınar Süt")	109.237	190.955
Other	184.362	86.285
	4.475.286	**4.149.859**

Service purchases from Yaşar Holding are mainly related with the consultancy charges.

d) Product purchases:		
Pınar Süt	91.094	61.841
Other	4.872	7.857
	95.966	**69.698**
e) Financial and other expense:		
YDT	193.121	239.528
Yaşar Holding	159.314	81.295
Desa Enerji	-	160.636
Other	151.593	106.323
	504.028	**587.782**

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

f) Financial and other income:

	1 January - 31 December 2015	1 January - 31 December 2014
Yaşar Holding	651.701	627.008
YBP	485.197	178.202
Dyo Boya	129.664	124.082
Viking Kağıt	49.560	98.391
Other	67.028	60.040
	1.383.150	**1.087.723**

The other finance income mainly consists of bail and finance commisions in relation to the bank borrowings obtained by the related parties from international capital markets and a financial institution under the guarantee of the Company. The bail and finance commission rates used in the intercompany charges are %0,50 p.a. both (31 December 2014: %0,50 p.a. both) (Note 38).

g) Dividends received:		
YBP	-	172.523
	-	**172.523**
h) Property, plant and equipment purchases:		
YDT	138.601	-
Yaşar Holding	-	104.568
Other	7.913	17.713
	146.514	**122.281**
i) Property, plant and equipment sales:		
Yaşar Holding	118.812	-
	118.812	**-**

ı) Bails given:

As of 31 December 2015, bails given are mainly related to joint guarantees provided by The Company with Yaşar Group Companies for repayment of borrowings obtained by Yaşar Group companies from financial institutions amounting to EUR 22.222.222 equivalent of TL70.613.333 (31 December 2014: EUR33.333.333 equivalent of TL94.023.333).

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

j) Bails received:

Bails received are mainly related with the bails provided by YDT, a Yaşar Group company, for repayment of borrowings obtained from a domestic financial institution amounting to TL31.341.612 and EUR556.045, equivalent of TL33.108.501 as of 31 December 2015 (31 December 2014: TL 20.002.432 and EUR783.507, equivalent of TL22.212.470).

k) Key management compensation:

Key management includes chief executive operations officer, general manager; director and members of board of directors. The compensation paid or payable to key management for employee service is shown below:

	1 January - 31 December 2015	**1 January - 31 December 2014**
Short-term employee benefits	927.969	722.497
After severance benefits	96.286	26.030
Benefits provided due to dismissals	-	-
Bonus and profit-sharing	22.680	-
Other long-term benefits	7.684	1.227
	1.054.619	**749.754**

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables	**31 December 2015**	**31 December 2014**
Customer current accounts	13.116.492	14.296.652
Cheques and notes receivables	5.531.604	6.693.342
	18.648.096	**20.989.994**
Less: Provision for impairment of receivables	(1.976.010)	(881.812)
Unearned finance income	(224.802)	(199.812)
	16.447.284	**19.908.370**

At 31 December 2015, the effective weighted average interest rate applied to short-term trade receivables is 11,05% p.a. (31 December 2014: 8,70% p.a.) and average collection terms of trade receivables are within 2 months (31 December 2014: 2 months).

The aging of trade receivables as of 31 December 2015 and 2014 are as follow:

Overdue	2.574.257	3.018.601
0 - 30 days	4.800.667	6.316.604
31 - 60 days	5.689.558	6.649.319
61 - 90 days	1.942.993	2.193.974
91 days and over	1.439.809	1.729.872
	16.447.284	**19.908.370**

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

Concentrations of credit risk with respect to trade receivables are limited due to the Company's widely dispersed customer base, covering the spectrum of manufacturing and distribution and the variety of available end markets in which they sell. The Company's past experience in collection of accounts receivable falls within the recorded allowances. Due to this fact, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables.

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

	31 December 2015	**31 December 2014**
0 - 90 days	2.130.765	2.598.122
91 - 180 days	443.492	420.479
	2.574.257	**3.018.601**

As of 31 December 2015, trade receivables of TL2.574.257 (31 December 2014: TL3.018.601) were past due and the Company holds collateral amounting to TL706.630 (31 December 2014: TL1.648.122) as security for such receivables.

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

	2015	**2014**
1 January	**(881.812)**	**(827.885)**
Charged to the statement of comprehensive income (Note 35.b)	(1.100.498)	(54.927)
Collections	6.300	1.000
31 December	**(1.976.010)**	**(881.812)**

b) Short-term trade payables:

	31 December 2015	**31 December 2014**
Supplier current accounts	47.847.621	29.502.666
Less: Unincurred finance cost	(386.532)	(292.809)
	47.461.089	**29.209.857**

As of 31 December 2015, the effective weighted average interest rates applied to TL and EUR denominated payables are 11,05 % p.a., 2,60 % p.a. respectively (31 December 2014: 8,82 % p.a., %2,49). Trade payables mature within two months (31 December 2014: two months).

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

c) Long-term trade payables:

	31 December 2015	31 December 2014
Supplier non - current accounts	2.234.318	3.287.896
	2.234.318	**3.287.896**

Long term trade payables to consist of the payables to foreign supplier due to machine purchases related to the investments in progress in Bursa.

The redemption schedules of long-term trade payables as of 31 December 2015 and 2014 are as follow:

2016	-	1.303.531
2017	1.489.171	1.322.908
2018	745.147	661.457
	2.234.318	**3.287.896**

Long term trade payables consist of payables due to property, plant and equipment purchases amounting to EUR 703.146 (31 December 2014: EUR 1.172.500) and effective weighted average interest rate is 2,60% p.a. (31 December 2014: 2,49% p.a.).

NOTE 9 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (31 December 2014: None).

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2015	31 December 2014
a) Other short-term receivables		
Value added tax ("VAT") receivables	595.971	548.592
Deposits and guarantees given	77.345	28.132
Other	5.093	9.701
	678.409	**586.425**
b) Other long-term receivables		
Deposits and guarantees given	1.800	1.800
	1.800	**1.800**

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NOTE 10 - OTHER RECEIVABLES AND PAYABLES (Continued)

	31 December 2015	31 December 2014
c) Other payables		
Taxes and funds payables	769.940	387.909
Deposits and guarantees received	374.064	383.918
Other	4.102	2.488
	1.148.106	**774.315**

NOTE 11 - INVENTORIES

	31 December 2015	31 December 2014
Water bottle stocks	3.803.044	1.099.590
Raw materials	2.814.706	1.908.235
Finished goods	1.886.392	1.952.839
Spare parts	980.315	1.066.599
Pallet stocks	726.998	575.801
Other	139.687	162.858
	10.351.142	**6.765.922**

Cost of inventories recognized as expense and included in cost of sales amounted to TL47.014.340 (31 December 2014: TL46.108.554) (Note 29). Raw materials mainly consist of materials and packaging materials which are used to produce bottled water. The other inventory items are valued at their costs and there is no impairment.

