

For a better life...

PINAR SÜT ANNUAL REPORT 2014



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My source of health, flavor & innovation

THE INDUSTRY'S MOST ADMIRER AND MOST RESPECTED BRAND

THROUGH ITS EFFORTS TO RAISE HEALTHIER NEW GENERATIONS, PINAR HAS BEEN TURKEY'S SOURCE OF HEALTH, FLAVOR, AND INNOVATION FOR FORTY-ONE YEARS. THE WHOLESOME, SUPERIOR-QUALITY, NOURISHING, FLAVORFUL, AND NATURAL PRODUCTS THAT IT MAKES UNDER THE SAFEST CONDITIONS IN MODERN PRODUCTION FACILITIES THAT USE ADVANCED TECHNOLOGY HAVE BECOME AN INDISPENSABLE PART OF CONSUMERS EVERYDAY LIVES.

Reporting period
01.01.2014 - 31.12.2014

Trade Name
Pinar Süt Mamulleri Sanayii A.Ş.

Authorized Capital
TL 80,000,000.00

Trade Registration
İzmir 34821 K-572

Paid-in Capital
TL 44,951,051.25

IN 2014

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My source of life

PINAR SÜT HAS MADE TREMENDOUS CONTRIBUTIONS TO TURKEY'S LIVESTOCK AND FOOD INDUSTRIES, HAS LED THE WAY FORWARD IN RAISING HEALTHIER NEW GENERATIONS, AND HAS CONTINUOUSLY DRIVEN SECTORAL PROGRESS THROUGH INNOVATION. PINAR SÜT IS THE BRAND THAT FIRST INTRODUCED TURKEY TO MODERN AND HYGIENICALLY-PACKAGED WHOLESOME MILK AND DAIRY PRODUCTS.

HAVING SUCCEEDED IN BECOMING THE SECTOR'S MOST ADMIRABLE AND MOST RESPECTED BRAND, PINAR SÜT IS NOW MOVING RAPIDLY TOWARDS BECOMING A REGIONAL FORCE IN ITS HOME MARKET'S NEAR ABROAD.

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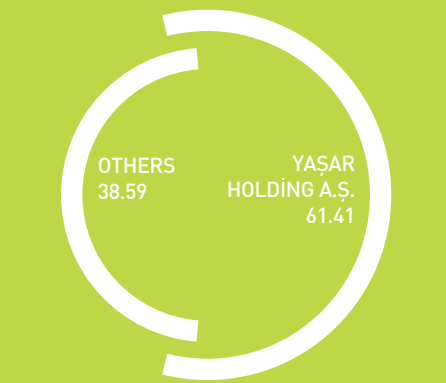
Website

www.pinar.com.tr

PINAR SÜT IN BRIEF

THE LEADER OF TURKEY'S DAIRY MARKET, PINAR SÜT EMPLOYS THE MOST ADVANCED TECHNOLOGY TO PRODUCE SUPERIOR-QUALITY MILK AND DAIRY PRODUCTS THAT IT OFFERS IN A BROAD AND INNOVATIVE PORTFOLIO FORMULATED TO SATISFY CONSUMER EXPECTATIONS AT THE HIGHEST LEVEL.

PINAR SÜT'S SHAREHOLDING STRUCTURE (%)



Shareholder	%	Share Amount (TL)
Yaşar Holding A.Ş.	61.41	27,603,901.57
Others	38.59	17,347,149.68
Total	100.00	44,951,051.25

Pinar Süt shares are traded on the Borsa İstanbul National Exchange under ticker symbol PNSUT.

Pinar Süt's capital is represented by "Class A registered", "Class B registered", and "Class C bearer" shares. Each share entitles its owner (or designated proxy) to one vote at ordinary and extraordinary general meetings of the Company.

Founded in İzmir in 1973 as the Middle East's biggest and Europe's most advanced dairy plant at the time, in 1975 Pinar Süt introduced Turkish consumers to the country's first long-life milk packaged in aseptic containers.

Pinar Süt was the first national brand in Turkey to draw consumers' attention to the importance of wholesome milk and dairy products. Becoming synonymous with the concepts of "Health", "Flavor", and "Innovation" and achieving a high level of brand recognition as "Pinar: My Source of Life", Pinar Süt and its steadily expanding product line were embraced ever more strongly by Turkish consumers over the years. While leading the way forward by helping to raise successively healthier new generations, Pinar Süt has also made tremendous contributions to the progress of Turkey's livestock and food industries.

Pinar Süt's principal business activity is the production and sale of packaged milk, yoghurt, ayran, traditional and modern cheeses, fruit juices, butter, cream, puddings, ketchups, mayonnaise, honey, condiments, jams and jellies, desserts, and powdered products. The company operates out of plants located in İzmir and Eskişehir.

The production capacity and logistical advantages of Pinar Süt's new dairy plant in Şanlıurfa will further boost the Company's capabilities when the plant commences operations.

Pinar Süt procures the raw milk it needs from the 195 dairy farms with which it works and which are contractually obliged to produce in compliance with EU food quality and safety standards. Continuously supporting more than 25,000 producers with whom it has established strong and enduring relationships, Pinar Süt also contributes to the progress of dairy production in Turkey.

Besides supplying its home market, Pinar Süt also exports milk and dairy products to other countries as well. The Company is advancing sure-footedly towards becoming a regional force.

Pinar Süt is a member of the Yaşar Group, one of Turkey's biggest and most highly respected corporate groups.