NOTE 12 - BIOLOGICAL ASSETS

None (31 December 2014: None).

NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2015	31 December 2014
a) Prepaid expenses - current		
Prepaid expenses	672.609	155.973
Order advances given	5.468	868
	678.077	**156.841**

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NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME (Continued)

	31 December 2015	31 December 2014
b) Prepaid expenses - non - current		
Advances given	4.123.607	-
Prepaid expenses	-	9.393
	4.123.607	**9.393**

Non-current prepaid expenses consist of the advances given related to the investments in progress in Bursa.

c) Deferred income

Advances received	1.111.322	236.762
	1.111.322	**236.762**

NOTE 14 - INVESTMENT PROPERTY

None (31 December 2014: None).

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment between 1 January - 31 December 2015 was as follows:

	1 January 2015	Additions (*)	Disposals	Disposal of revaluation fund arising from sales of fixed asset	Transfers	Accumulated depreciation net off before revaluation	Revaluation (**)	31 December 2015
Cost/ revaluation:								
Land	8.894.000	-	-	-	-	-	(796.480)	8.097.520
Buildings and land improvements	17.553.919	45.115	-	-	7.567.287	(1.894.197)	3.687.648	26.959.772
Machinery and equipment	51.705.910	567.196	(636.913)	-	4.675.964	(14.399.802)	2.132.820	44.045.175
Motor vehicles	492.864	-	(263.818)	-	-	-	-	229.046
Furniture and fixtures	19.080.937	3.649.206	(685.320)	-	376.570	-	-	22.421.393
Construction in progress	737.719	19.492.395	-	-	(12.619.821)	-	-	7.610.293
	98.465.349	**23.753.912**	**(1.586.051)**	**-**	**-**	**(16.293.999)**	**5.023.988**	**109.363.199**
Accumulated depreciation:								
Buildings and land improvements	(1.115.512)	(778.685)	-	-	-	1.894.197	-	-
Machinery and equipment	(10.426.379)	(4.397.637)	424.214	-	-	14.399.802	-	-
Motor vehicles	(319.399)	(47.988)	262.875	-	-	-	-	(104.512)
Furniture and fixtures	(11.101.701)	(2.114.292)	377.896	-	-	-	-	(12.838.097)
	(22.962.991)	**(7.338.602)**	**1.064.985**	**-**	**-**	**16.293.999**	**-**	**(12.942.609)**
Net book value	**75.502.358**							**96.420.590**

(*) The significant portion of the additions performed in year 2015 is related to Bursa plant investment. In addition to this, significant portion of the additions to furniture and fixtures is related to cooler purchases.

(**) Decrease in revaluation fund amounting to TL108.031 is accounted for in profit and loss statements (Note 35.b).

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment between 1 January - 31 December 2014 was as follows:

	1 January 2014	Additions	Disposals	31 December 2014
Cost/ revaluation:				
Land	7.364.000	1.530.000	-	8.894.000
Buildings and land improvements	17.261.249	292.670	-	17.553.919
Machinery and equipment	51.365.019	407.233	(66.342)	51.705.910
Motor vehicles	311.001	181.863	-	492.864
Furniture and fixtures	16.771.179	2.626.932	(317.174)	19.080.937
Construction in progress	-	737.719	-	737.719
	93.072.448	**5.776.417**	**(383.516)**	**98.465.349**
Accumulated depreciation:				
Buildings and land improvements	(364.307)	(751.205)	-	(1.115.512)
Machinery and equipment	(6.200.533)	(4.282.064)	56.218	(10.426.379)
Motor vehicles	(300.463)	(18.936)	-	(319.399)
Furniture and fixtures	(9.578.780)	(1.651.163)	128.242	(11.101.701)
	(16.444.083)	**(6.703.368)**	**184.460**	**(22.962.991)**
Net book value	**76.628.365**			**75.502.358**

Additions to the property, plant and equipment within the year 2014 mainly consist of machinery purchases due to construction in progress.

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current year's depreciation and amortisation charges were allocated to cost of production by TL4.372.225 (31 December 2014: TL4.923.068), to selling and marketing expenses by TL1.980.187 (31 December 2014: TL1.542.337) (Note 34.b) and to general and administrative expenses by TL1.054.024 (31 December 2014: TL340.885) (Note 34.a).

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

1 January 2014	**23.749.585**
Depreciation on revaluation reserve transferred to retained earnings-net	(1.344.767)
Disposal from revaluation reserve due to sales of property, plant and equipment - net	(2.217)
31 December 2014	**22.402.601**
Depreciation on revaluation reserve transferred to retained earnings-net	(1.340.251)
Increase in revaluation reserve of land, land improvements and buildings - net	3.986.143
Disposal from revaluation reserve due to sales of property, plant and equipment - net	(82.437)
31 December 2015	**24.966.056**

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

31 December 2015:	**Land**	**Building and land improvements**	**Machinery and equipment**
Cost	2.456.794	17.813.322	53.338.992
Less: Accumulated depreciation	-	(4.785.199)	(34.156.434)
Net book value	**2.456.794**	**13.028.123**	**19.182.558**
31 December 2014:			
Cost	2.456.794	10.200.920	48.732.744
Less: Accumulated depreciation	-	(4.202.836)	(31.662.002)
Net book value	**2.456.794**	**5.998.084**	**17.070.742**

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NOTE 16 - RIGHTS TO INTERESTS ARISING FROM DECOMMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION FUNDS

None (31 December 2014: None)

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

None (31 December 2014: None).

NOTE 18 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the periods 1 January - 31 December 2015 and 2014 were as follow:

	1 January 2015	Additions	31 December 2015
Costs:			
Rights	1.559.113	64.534	1.623.647
Accumulated amortisation	(1.305.820)	(67.834)	(1.373.654)
Net book value	**253.293**	**(3.300)**	**249.993**

	1 January 2014	Additions	31 December 2014
Costs:			
Rights	1.431.954	127.159	1.559.113
Accumulated amortisation	(1.202.898)	(102.922)	(1.305.820)
Net book value	**229.056**	**24.237**	**253.293**

NOTE 19 - GOODWILL

None (31 December 2014: None).

NOTE 20 - EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

None (31 December 2014: None).

NOTE 21 - LEASING

None (31 December 2014: None).

NOTE 22 - SERVICE CONCESSION AGREEMENTS

None (31 December 2014: None).

NOTE 23 - IMPAIRMENT IN ASSETS

None (31 December 2014: None).

NOTE 24 - GOVERNMENT GRANTS AND INCENTIVES

In 2013, the Company has obtained deduction of investment incentive amounting to TL14.433.545 due to supporting programme of manufacturing industry, nonalcoholic beverage production of ministry of Economy and in 2015 obtained additional investment incentive amounting to TL8.308.639 the total of which is TL22.742.185. Deferred income tax amounting to TL4.133.005 related to the investment incentive mentioned in years of 2015 and 2014.

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NOTE 25 - BORROWINGS AND BORROWING COSTS

	Effective weighted average interest rate p.a. %		Original currency		TL equivalent	
Short term borrowings:	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**	**31 December 2015**	**31 December 2014**
Borrowings TL (*)	13,08	7,95	4.521.185	1.574.375	4.521.185	1.574.375
Short term portion of long term borrowings:						
Borrowings TL (**)	12,37	11,03	5.615.495	4.221.066	5.615.495	4.221.066
Borrowings EUR (***)	4,75	4,75	243.431	233.323	773.525	658.135
Total short term borrowings					10.910.205	6.453.576
Long term borrowings:						
Borrowings TL (**)	12,39	11,17	26.513.961	16.341.612	26.513.961	16.341.612
Borrowings EUR (***)	4,75	4,75	316.620	556.045	1.006.093	1.568.437
Total long term borrowings					**27.520.054**	**17.910.049**

(*) TL denominated short-term bank borrowings consist of borrowings with spot loans fixed interest rates of 13,08 % p.a.(31 December 2014: Interest rates of 7,95 % p.a).

(**) As of 31 December 2015, TL borrowings amounting TL22.679.728 with spot loans fixed interest rate 11,69%, TL9.449.728 denominated bank borrowings consist of semi-annually repricing floating interest rate TRLIBOR+2,70% p.a (31 December 2014: borrowings with fixed interest rate of 10,92% p.a. and floating rate is TRLIBOR+2,70 p.a.).

(***) EUR denominated short-term portion of long-term bank borrowings and long-term bank borrowings consist of borrowings with fixed interest rates of 4,75% (31 December 2014: borrowings with fixed interest rate of 4,75 % p.a)

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NOTE 25 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings at 31 December 2015 and 2014 are as follow:

	31 December 2015	31 December 2014
2016	-	5.502.997
2017	8.066.345	5.601.502
2018	7.121.292	4.583.330
2019	4.886.030	2.222.220
2020	7.446.387	-
	27.520.054	**17.910.049**

31 2015 ve 2014 tarihleri itibariyle, Şirket'in değişken ve sabit faiz oranlı finansal borçlarının faiz oranı yenileme tarihlerine göre hazırAs of 31 December 2015 and 2014, the carrying amounts of the borrowings with floating and fixed interest rates which were classified in terms of periods remaining to contractual repricing dates are as follows:

	3 months to 1 year	Total
31 December 2015:		
Borrowing with variable interest rates	9.449.728	9.449.728
Borrowings with fixed interest rates	-	28.980.531
	9.449.728	**38.430.259**
31 December 2014:		
Borrowing with variable interest rates	10.510.649	10.510.649
Borrowings with fixed interest rates	-	13.852.976
	10.510.649	**24.363.625**

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

	Carrying amount		Fair value	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Bank borrowings	38.430.259	24.363.625	38.197.225	24.801.926

The fair values are based on cash flows discounted using the rate of 1,94% p.a. and 11,04% p.a. for EUR denominated bank borrowings and TL denominated bank borrowings, respectively

(31 December 2014: 2,17% p.a. and 10,42% p.a. for EUR denominated bank borrowings and TL denominated bank borrowings, respectively).

NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2015	31 December 2014
a) Other short-term provisions:		
Provision of advertising and promotion	892.819	329.482
Other	39.223	9.000
	932.042	**338.482**

Aydın Bozdoğan Municipality charged a total of TL2.093.242 to the Company as the spring water fee in return for services rendered in line with Article 63 of the Law on Municipal Revenues within 2015 (31 December 2014: TL2.841.595). Regarding the mentioned spring water fee, the Company filed a lawsuit against Aydın Bozdoğan Municipality based on the claim that all procedures related to production permit, licensing, packaging, labelling, sales and audit of natural mineral waters are carried out by the Turkish Ministry of Health and its relevant bodies in line with the provisions of the "Regulation on Natural Mineral Waters" No. 25657, dated 1 December 2004. As of 31 December 2015, the local court rejected the lawsuit, which was subsequently taken to a higher court for appeal. Inline with the prudency principle of accounting, Company management recognised the mentioned spring water fee provision in the cost of sales. Movements of the provision the spring water fee porvision during the years 2015 and 2014 are as follow:

	2015	2014
1 January	**-**	**95.226**
Increase in period (Note 29)	2.093.242	2.841.595
Paid	(2.093.242)	(2.936.821)
31 December	**-**	**-**

Aydın Bozdoğan Municipality charged a total of TL2.093.242 to the Company as the spring water fee in return for services rendered in line with Article 63 of the Law on Municipal Revenues within 2015 and this amount is paid by the Company during the year 2015. As of 30 July 2015, Company's Aydın Bozdoğan spring water usage right has been renegotiated and usage right expanded for 5 years.