WHILE LEADING THE WAY FORWARD BY HELPING TO RAISE SUCCESSIVELY HEALTHIER NEW GENERATIONS, PINAR SÜT HAS ALSO MADE TREMENDOUS CONTRIBUTIONS TO THE PROGRESS OF TURKEY'S LIVESTOCK AND FOOD INDUSTRIES.

FIRST BRAND TO DRAW ATTENTION TO THE IMPORTANCE OF WHOLESOME MILK AND DAIRY PRODUCTS

LEADER IN EVERY PRINCIPAL OPERATIONAL CATEGORY

first leader

CONSUMER-FOCUSED PRODUCTS DEVELOPED THROUGH INNOVATIVE APPROACHES

innovative



PINAR SÜT'S COMPETITIVE ADVANTAGES

THE COMPANY THAT PIONEERED THE ORGANIZED DAIRY INDUSTRY IN TURKEY AND ITS UNDISPUTED LEADER SINCE THE DAY IT WAS FOUNDED, PINAR SÜT CONTINUED TO CREATE VALUE FOR THE NATIONAL ECONOMY IN 2014 WHILE ALSO FULFILLING ALL OF ITS RESPONSIBILITIES TOWARDS ITS STAKEHOLDERS AS WELL.

SUPERIOR BRAND VALUE

Turkey's most admired company
 The most admired fruit juice brand
 One of Turkey's "super-brands"
 A brand that makes one of the biggest contributions to Turkey's global reputation

QUALITY PRODUCTION, RICH PRODUCT PORTFOLIO

Hygienic production conforming to EU norms
 Wholesome, superior-quality products
 TSE-ISO-EN 22000 Food Safety Management System, FSSC 22000 Food Safety Management System, TS EN ISO 9001:2008 Quality Management System, TS EN ISO 14001 Environmental Management System, TSE 18001 Occupational Health and Safety Management System. TS ISO 50001 Energy Management System certification & applications
 More than 200 SKU
 Reputation as an innovative pioneer
 R&D experience
 Technical and sectoral knowledge and experience
 Energy-efficient industrial operations

EXTENSIVE DISTRIBUTION & SUPPLIER NETWORK

Yaşar Birleşik Pazarlama: Turkey's biggest and most extensive frozen and cold chain distribution network
 150,000 points of sale
 Group-wise synergies
 More than 25,000 raw milk suppliers
 More than 195 contractual dairy farms conforming to EU standards
 Fully-monitored production processes
 Supplier performance evaluations
 Training & consulting services

SHARED VALUES

SINCE THE DAY IT WAS FOUNDED PINAR SÜT HAS:

CREATED LIVELIHOODS AND SOURCES OF REGULAR INCOME FOR A BROAD SEGMENT OF SOCIETY, PARTICULARLY MEAT AND DAIRY PRODUCERS

CONTRIBUTED TOWARDS MEETING THE NEED FOR WHOLESOME ANIMAL-SOURCE PROTEIN IN TURKEY

LED THE WAY FORWARD IN CREATING A SECTOR IN WHICH FARMING AND MANUFACTURING ARE MUCH MORE EFFICIENTLY INTEGRATED.



PINAR SÜT'S FIRSTS AND MILESTONES

forty-one years of innovation

IN 1975 PINAR SÜT INTRODUCED TURKISH CONSUMERS TO THE COUNTRY'S FIRST LONG-LIFE MILK PACKAGED IN ASEPTIC CONTAINERS.



1973

Pinar Süt is established as the Middle East's biggest dairy processing complex.

1975

Turkey's first UHT (ultra-high temperature processed) milk and packaged dairy products are introduced to consumers.

1976

The Company begins producing Turkey's first processed cheese and chocolate milk.

1978

Pinar sliced kashkaval cheese and Pinar spreadable cheese are introduced to consumers.

1980

Pinar Cheddar cheese goes into production.

1982

The Company begins exporting milk, cheese, butter, yoghurt, and strawberry milk to Central Europe, Turkish Republic of Northern Cyprus, and the Middle East.

1983

Pinar Yem is set up to provide high quality feeds to the Pinar Süt's raw milk suppliers.

Pinar Mayonnaise, Turkey's first domestically-manufactured mayonnaise goes on sale.

Pinar Beyaz, Turkey's first spreadable cheese, and Pinar Whipped Topping, a powdered product, go into production.

Triangular cheese goes into production.

1984

Pinar Süt begins exporting its labaneh cheese to Kuwait.

1985

Pinar Labne (labaneh) is introduced to the Turkish market.

1990

Pinar begins producing fruit juices.

1991

Turkey's first pasteurized day-fresh milk in glass bottles.

1992

Pinar Süt is awarded the Turkish Standards Institute's "Golden Packaging" award for the introduction of the country's first foil-sealed yoghurt container.

Form Milk, Turkey's first low-fat milk, and Çikola Süt, chocolate milk made with real, natural chocolate, go on sale.

1993

Pinar Süt becomes the first food industry company in Turkey to be awarded TS ISO 9002 Quality Management System certification.

1994

Pinar Süt receives another TSE "Golden Packaging" award for its 10-liter bag-in-box pack design.

Having successfully demonstrated its compliance with European standards in terms of production, sales, and after-sales services, Pinar Süt becomes the first dairy products company to receive TS ISO 9001 Quality Management System certification.

WHEN IT WAS FOUNDED IN 1973, PINAR SÜT WAS THE MIDDLE EAST'S BIGGEST AND EUROPE'S MOST ADVANCED DAIRY PLANT.