	31 December 2015	31 December 2014
b) Guarantees given:		
Bails	70.613.333	94.023.333
Letters of guarantee	8.738.090	11.138.728
	79.351.423	**105.162.061**

As of 31 December 2015, bails given are mainly related to joint guarantees provided by The Company with Yaşar Group Companies for repayment of borrowings obtained by Yaşar Group companies from financial institutions amounting to EUR 22.222.222 equivalent of TL70.613.333 (31 December 2014: EUR33.333.333 equivalent of TL94.023.333)

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

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

	31 December 2015			31 December 2014		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
CPM provided by the Company:						
A.Total amount of CPM given on behalf of the Company	TL	8.738.090	8.738.090	TL	11.138.728	11.138.728
B.Total amount of CPM given on behalf of fully consolidated companies		-	-		-	-
C.Total amount of CPM given for continuation of its economic activities on behalf of third parties		-	-		-	-
D.Total amount of other CPM		-	70.613.333		-	94.023.333
i. Total amount of CPM given on behalf of the main shareholder		-	-		-	-
ii. Total amount of CPM given on behalf other group companies which are not in scope of B and C	Euro	22.222.222	70.613.333	Euro	33.333.333	94.023.333
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
	-	-	-	-	-	-
			79.351.423			**105.162.061**
The ratio of total amount of other CPM to Equity			%131			160%

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

	31 December 2015	31 December 2014
c) Guarantees received:		
Bails	33.108.501	22.212.470
Letters of guarantee	26.117.207	19.560.564
Mortgages	5.850.564	5.490.689
Guarantee notes	2.936.503	2.896.503
Guarantee cheques	240.000	-
Other	804.196	874.048
	69.056.971	**51.034.274**

Guarantees are mainly received from customers.

NOTE 27 - COMMITMENTS

Company doesn't have raw material purchase commitments as of 31 December 2015. (31 December 2014: None).

NOTE 28 - EMPLOYEE BENEFITS

	31 December 2015	31 December 2014
a) Payables for employee benefits		
Social security premiums	362.821	322.985
Payables to employees	7.465	15.731
	370.286	**338.716**
b) Short- term provisions for employee benefits		
Management bonus accrual	220.000	220.000
Seniority incentive bonus	49.545	41.621
	269.545	**261.621**
c) Long - term provisions for employee termination benefits		
Provision for employment termination benefits	1.921.790	1.749.436
Seniority incentive bonus	140.854	119.168
	2.062.644	**1.868.604**

NOTE 28 - EMPLOYEE BENEFITS (Continued)

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

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

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL4.092,53 which is effective from
1 January 2016 (1 January 2015: 3.541,37 TL) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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

	31 December 2015	**31 December 2014**
Discount rate (p.a) (%)	3,95	3,95
Probability of retirement (%)	96,74	97,09

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

	2015	**2014**
1 January	**1.749.436**	**1.900.678**
Interest costs	175.844	160.071
Actuarial loss	463.046	268.430
Current service cost	274.148	262.349
Paid during the year	(740.684)	(842.092)
31 December	**1.921.790**	**1.749.436**

The total of interest cost and current service cost amounting to TL449.992 (31 December 2014: TL422.420) were totally allocated to general administrative expenses (31 December 2014: TL309.502) (Note 34) and there is not any allocations to cost of sales (31 December 2014: TL112.918).

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NOTE 29 - EXPENSES BY NATURE

	1 January - 31 December 2015	**1 January - 31 December 2014**
Raw material, direct material and finished goods	47.014.340	46.108.554
Transportation and export	29.460.072	26.896.749
Personnel	18.238.248	15.722.402
Advertising	11.555.473	7.007.261
Outsourced services	8.026.999	7.103.068
Depreciation and amortisation	7.406.436	6.806.290
Energy	5.258.196	4.828.577
Rent	4.092.267	2.872.375
Maintenance	3.838.970	3.424.702
Consultancy	2.876.584	2.520.104
Fee of mineral resource	2.093.242	2.841.595
Travel	526.813	494.659
Employment termination benefits	449.992	422.420
Communication	319.935	345.933
Representation	214.535	173.557
Other	8.738.923	8.769.369
	150.111.025	**136.337.615**

NOTE 30 - OTHER ASSETS AND LIABILITIES

	31 December 2015	**31 December 2014**
Other current assets		
VAT receivable	6.767.218	1.778.023
Other	80.591	58.849
	6.847.809	**1.836.872**

NOTE 31 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr1. The Company's historical authorised registered share capital at 31 December 2015 and 2014 is as follows:

	31 December 2015	**31 December 2014**
Registered share capital (historical values)	50.000.000	50.000.000
Paid-in share capital with nominal value	12.789.345	12.789.345

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

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

	31 December 2015		31 December 2014	
	Share		Share	
	Share	amount	Share	amount
	(%)	(TL)	(%)	(TL)
Yaşar Holding	58,00	7.417.547	58,00	7.417.546
Public quotation	31,78	4.064.924	31,78	4.064.924
Pınar Süt	8,77	1.122.150	8,77	1.122.150
YBP	0,80	101.992	0,80	101.992
Hedef Ziraat Tic. ve San. A.Ş.	0,09	11.318	0,09	11.318
YDT	0,03	3.773	0,03	3.773
Other	0,53	67.641	0,53	67.642
Total share capital	**100,00**	**12.789.345**	**100,00**	**12.789.345**
Adjustment to share capital		11.713.515		11.713.515
Total paid-in capital		**24.502.860**		**24.502.860**

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

Inflation adjustment to share capital amounting to TL11.713.515 (31 December 2014: TL11.713.515) represents the remaining amount after netting-off the accumulated losses of the year 2003 from the difference between restated share capital and historical cost of share capital.

The Company has 1.278.934.500 (31 December 2014: 1.278.934.500) units of shares with a face value of Kr1 each as of 31 December 2015.

The Company's authorised registered share capital is composed of registered shares and its shares have been quoted at the BIST. There are no privileges given to specific shareholders. Retained earnings, as per the statutory financial statements, are available for distribution, subject to the legal reserve requirement referred to below:

The legal reserves consists of first and second legal reserves appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserves reaches a maximum of 20% of the company's share capital. The second legal reserve is appropriated at the rate of 10% off all distributions in excess of 5% of the company's share capital. Under TTC , the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid in share capital.

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

The aforementioned reserves were accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The restricted reserves of the Company amount to TL4.180.008 (31 December 2014: TL4.180.008) as of 31 December 2015. The unrestricted extraordinary reserves the Company amount to TL11.673.135 (31 December 2014: TL11.673.135), and classified in the retained earnings.

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

- the difference arising from the "Paid-in Capital" shall be classified as the "Inflation Adjustment to Share Capital" if it is not transferred to capital yet;

- the difference due to the "Restricted Reserves" and "Share Premium" shall be classified as "Retained earnings" if the amount has not been utilised in dividend distribution or capital increase yet. Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Adjustment to share capital has no other use other than being transferred to share capital.

Quoted companies are subject to dividend requirements regulated by the CMB according to II-19.1 no. has enacted since 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and in conformity with relevant legislations. The communique does not state a minimum dividend rate. Companies distribute dividends in accordance with the method defined in their dividend policy or articles of association. Additional, dividend can be distributed in fixed or variable installments and dividends advances can be paid over the profit on interim financial statements.

In line with Article 27 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 amount, 10% of the portion is allocated in order to be distributed to founder shareholders in proportion with their shares. 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 the general reserves that has to be appropriated in accordance with TCC or the dividend to shareholders as determined in the articles of association or dividend policy are set aside ; no decision can be taken to set aside other reserves, to transfer reserves to be subsequent year or to distribute dividends to holders of usufruct right certificates, to board of directors members or to employees ; and no dividend can be distributed to those unless the determined dividend to shareholders is paid in cash.

Dividend in public companies, of the date of distribution to all existing shares, regardless of the date of issuance and acquisition of these shares will be distributed equally.

NOTE 32 - REVENUE

	1 January - 31 December 2015	1 January - 31 December 2014
Domestic sales	200.776.066	239.678.419
Export sales	14.559.880	12.352.043
Trade goods sales	3.937.050	3.093.854
Gross Sales	219.272.996	255.124.316
Less: Discounts	(73.294.890)	(122.032.772)
Return	(1.490.764)	(908.702)
Net sales	**144.487.342**	**132.182.842**
Cost of sales	**(75.741.973)**	**(75.387.129)**
Gross Profit	**68.745.369**	**56.795.713**

NOTE 33 - CONSTRUCTION CONTRACTS

None (31 December 2014: None).

NOTE 34 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES

	1 January - 31 December 2015	1 January - 31 December 2014
a) General administrative expenses:		
Personnel	7.267.835	5.829.338
Consultancy	2.150.348	1.853.883
Outsourced services	2.026.590	1.836.684
Depreciation and amortisation	1.054.024	340.885
Employment termination benefit	449.992	309.502
Rent	420.980	361.957
Energy	418.738	359.302
Travel	305.383	253.461
Representation	187.817	149.927
Communication	151.756	189.601
Other	810.160	933.951
	15.243.623	**12.418.491**

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NOTE 34 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES (Continued)

	1 January - 31 December 2015	1 January - 31 December 2014
b) Marketing, selling and distribution expenses:		
Transportation and export expenses	29.460.072	26.896.449
Advertising	11.555.473	7.007.261
Outsourced services	4.629.972	4.133.218
Personnel	4.568.507	3.644.826
Rent	2.234.790	1.351.117
Amortization and depreciation cost	1.980.187	1.542.337
Export commission	1.703.637	1.223.148
Energy	919.081	768.943
Maintenance	807.256	751.150
Consultancy	726.236	666.221
Other	540.218	547.325
	59.125.429	**48.531.995**

NOTE 35 - OTHER OPERATING INCOME AND EXPENSE

	1 January - 31 December 2015	1 January - 31 December 2014
a) Other operating income:		
Foreign exchange gain arising from commercial activities	430.401	326.831
Unearned financial income	73.140	284.990
Other	151.136	158.545
	654.677	**770.366**
b) Other operating expense:		
Provision for doubtful receivables	(1.100.498)	(54.927)
Foreign exchange loss arising from commercial activities	(752.583)	(222.797)
Rent expense	(618.038)	(1.096.731)
Unearned financial expense	(61.664)	(92.535)
Fees and aid	(55.695)	(80.445)
Impairment on property, plant and equipment	(108.031)	-
Other	(556.948)	(234.031)
	(3.253.457)	**(1.781.466)**

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NOTE 36 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2015	1 January - 31 December 2014
a) Income from investment activities:		
Gain on sale of property plant and equipment	665.060	131.383
Gain from Sale of Available for Sale Asset	-	9.103.035
Dividend income	-	172.523
Other	651.559	35.778
	1.316.619	**9.442.719**
b) Expense from investment activities:		
Loss on sale of property plant and equipment	(91.549)	(3.645)
	(91.549)	**(3.645)**

NOTE 37 - EXPENSES BY NATURE

Please see Note 29.

NOTE 38 - FINANCIAL INCOME AND EXPENSE

	1 January - 31 December 2015	1 January - 31 December 2014
Interest income	841.156	248.922
Foreign exchange gain	753.935	252.404
Bail income	331.303	543.824
	1.926.394	**1.045.150**
Interest expense	(3.909.064)	(2.910.049)
Foreign exchange loss	(1.017.916)	(150.830)
Bank commissions and overdue charges	(336.877)	(455.700)
Other	(532.156)	-
	(5.796.013)	**(3.516.579)**

NOTE 39 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please see Statements of Income and Other Comprehensive Income.

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

None (31 December 2014: None).

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

In Turkey, the corporation tax rate of the fiscal year 2015 is 20% (31 December 2014: 20%). Corporation tax is payable at a rate of 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 (such as research and development expenditure allowances). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19,8% (31 December 2014: 19,8%), calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (31 December 2014: 15%). An increase in capital via issuing bonus shares is not considered profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (31 December 2014: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

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

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit 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 against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

There are many exemptions in Corporate Tax Law regarding corporations. Those related to the Company are explained below:

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

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

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

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 14th and recurring 8th articles of Corporate Tax Law and 40 th article of the Income Tax Law together with the 10th article of Corporate Tax Law have been taken into consideration in calculation of the Company’s corporate tax.

Transfer Pricing

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

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

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

Taxes on income for the years 1 January- 31 December 2015 and 2014 are summarised as follow :

	31 December 2015	31 December 2014
Deferred tax income	1.869.413	357.088
Taxation on income	**1.869.413**	**357.088**

Prepaid taxes and corporate tax provision as of 31 December 2015 and 2014 are as follows:

	1 January - 31 December 2015	1 January - 31 December 2014
Corporate tax provision	-	-
Deduction: Prepaid tax	60.925	-
Taxation on income	**60.925**	

Reconciliation of taxation on income is as follows:

(Profit)/ Loss before tax	**(10.867.012)**	**1.801.772**
Tax calculated at rates applicable to the (loss)/ profit	2.173.402	(360.354)
Recognition of deferred income tax asset on investment incentive	1.246.296	-
Tax losses for which no deferred income tax asset was recognized	(1.307.552)	-
Tax credits and tax losses for which deferred income tax asset was recognized	-	758.907
Income not subject to tax	187.908	193.088
Non-deductible expenses	(264.589)	(132.146)
Other	(166.052)	(102.407)
Taxation on income/ (expense)	**1.869.413**	**357.088**

Deferred taxes

The Company recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the statutory tax financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (31 December 2014: 20%).