1995

Pinar's "long-life" fruit yoghurts and prepared desserts go into production.

Turkish consumers are introduced to Pinar light (low-fat) and extra light yoghurts and to low-fat triangular cheese.

1997

Pinar Süt opens its Eskişehir plant.

1998

100%-pure Pinar fruit juices go on sale.

1999

Pinar Süt introduces its "Denge" line of lactose-free, high-calcium, and vitamin-enriched milks.

2000

As a result of investments at the Eskişehir plant, Pinar Süt launches the world's first continuous-process production of cream-top yoghurt.

2001

UHT milk supplied in aseptic bottles goes into production.

2004

Pinar introduces its Kafela and Çikola Süt line of products in packaging specially designed to appeal to young people.

Pinar Süt is awarded TS 13001 HACCP Food Safety System certification.

2005

Pinar Organik Süt, Turkey's first organic milk is introduced to the market.

2008

Pinar Süt becomes the first company in Turkey's dairy industry to undertake a Lean 6 Sigma project.

Pinar Milk for Kids, a milk specially designed for child nutrition, is introduced to the market.

2009

Pinar lemonade and tropical fruit drink are introduced to the market.



2010

Honey Flavored Pinar Kid's Milk, and Pinar Breakfast Cream Cheese products go on sale.

2011

Pinar's "Gourmet" series of cheddar- and thyme & olive-flavored cream cheeses and triangular cheeses, Pinar organic yoghurt are introduced to consumers.

2012

Sütkrem, Turkey's first all-dairy clotted-cream alternative with 50% fewer calories goes on sale.

Çikolatalı Pinar Beyaz, Turkey's first chocolate-flavored cream cheese, is put on the market.

2013

Work begins on the Pinar Süt Şanlıurfa Dairy Plant.

Pinar Süt's Kremilla and Çikola Latte products are launched.

Pinar Süt is awarded TS 18001 Occupational Health and Safety Management System and TS EN ISO 50001:2011 Energy Management System certification.

Pinar Süt becomes entitled to export milk and dairy products to EU Countries.



2014

The "Kido" line of products for children was expanded with the addition of new flavors with kid-friendly appeal. Two new 200-ml products went on sale: Kido Chocolate Milk and Kido Melon & Watermelon flavored milk.

750-ml Organic Milk, 1-liter Organic Pasteurized Milk, and 1-liter Half-Fat Milk were put on sale.

The product portfolio was further strengthened by the launch of Braided, String, and Halloumi cheeses in the Cheeses category and of Strained yogurt in the Yogurts category. The organic products portfolio was also expanded with the addition of Organic Butter.

THE YAŞAR GROUP

the best-known brands in many sectors

WITH 21 COMPANIES, 23 FACTORIES AND PLANTS, 2 CHARITABLE FOUNDATIONS, AND 7,500 EMPLOYEES, THE YAŞAR GROUP IS THE HOME OF SOME OF TURKEY'S LEADING FOOD, BEVERAGE, AND PAINT BRANDS AND ALSO HAS OPERATIONS IN THE AGRICULTURE, LIVESTOCK, AQUACULTURE, PAPER, TOURISM, FOREIGN TRADE, AND ENERGY.

YAŞAR UNIVERSITY, SET UP AND RUN BY THE SELÇUK YAŞAR SPORT AND EDUCATION FOUNDATION, IS AN EDUCATIONAL INSTITUTION ATTENDED BY MORE THAN 6,000 STUDENTS.

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

A corporate group that has authored many firsts

Under the leadership of Honorary President Selçuk Yaşar, the Yaşar Group has been the author of many firsts in Turkey.

- DYO: First national paints brand,
- PINAR SÜT: First privately-owned dairy plant conforming to international standards,
- ALTIN YUNUS ÇEŞME: First 1,100 bed capacity hotel,
- VİKİNG KAĞIT: First privately-owned paper plant,
- PINAR SU: First mineral water supplied in non-returnable packaging
- PINAR ET: First privately-owned integrated meat processing & packing plant,
- First integrated turkey plant
- PINAR DENİZ: First aquaculture facility and production,

In keeping with its environmental and social awareness approaches

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

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

Regarding social responsibilities as being one and the same as its economic responsibilities as a company, the Yaşar Group voluntarily joined the United Nations Global Compact network on 12 November 2007. In compliance with the requirements of that membership, the Company published communications on progress for 2009 and 2010 and sustainability reports for 2011, 2012 and 2013.

In 2012 the "CEO Statement of Support on behalf of Women's Empowerment Principles" was signed. In 2013, commitments were made to abide by gender policies which are set out in the "Declaration of Workplace Equality" and which are consistent with being a good corporate citizen such as increasing the number of women in the workforce and improving working conditions.

The communications on progress and the sustainability reports that the Group published in compliance with the Global Compact may be found on the Yaşar Holding corporate website at www.yasar.com.tr.

Six companies traded in the Borsa İstanbul

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

THE YAŞAR GROUP'S MISSION IS TO PROVIDE TRUSTED-BRAND, SUPERIOR-QUALITY PRODUCTS AND SERVICES THAT ADD VALUE TO CONSUMERS LIVES.