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

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2015 and 2014 were as follows:

	Cumulative temporary differences		Deferred income tax assets/ (liabilities)	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**
Revaluation of land, land improvements, buildings, machinery and equipment	29.623.207	26.353.006	(4.657.152)	(3.950.405)
Difference between carrying value (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	3.726.460	5.288.733	(1.046.605)	(1.359.059)
Deduction of investment incentive	(22.742.185)	(14.433.546)	4.133.005	2.886.709
Provision for employment termination benefits	(1.921.790)	(1.749.436)	384.358	349.887
Difference between carrying value and tax bases of available-for-sale investments	(1.801.385)	(2.031.277)	300.051	346.029
Other	174.925	(68.673)	(34.985)	13.737
Deferred income tax assets			4.817.414	3.596.362
Deferred income tax liabilities			(5.738.742)	(5.309.464)
Deferred tax liabilities-net			**(921.328)**	**(1.713.102)**

The movement of deferred tax liabilities - net is as follows:

1 January 2014	**(2.870.989)**
Credited to statement of comprehensive income	357.088
Charged to actuarial loss arising from defined benefit plans	53.686
Charged to fair value reserve of available-for-sale investments	747.113
31 December 2014	**(1.713.102)**
Credited to statement of comprehensive income	1.869.413
Revaluation of property, plant and equipment	(1.124.270)
Charged to actuarial loss arising from defined benefit plans	92.609
Charged to fair value reserve of available-for-sale investments	(45.978)
31 December 2015	**(921.328)**

The Company did not recognise deferred income tax assets of TL2.470.872 arising from tax losses carried forward as their future utilization is not virtually certain (2014: TL1.154.050).

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

Years of expiration of tax losses carried forward which were not recognized as of 31 December 2015 and 2014 are as follows:

Expiration years	**31 December 2015**	**31 December 2014**
2018	5.816.599	5.770.250
2020	6.537.761	-
	12.354.360	**5.770.250**

NOTE 42 - EARNINGS/ (LOSS) PER SHARE

Basic earnings/ (loss) per share is calculated by dividing the profit/ (loss) attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased and held as treasury shares.

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 earning/ (loss) per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

		1 January - 31 December 2015	**1 January - 31 December 2014**
Net profit/ (loss) for the year	A	(8.997.599)	2.158.860
Weighted average number of shares (Note 31)	B	1.278.934.500	1.278.934.500
Earnings/ (Loss) per 100 shares with a Kr1 face value	**A/B**	**(0,7035)**	**0,1688**

There are no differences between basic and diluted earnings/ (loss) per share.

NOTE 43 - SHARE BASED PAYMENTS

None (31 December 2014: None).

NOTE 44 - INSURANCE CONTRACTS

None (31 December 2014: None).

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NOTE 45 - EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

The foreign exchange risk of the Company is presented in Note 49.c.i.

NOTE 46 - REPORTING IN HYPERINFLATIONARY ECONOMIES

With the decision taken on 17 March 2005, numbered 11/367, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey. Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year starting from 1 January 2005.

NOTE 47 - DERIVATIVE FINANCIAL INSTRUMENTS

None (31 December 2014: None).

NOTE 48 - FINANCIAL INSTRUMENTS

The breakdown of available-for-sale investments for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015		31 December 2014	
	Carrying amount (TL)	Share (%)	Carrying amount (TL)	Share (%)
Desa Enerji	2.803.694	6,07	2.708.317	6,07
Viking Kağıt	601.615	1,69	507.692	1,69
YDT	581.039	1,76	540.447	1,76
	3.986.348		**3.756.456**	

Viking Kağıt is stated at quoted market prices as it is listed on BIST; YDT and Desa Enerji are stated at their fair values which are determined based on the discounted cash flows by using the market interest rates and the risk premium specific to unlisted companies within the related sectors.

NOTE 48 - FINANCIAL INSTRUMENTS (Continued)

The discount and growth rates used in discounted cash flow models as at 31 December 2015 and 2014 are as follows:

	Discount rate		Growth rate	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
YDT	%11,24	% 8,54	%0	%0
Desa Enerji	%9,55	%10,62	%0	%0

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

	2015	2014
1 January	**3.756.456**	**24.499.401**
YBP (*)	-	(7.812.977)
Sales of available for sale investments:		
YBP	-	(13.042.052)
Fair value increase/ (decrease):		
Desa Enerji	95.377	65.462
YDT	40.592	6.007
Viking Kağıt	93.923	40.615
31 December	**3.986.348**	**3.756.456**

(*) Company made revise in fair value calculation of YBP and accounted towards materiality principle as of 1 January 2014.

Movements of fair value reserves of available-for-sale investment are as follows:

	2015	2014
1 January	**917.076**	**16.850.943**
YBP (*)	-	(7.812.977)
Disposal of fund related with sale of available for sale investments	-	(8.980.087)
Increase in fair value	229.892	112.084
Deferred income tax on fair value reserves of available-for-sale investments (Note 41)	(45.978)	747.113
31 December	**1.100.990**	**917.076**

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

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

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

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

- Safeguarding the Company›s core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk,

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

- Effective monitoring and minimizing risks sourced from counterparts.

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. These risks are monitored by credit ratings and limiting the aggregate risk to any individual counter party and receiving guarantees when required. The Company’s exports are realised by its related party, YDT and the related export receivables are monitored by YDT. The following tables analyse the Company’s credit risk as of 31 December 2015 and 2014:

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

31 December 2015:	**Receivables**					
	Trade Receivables (1)		**Other Receivables**			
		Related	**Third**	**Related**	**Third**	**Bank**
	Parties	**Parties**	**Parties**	**Parties**	**Deposits**	**Total**
Maximum amount of credit risk exposed as of reporting date						
(A+B+C+D+E) (2)	**1.970.866**	**16.447.284**	**5.741.057**	**678.409**	**2.010.975**	**26.848.591**
- The part of maximum credit risk covered with guarantees	-	11.187.134	-	-	-	11.187.134
A. Net book value of financial assets not due or not impaired	1.237.305	13.873.027	5.741.057	678.409	2.010.975	23.540.773
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)	733.561	2.574.257	-	-	-	3.307.818
- The part covered by guarantees etc.	-	706.630	-	-	-	706.630
D. Net book value of assets impaired -	-	-	-	-	-	-
- Past due (gross book value)	-	1.976.010	-	-	-	1.976.010
- Impairment amount (-)	-	(1.976.010)	-	-	-	(1.976.010)
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

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

31 December 2014:	**Receivables**					
	Trade Receivables (1)		**Other Receivables**			
	Parties	**Related Parties**	**Third Parties**	**Related Parties**	**Third Deposits**	**Bank Total**
Maximum amount of credit risk exposed as of reporting date						
(A+B+C+D+E) (2)	**1.927.407**	**19.908.370**	**8.860.902**	**586.425**	**2.596.214**	**33.879.318**
- The part of maximum credit risk covered with guarantees	-	10.329.418	-	-	-	10.329.418
A. Net book value of financial assets not due or not impaired	751.270	16.889.769	8.617.868	586.425	2.596.214	29.441.546
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)	1.176.137	3.018.601	243.034	-	-	4.437.772
- The part covered by guarantees etc.	-	1.648.122		-	-	-
1.648.122						
D. Net book value of assets impaired -	-	-	-	-	-	-
- Past due (gross book value)	-	881.812	-	-	-	881.812
- Impairment amount (-)	-	(881.812)	-	-	-	(881.812)
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables balances mainly resulted from the sale of pet bottled and bottled water.
(2) In the determination of related amounts, guarantees received providing increase credit reliability are not take into account.
(3) Considering the past experiences and collections subsequent to the balance sheet date, the Company management does not foresee any collection problem for the overdue receivables.

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

	Receivables		
31 December 2015	**Trade Receivables**	**Other Receivables**	**Total**
1 - 30 days overdue	1.819.308	-	1.819.308
1 - 3 months overdue	1.045.018	-	1.045.018
3 - 12 months overdue	443.492	-	443.492
The part covered by guarantees	(706.630)	-	(706.630)
	3.307.818	**-**	**3.307.818**

TL1.309.797 of the receivables that were overdue but not impaired have been collected as of the approval date of the financial statements.

	Receivables		
31 December 2015	**Trade Receivables**	**Other Receivables**	**Total**
1 - 30 days overdue	1.823.592	-	1.823.592
1 - 3 months overdue	1.441.343	-	1.441.343
3 - 12 months overdue	929.803	243.034	1.172.837
The part covered by guarantees	(1.648.122)	-	(1.648.122)
	4.194.738	**243.034**	**4.437.772**

b) Liquidity risk:

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, 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 collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Company.

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

The Company’s liquidity analysis in respect of categories of financial liabilities as of 31 December 2015 and 2014 are as follows:

31 December 2015:

	Book value	Total cash outflows per a agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contract terms:					
Non-derivative financial liabilities					
Bank borrowings	38.430.259	48.626.097	7.429.272	6.314.770	34.882.055
Trade payables	50.583.038	50.972.815	44.427.163	4.310.210	2.235.442
Other payables	1.148.106	1.148.106	1.148.106	-	-
	90.161.403	**100.747.018**	**53.004.541**	**10.624.980**	**37.117.497**

31 December 2014:

	Book value	Total cash outflows per a agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contract terms:					
Non-derivative financial liabilities					
Bank borrowings	24.363.625	32.283.041	2.262.851	6.741.980	23.278.210
Trade payables	33.323.424	33.842.521	25.707.895	4.620.442	3.514.184
Other payables	793.102	793.102	793.102	-	-
	58.480.151	**66.918.664**	**28.763.848**	**11.362.422**	**26.792.394**

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. These risks are monitored by analyses of the foreign currency position. Current risks are discussed by the Audit Committee and Board of Director’s meetings regularly and the foreign exchange rates relevant to the foreign currency position of the Company are followed up.

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

	Foreign Currency Position							
	31 December 2015				31 December 2014			
	TL Equivalent	USD	EUR	Other TL Equivalent	TL Equivalent	USD	EUR	Other TL Equivalent
1 Trade Receivables	2.238.964	135.175	345.219	748.960	1.502.832	84.281	298.258	466.097
2a. Monetary Financial Assets (Cash, Bank accounts included)	-	-	-	-	-	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	3.304	-	1.040	-	-	-	-	
4. Current Assets (1+2+3)	**2.242.268**	**135.175**	**346.259**	**748.960**	**1.502.832**	**84.281**	**298.258**	**466.097**
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	3.177.600	-	1.000.000	-	-	-	-	-
8. Non-Current Assets (5+6+7))	**3.177.600**	**-**	**1.000.000**	**-**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**5.419.868**	**135.175**	**1.346.259**	**748.960**	**1.502.832**	**84.281**	**298.258**	**466.097**
10 Trade Payables	(5.015.787)	(35.240)	(1.541.782)	(14.159)	(1.616.283)	(24.995)	(512.186)	(113.601)
11. Financial Liabilities	(773.525)	-	(243.431)	-	(658.135)	-	(233.323)	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
13 Short Term Liabilities (10+11+12)	**(5.789.312)**	**(35.240)**	**(1.785.212)**	**(14.159)**	**(2.274.418)**	**(24.995)**	**(745.509)**	**(113.601)**
14. Trade Payables	(2.235.442)	-	(703.500)	-	(3.307.271)	-	(1.172.500)	-
15. Financial Liabilities	(1.006.093)	-	(316.620)	-	(1.568.437)	-	(556.045)	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	**(3.241.535)**	**-**	**(1.020.120)**	**-**	**(4.875.708)**	**-**	**(1.728.545)**	**-**
18. Total Liabilities (13+17)	**(9.030.847)**	**(35.240)**	**(2.805.332)**	**(14.159)**	**(7.150.126)**	**(24.995)**	**(2.474.054)**	**(113.601)**
19. Net Asset/ (Liability) Position of Off Balance Sheet Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19a. Amount of Asset Nature Off-Balance Sheet Derivative Instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19b. Amount of Liability Nature Off-Balance Sheet Derivative Instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
20. Net Foreign Asset/ Liability Position (9+18+19)	**(3.610.979)**	**99.935**	**(1.459.073)**	**734.801**	**(5.647.294)**	**59.286**	**(2.175.796)**	**352.496**
21. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(6.791.883)**	**99.935**	**(2.460.114)**	**734.801**	**(5.647.294)**	**59.286**	**(2.175.796)**	**352.496**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging								
23. Export	**14.559.880**	**893.497**	**1.981.872**	**5.664.353**	**12.597.903**	**1.240.224**	**1.717.215**	**4.884.909**
24. Import	**1.734.731**	**-**	**545.925**	**-**	**1.162.953**	**-**	**447.827**	**18.006**

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

31 December 2015	Table of 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	29.057	(29.057)	29.057	(29.057)
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**29.057**	**(29.057)**	**29.057**	**(29.057)**
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR	(781.726)	781.726	(781.726)	781.726
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**(781.726)**	**781.726**	**(781.726)**	**781.726**
Change of other currencies by 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies	73.480	(73.480)	73.480	(73.480)
8- The part of other foreign currency risk hedged (-)				
9- Other Foreign Currency Effect - net (7+8)	**73.480**	**(73.480)**	**73.480**	**(73.480)**
TOTAL (3+6+9)	**(679.189)**	**679.189**	**(679.189)**	**679.189**

The Company does not hedge foreign currency denominated liabilities by using hedge instruments.