FOOD & BEVERAGES DIVISION

THE MOST BELOVED FLAVORS
THE MOST WHOLESOME PRODUCTS
THE MOST ADVANCED TECHNOLOGY



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

COATINGS DIVISION

TECHNOLOGICAL LEADERSHIP
STRONG BRANDS AND
DISTRIBUTION NETWORK



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

TISSUE PAPER DIVISION

ECO-FRIENDLY PRODUCTION
INNOVATIVE PRODUCTS



Viking Kağıt

TRADE & SERVICE DIVISION

COMMITTED TO SUPERIOR SERVICE



RESORT & THERMAL HOTEL

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

FOUNDATIONS

A RESPONSIBLE CORPORATE CITIZEN

Yaşar Education and Culture Foundation
Selçuk Yaşar Sports and Education
Foundation

CHAIRPERSON'S MESSAGE



ESTEEMED STAKEHOLDERS

future

WE SHALL CONTINUE TO ADD VALUE TO PEOPLE'S LIVES BY PROVIDING ONLY THE MOST TRUSTWORTHY PRODUCTS AND SERVICES.

The global aftershocks of the economic crisis that began in 2007 and quickly spread around the world continued to manifest themselves, albeit to a lesser degree, in different ways last year. Although 2014 was a year in which there was a gradual recovery in global economic activity, the consistent stability of growth indicators reported in the US economy is what distinguished them principally from those of other developed economies. The fragility of the eurozone's debt-burdened economic growth despite measures to the contrary continued to pose risks.

Although our own country's economy suffered relatively less from recent global uncertainties, its year-on-year growth rate has lost some of its momentum: in the first nine months of 2014 Turkey's economy grew by 2.8%. Net exports continued to make the biggest contribution to growth while the contribution of consumption expenditures continues to shrink. The government's Medium-Term Program posits annual growth rates of 3.3% and 4.0% for 2014 and 2015 respectively. The decline in oil prices, which has become increasingly more evident in recent months, is likely to have a beneficial impact on both the current account deficit and inflation performance in the period ahead.

The demand for packaged milk products is increasing in our country.

Household penetration rates of our industry's packaged products in both the milk and cheese categories were up significantly in 2014. Inasmuch as it is evidence that the consumption of wholesome milk and dairy products is increasing in our country while that of informal production is decreasing, this is good news.

In the plain milk category, which accounts for 62.7% of the total value of Turkey's packaged milk market, total turnover was up by 9.6% last year. In the packaged dairy products market there was quantitative growth in the cheese category.

Raw milk prices followed an upward course during 2014. The raw milk base price as announced by the National Dairy Council, which was around TL 1.00 in January, was up to TL 1.15 or so by year-end.

Several factors push raw milk prices higher than they ought to be but the chief ones are a lack of economies of scale among small producers, costly and volatily-priced inputs, and problems with obtaining higher-yield dairy cattle breeds. Turkey's livestock industry has been the target of substantial investment and support over the last ten years and the result of this is that milk production has reached 18.5 million tons a year. Indeed our country now ranks among the world's top ten producers of raw cow's milk. However the costs borne by Turkey's raw milk producers are also higher than world averages and this makes it very difficult for Turkish dairy product exports to compete in international markets.

Another bustling avenue of growth in our industry is the away-from-home (AFH) market, whose total value has now reached about TL 33 billion a year. More women in the workforce, more singleton households, more time spent away from home, and more meals being ordered out are the principal changes in lifestyle and consumption habits that are nourishing the growth of the AFH channel in Turkey.

The pioneer of Turkey's packaged milk industry, Pinar Süt has also been its enduring leader for forty-one years.

Pinar Süt is one of the leading players in Turkey's at-home and AFH milk and dairy product, fruit juice, and condiment markets. Since the day it was founded, Pinar Süt's efforts to fulfill its mission of adding health, flavor, and innovation to consumers' lives have ensured its position as one of the packaged foods industry's pioneers and leaders.

Pinar Süt performed very well in 2014.

Having introduced Turkey to modern and hygienically-packaged wholesome milk and dairy products more than four decades ago, Pinar Süt has since become an important part of consumers' lives by authoring firsts that define the course of the industry.

Thanks to insightful business strategies, 2014 was a year of continued and sustainable growth for Pinar Süt. Last year the Company registered a 16.1% rise in its turnover, bringing it to TL 940.5 million.

In line with our approach to both innovation and change, we are constantly improving our technology and our knowledge and experience and transforming them into competitive advantages. We also adhere to an investment strategy that is compatible with our sector's changing conditions.

Our new dairy plant in Şanlıurfa commenced operations last year. That, together with our capacity-increase projects, brought our total investment outlays to TL 64 million in 2014. As of year-end, our company's total assets amounted to TL 780.1 million and had grown by 14.2% in the previous twelve months.

Our company's net profit was up by 29.1% and reached TL 87.1 million in 2014.

We are the Turkish market leader in both the milk and the value-added cheese categories. Pinar Süt brands such as Pinar Labne and Pinar Beyaz together command a 38% share of this category's turnover.

Pinar Süt increased its brand strength and market share and maintained its leadership in all the main categories in which it is active through effective communication, consumer-targeted campaigns, and new product launches.

In 2014 Pinar Süt further strengthened its leading position in the milk and dairy products sector with total turnover market shares of 31.1% in long-life milk, 63.9% in light milk, 66% in fortified milk for children, 61.7% in fortified milk for adults, 23% in flavored milk, and 38.1% in non-traditional cheese.

2014 was a year in which Pinar Süt developed many new products and expanded the range of its cheese and cheese products lineup.