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31 December 2014	Table of 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	13.749	(13.749)	13.749	(13.749)
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**13.749**	**(13.749)**	**13.749**	**(13.749)**
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR	(613.728)	613.728	(613.728)	613.728
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**(613.728)**	**613.728**	**(613.728)**	**613.728**
Change of other currencies by 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies	35.250	(35.250)	35.250	(35.250)
8- The part of other foreign currency risk hedged (-)				
9- Other Foreign Currency Effect - net (7+8)	**35.250**	**(35.250)**	**35.250**	**(35.250)**
TOTAL (3+6+9)	**(564.729)**	**564.729**	**(564.729)**	**564.729**

The Company does not hedge foreign currency denominated liabilities by using hedge instruments..

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

ii) Interest Risk

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

	Interest Rate Position Schedule	
	31 December 2015	**31 December 2014**
Financial instruments with fixed interest rate		
Financial assets	26.757.459	32.580.719
Financial liabilities	80.711.675	47.969.502
Financial instruments with floating interest rate		
Financial liabilities	9.449.728	10.510.649

iii) Price risk

The operational profitability of the Company and the cash flows generated by these operations are affected by the changes in the raw material prices and market competition. These prices are closely followed up by the Company management to reduce the pressure of the costs on selling prices and necessary precautions for cost reductions are taken accordingly. Price risk is monitored by Board of Directors and Audit Committee via regular meetings.

d) Capital risk management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order 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 and changes in the earnings before interest depreciation and amortization ("EBITDA"). Gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings due to related parties - non trade less cash and cash equivalents. EBITDA is calculated as operational profit/ (loss) less depreciation, amortization, employment termination benefits and other nonrecurring expenses.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

	31 December 2015	**31 December 2014**
Total financial liabilities	38.430.259	24.363.625
Less: Cash and cash equivalents (Note 6)	(2.015.677)	(2.614.392)
Net debt	36.414.582	21.749.233
Total equity	53.745.014	58.942.993
Debt/ equity ratio	**%68**	**37%**

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

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

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

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

Financial Assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties, are considered to approximate their respective carrying values due to their short-term nature.The cost of financial assets available for sale investments less, if any, impairments are considered to approximate their fair values.

Financial Liabilities

Fair values of bank borrowings are disclosed in Note 25.

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.

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

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2015 and 2014:

31 December 2015	**Level 1**	**Level 2**	**Level 3 (*)**	**Total**
Available-for-sale investments	601.615	-	3.384.733	3.986.348
Total assets				**3.986.348**
31 December 2014				
Available-for-sale investments	507.692	-	3.248.764	3.756.456
Total assets				**3.756.456**

(*)Please see Note 48 for the movement of Level 3 financial instruments.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

31 December 2015

	Level 1	**Level 2**	**Level 3**	**Total**
Property, Plant and Equipment:				
Land	-	8.097.520	-	8.097.520
Buildings and land improvements	-	26.959.772	-	26.959.772
Machinery and equipment	-	44.045.175	-	44.045.175
Total assets	**-**	**79.102.467**	**-**	**79.102.467**

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

31 December 2014

	Level 1	**Level 2**	**Level 3**	**Total**
Property, Plant and Equipment:				
Land	-	8.894.000	-	8.894.000
Buildings and land improvements	-	16.438.407	-	16.438.407
Machinery and equipment	-	41.279.531	-	41.279.531
Total assets	-	66.611.938	-	66.611.938

NOTE 51 - SUBSEQUENT EVENTS

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 2014: None).

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INFORMATION FOR INVESTORS

Stock Exchange
Pınar Su Sanayi ve Ticaret A.Ş. shares are traded at Borsa Istanbul Main Market under the ticker symbol PINSU.

Initial Public Offering Date: 28.08.1987 (Date of First Transaction)

Ordinary General Assembly Meeting
As per the resolution by the Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş., the Company's Ordinary General Assembly Meeting will be held on March 30, 2016, Wednesday at 10:30 at Kemalpaşa Caddesi No: 317 Pınarbaşı/Izmir.

Profit Distribution Policy
The general profit distribution policy of Pınar Su Sanayi ve Ticaret 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.

Since the Company showed a loss as a result of its 2014 operations, The Board of Directors resoluted at the Board Meeting dated March 08, 2016 not to distribute profits is to be submitted to the approval of the Ordinary General Assembly.

Investor Relations
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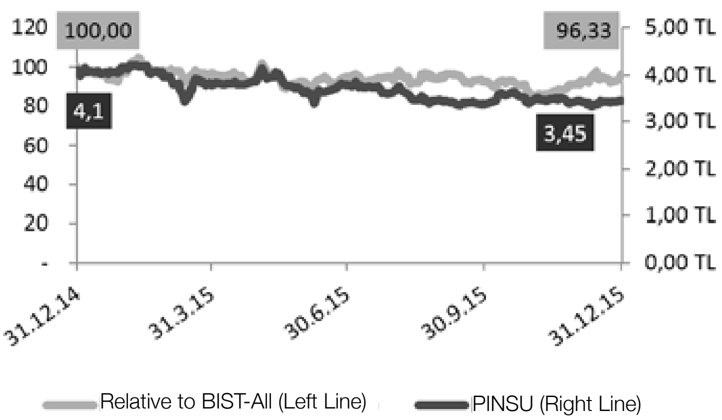
E-mail: investorrelations@pinarsu.com.tr

To access Pınar Su investor relations web site:

Pınar Su Share Performance (Compared to BIST ALL Index)



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