Keeping a close watch on leading worldwide foods industry trends, Pinar Süt continued with its innovative, results-focused R&D activities and introduced many new appealing products to consumers in 2014.

The preferred choice of millions of consumers in 26 countries

Besides supplying its domestic market, Pinar Süt also continues to advance sure-footedly towards becoming a regional force in its home market's near abroad. Already one of Turkey's strongest brands, Pinar Süt's products are also sought after and enjoyed by millions of consumers in the 26 countries to which they are exported.

Pinar is one of only three brands whose products from Turkey have received approval for importation into Russia by that country's authorities. Having been duly licensed, Pinar representatives took part in WorldFood Moscow, the leading international exhibition for food products in Russia, and met with local vendors and other potential buyers of its products. Pinar is now ready to begin exporting goods to Russia with the aim of gaining a foothold in the Russian market in 2015.

Our Şanlıurfa plant is an important link in our social contribution model.

An important goal of Pinar Süt's new dairy plant investment was to bring to the city of Şanlıurfa and all of southeastern Turkey the most recent instance of the social-contribution model that the Company introduced in İzmir, continued in Eskişehir, and has been adhering to for more than forty years as a way of creating value for the national economy. The plant, whose foundations were laid in 2013 and which was designed to make the most of the labor of thousands of local dairy farmers, represents the biggest investment that Pinar Süt has undertaken in recent years. When it becomes operational, the plant will be procuring milk not just from Şanlıurfa itself but also from neighboring towns and provinces.

"The Future Of Our Milk"

In 2014 we launched "The Future Of Our Milk Is In Knowledgeable Hands", a project spearheaded by Pinar Institute. Under this project, to which we are giving the utmost importance as Pinar Süt, more than 4,000 raw milk producers supplying milk to 44 milk-harvesting centers are now being provided with practical training on such essential issues as animal health and nutrition, hygiene, and sanitation.

Our dairy farmers play a very important role in our society's wellbeing. Recognizing that we must have superior-quality raw materials if we are going to make wholesome products, we see it as our primary duty to increase the knowledge and experience of our suppliers. Through such efforts we also increase the value of what they produce. This project is likewise a fine example of an undertaking compatible with the "One Health Initiative" and the "One World - One Health - One Medicine" approach, which seek to address the issues of human, animal, and environmental health holistically.

We are the industry's most admired company.

In a survey conducted jointly by Capital, a financial magazine, and GFK, a market researcher, Pinar Süt was identified as "The most admired milk and dairy products company" in 2014 based on such criteria as product and service quality, customer satisfaction, trustworthiness, and innovativeness. As a brand whose top priority has always been keeping consumers supplied only with the most reliable products and services, it is a special source of pride for us to have been professionally recognized as the sector's "most admired company" in this way.

Both sustainability and social beneficialness are two of our most fundamental principles.

Fulfilling our mission of raising healthier new generations for forty-one years, we continue to undertake meaningful social responsibility projects and to add health, flavor, and value to consumers' lives through our innovative products.

As a company one of whose aims is to make sure that future generations have a livable world and a physically and socially healthier environment in which to pursue better lives, we contribute to and support education, sport, and the protection of cultural assets in line with our principle of sharing our own gains through socially beneficial projects.

And because of that principle, we shall continue to add value to people's lives by providing only the most trustworthy products and services. In closing I extend my thanks to our experienced human resources, whose tremendous brand and company loyalty underlies our success, and to all of our other stakeholders for their unstinted confidence in our name as well as in our products.

Very truly yours,

İdil Yiğitbaşı
Chairperson of the Board of Directors

BOARD OF DIRECTORS, SENIOR MANAGEMENT, COMMITTEES



İdil Yiğitbaşı
Chairperson



Mustafa Selim Yaşar
Deputy Chairperson



Emine Feyhan Yaşar
Director



Turhan Talu
Independent Director



Ali Yiğit Tavas
Independent Director



Cengiz Erol
Independent Director



Yılmaz Gökoğlu
Director

The Board of Directors and Terms of Office

Name	Title	Term of Office
İdil Yiğitbaşı	Chairperson	27 March 2014 - One year
Mustafa Selim Yaşar	Deputy Chairperson	27 March 2014 - One year
Emine Feyhan Yaşar	Director	27 March 2014 - One year
Turhan Talu	Independent Director	27 March 2014 - One year
Ali Yiğit Tavas	Independent Director	27 March 2014 - One year
Cengiz Erol	Independent Director	27 March 2014 - One year
Yılmaz Gökoğlu	Director	27 March 2014 - One year

Limits of Authority:

Both the chairperson and the members of the Board of Directors possess all of the authorities set forth in the applicable articles of the Turkish Commercial Code as well as in articles 11 and 12 of the Company's articles of association.

Senior Management

Name	Position
Gürkan Hekimoğlu	General Manager
Erhan Savcıgil	R&D and Technology Coordinator
Mustafa Şahin Dal	Financial Affairs and Budget Control Director
Muzaffer Bekar	Finance Director
Serdar Türkmen	İzmir Plant Director
Mehmet Erdi Eren	Eskişehir Plant Director

Audit Committee

Name	Title
Cengiz Erol	Head of the Committee
Turhan Talu	Member

Corporate Governance Committee

Name	Title
Turhan Talu	Head of the Committee
Cengiz Erol	Member
Yılmaz Gökoğlu	Member
Muzaffer Bekar	Member

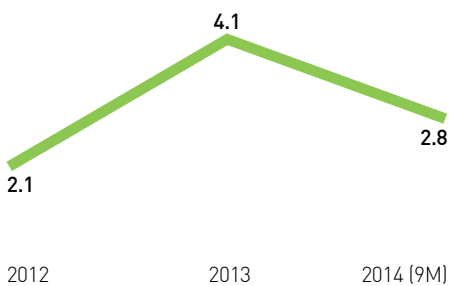
Early Detection of Risk Committee

Name	Title
Ali Yiğit Tavas	Head of the Committee
Turhan Talu	Member
Yılmaz Gökoğlu	Member

* Background information about members of the Board of Directors and senior managers is provided on page 49 of this report.

THE TURKISH ECONOMY AND OUR SECTOR IN 2014

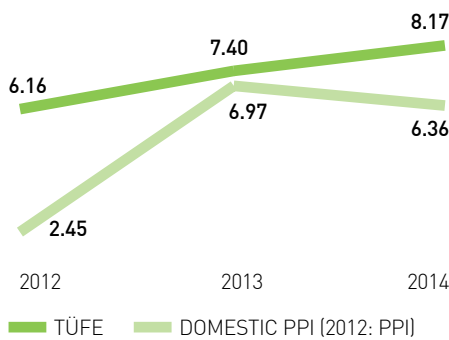
GDP GROWTH RATE - FIXED PRICES (%)



THE TURKISH ECONOMY CONTINUED TO GROW ALBEIT WITH SOME LOSS OF MOMENTUM.

The Turkish economy experienced some loss of momentum in the pace of its growth last year. Having grown by 4.1% in the first three quarters of 2013, it grew by only 2.8% during the same period in 2014. The components of growth shifted in favor of exports though this was partly due to the effects of a weak Turkish lira. Owing to TCMB interest rate policies and to BDDK-imposed restrictions on credit in general and credit cards in particular, there was a steady decline in the contributions made by consumption-related outlays to overall growth.

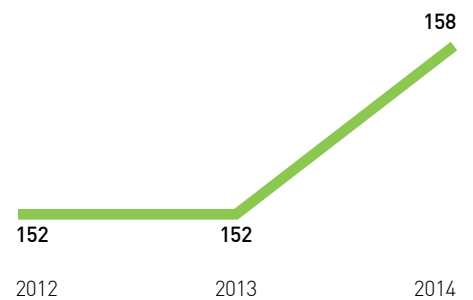
INFLATION (%)



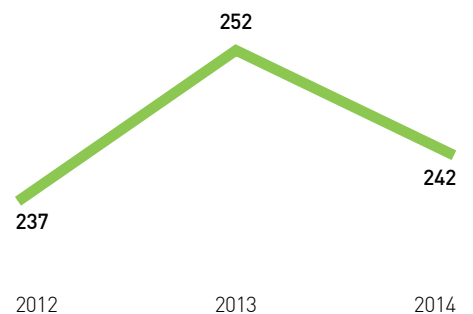
THE CPI ENDED UP ABOVE ITS 2013 LEVEL.

Although the rise in the producer price index was somewhat lower last year than the year before, inflation as measured by consumer prices was higher. In the twelve months to end-2014, TurkStat's producer price and consumer price indexes increased by 6.36% and 8.17% respectively.

EXPORTS (USD BILLION)



IMPORTS (USD BILLION)



EXPORTS MADE THE BIGGEST CONTRIBUTION TO OVERALL GROWTH.

According to provisional end-2014 figures available at this time, Turkey's exports were worth USD 157.7 billion while its imports weighed in at USD 242.2 billion. This performance corresponds to a 15.4% year-on-year decline in the country's foreign trade deficit, which was down to USD 84.5 billion. It also means that the ratio of Turkey's exports to imports was up by 4.8 points to 65.1%.

The current account deficit narrowed by 29% to USD 45.8 billion in 2014.

PLAIN MILK ACCOUNTS FOR THE BIGGEST SHARE OF THE PACKAGED MILK MARKET IN TURKEY, 93.6% OF WHICH CONSISTS OF UHT MILK.

THE DAIRY INDUSTRY

World markets

Total worldwide production of raw milk reached 754 million tons in 2012 and was up by 2% year-on according to the Food and Agriculture Organization, which also reported that 626 million tons of it consisted of cow's milk. According to DairyCo, a division of the Agriculture and Horticulture Development Board in the UK, the world's biggest producers of cow's milk are the United States, India, China, and Brazil in that order while Turkey ranks among the top ten.

According to Canadean, an international market research group, total worldwide consumption of liquid milk (including the so-called "loose" kind) reached 291 billion liters, a figure that corresponds to 17% of all beverages consumed. Packaged milk accounts for a 60% share of the beverage milk market with milk powder and loose milk contributing only 13% and 27% shares respectively. Consumption of ultra-high temperature (UHT) milk increased by 3% a year in the four years between 2011 and 2014 while that of pasteurized milk grew more slowly at 2%/year. Canadean's 2014 report projects year-on growth rates of 0.5% for loose milk, 3% for UHT milk, and 2.7% for pasteurized milk in 2014-2017.

By 2020, 60% of worldwide milk production will be taking place in "emerging economies" with only 40% coming from the rest according to Canadean. The trends towards lower-fat products and fortified products (such as infant-formula milk) is expected to continue. The demand for "green" (which is to say "eco-aware") products is also spreading in parallel with environmental awareness, especially in Europe.

Raw milk prices, which had been on the rise until 2013, fell by 9% in 2014 according to the International Farm Comparison Network, a global dairy industry association. According to IFCN, the two biggest reasons for this decline

were sluggishness in the Chinese market and restrictions imposed on milk and dairy product imports in Russia.

The Turkish market

Total raw milk production in Turkey amounted to 18.5 million tons in 2014 according to TurkStat, the Turkish Statistical Institute, and was up by 1.5% year-on. Average raw milk prices by contrast were 16% higher last year.

In its 2014 fourth-quarter report Ipsos HTP, the Turkish arm of the global market research company, said that the loose milk market, which still accounted for 53% of the total market, increased by 3.7% while the packaged milk market, though smaller, grew at almost the same pace. The growth in UHT milk, whose 93.6% share accounts for nearly the entire packaged milk market, was only 2.4%. On a tonnage basis, plain milk accounts for an 87% share of the packaged milk market.

2014 MARKET DEVELOPMENTS BY PRODUCT CATEGORY

Packaged milk

- **Plain milk:** Contributing the biggest (62.7%) share of the total packaged milk market's turnover, total tonnage in the plain milk category was down by 1.1% year-on though turnover was up by 9.6%.
- **Light milk:** The light milk category accounts for only 2.4% of the total packaged milk market. Last year its tonnage declined by 4.4% while its total turnover increased by 5.6%.
- **Fortified children's milk:** Both tonnage and turnover were down by 18.2% and 10.7% respectively in this category, which contributes a 2.5% share of the market's total turnover.
- **Fortified adults' milk:** Both tonnage (7%) and turnover (11.8%) were up in this category though its turnover amounts to only 0.8% of that of the packaged milk market as a whole.

- **Flavored milk:** The market for products in this category grew by 6.9% as measured by tonnage and by 15.1% as measured by turnover in 2014. Last year this category contributed a 13.5% share of total market turnover.
- **Pasteurized milk:** This category accounted for a 13.1% share of the market's turnover last year. While its tonnage was down by 0.5%, its turnover was up by 12.9%.
- **Organic milk:** The category contributed a 1.3% share of the market's turnover in 2014. (Source: Nielsen 2014)

Packaged cheeses

The market for packaged cheeses was worth TL 1.4 billion in 2014. This corresponded to about 80 thousand tons and to a year-on growth rate on the order of 2%. Traditional cheeses still accounted for the biggest combined share of total turnover—35% in the case of salted white and 37% in the case of kashkaval—but modern cheeses also contributed a respectable 18%. (Nielsen 2014)

Yoghurts & ayrans

As measured by tonnage, the yoghurt market shrank by 3% in 2014 to 300 thousand tons though at TL 1.2 billion, its total turnover was up by 6% year-on. Sales were up in both the homogenized (9%) and cream-top (3%) categories. The fruit yoghurt category, which contributed an 8% share of total market turnover, shrank by another 4% last year. (Nielsen 2014)

The ayran market's turnover amounted to TL 170 million on sales of 67 thousand tons. This category's turnover grew by 12% in 2014 while its tonnage was down by 1%.

Bottled ayran sales, accounting for 54% of total turnover, were up by 11%; at 42%, the share of individual-portion packaged ayran products increased by 14% year-on. Multipack products once again accounted for a 4% of this category's total turnover last year. (Nielsen 2014)

2014 OPERATIONS

For all of our stakeholders...



IN 2014 PINAR SÜT:

CONTINUED TO GROW SUSTAINABLY AND FURTHER STRENGTHENED ITS LEADING POSITION IN ALL THE PRINCIPAL CATEGORIES IN WHICH IT IS ACTIVE.

CONTROLLED AN OVERALL 26.2 MARKET SHARE IN THE MILK CATEGORY. (NIELSEN 2014)

REMAINED THE LEADER IN THE DAIRY PRODUCTS SECTOR WITH TOTAL TURNOVER SHARES OF 28.6% IN LONG-LIFE PLAIN MILK, 63.9% IN LIGHT MILK, 66% IN FORTIFIED MILKS FOR CHILDREN, 23% IN FLAVORED MILKS, AND 38.1% IN NON-TRADITIONAL CHEESES. (NIELSEN 2014)

FURTHER STRENGTHENED ITS BRAND IMAGE WITH TARGETED CAMPAIGNS AND NEW PRODUCT LAUNCHES.

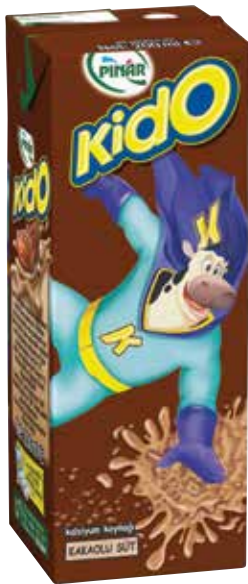
Ratios	2013	2014
Gross Profit Margin	18.6%	16.8%
Net Profit Margin	8.3%	9.3%
Current Ratio	1.5	1.4
Acid Test Ratio	0.9	0.9
Financial Leverage Ratio	0.3	0.3
Debt/Equity	0.4	0.5



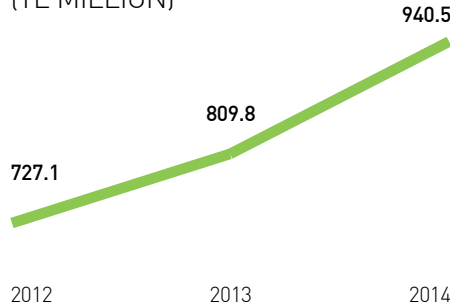
PINAR SÜT ONCE AGAIN ACHIEVED A STRONG AND CONSISTENT FINANCIAL PERFORMANCE IN 2014.

16.1%

PINAR SÜT REGISTERED A 16.1% RATE OF GROWTH IN ITS TOTAL TURNOVER IN 2014.

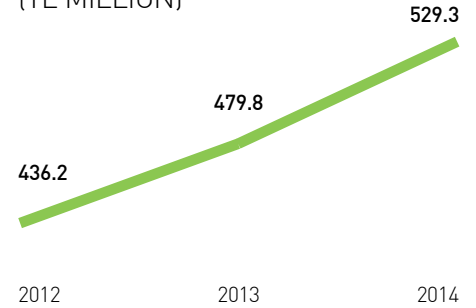


NET SALES
(TL MILLION)



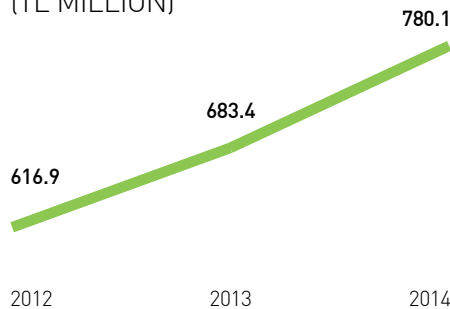
INCREASING BY 16.1% YEAR-ON, NET SALES ROSE TO TL 940.5 MILLION IN 2014.

SHAREHOLDERS' EQUITY
(TL MILLION)



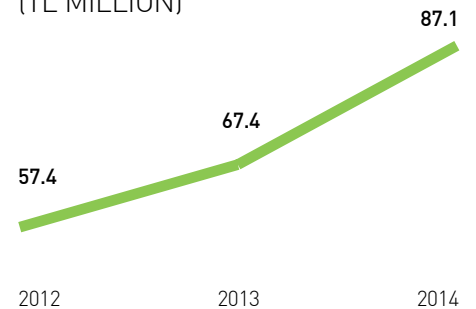
TOTAL EQUITY INCREASED BY 10.3% AND REACHED TL 529.3 MILLION.

TOTAL ASSETS
(TL MILLION)



WITH A YEAR-ON-YEAR INCREASE OF 14.2%, TOTAL ASSETS REACHED TL 780.1 MILLION.

NET PROFIT
(TL MILLION)



A REMARKABLE 29.1% RISE IN NET PROFIT WAS ACHIEVED.

2014 OPERATIONS



growth

IN 2014 PINAR SÜT CONTINUED TO GROW, INCREASED ITS BRAND STRENGTH THROUGH EFFECTIVE COMMUNICATION, CONSUMER-TARGETED CAMPAIGNS, AND NEW PRODUCT LAUNCHES, AND MAINTAINED ITS LEADERSHIP.

STRONG AND CONSISTENT FINANCIAL PERFORMANCE

Pinar Süt once again achieved a strong and consistent financial performance in 2014.

In the twelve months to end-2014, total assets grew by 14.2% from TL 683.4 million to TL 780.1 million.

Pinar Süt's gross sales increased by 15.3% year-on in 2014 and amounted to TL 1.25 billion.

Net sales were up by 16.1% to TL 940.5 billion in 2014.

Pinar Süt's total sales amounted to 304.1 billion tons.

As of end-2014 Pinar Süt posted a gross profit of TL 157.7 million and a net profit of TL 87.1 million. The company had a net profit margin of 9.3% last year.

In 2014 Pinar Süt continued to grow, increased its brand strength through effective communication, consumer-targeted campaigns, and new product launches, and maintained its leadership in all the main categories in which it is active.

MARKET SHARES



31.1%

TOTAL LONG-LIFE (UHT) MILK LEADER

63.9%

LONG-LIFE (UHT) LIGHT MILK LEADER

95.4%

ORGANIC MILK LEADER

66.0%

FORTIFIED MILK FOR CHILDREN LEADER

23.0%

FLAVORED MILK LEADER

61.7%

FORTIFIED MILK FOR ADULTS LEADER

IN 2014, PINAR SÜT DEVELOPED AND INTRODUCED TO CONSUMERS 28 NEW PRODUCTS AND 100 NEW FORMS OF PACKAGING.



2014 DEVELOPMENTS BY PRODUCT CATEGORY

Milks

- **Plain milk:** Pinar Süt is the category's leader with a 28.6% market share.
- **Light milk:** Pinar Süt retains its leading position with a 63.9% market share.
- **Fortified children's milk:** Despite increasingly stiffer competition in this category, Pinar Süt remains the unchallenged leader with the 66.0% market share that is commanded by its "Pinar Kids" and "Pinar Toddler" products.

- **Flavored milk:** Campaigns whose effectiveness was amplified through the use of licensed "Smurf" characters in the first half-year and in the fall stimulated demand in this category, whose total turnover increased by 30.9% year-on in 2014. The company's "Pinar Kido" brand was the turnover leader with a 22.2% share.
- **Lactose-free/enriched milk:** Pinar Süt's "Denge" line remains the leader of this market with a 61.7% share of its total turnover.
- **Organic milk:** Pinar Süt controlled a 95.4% share of the organic milk category's total turnover in 2014.

Source: Nielsen 2014

18.4%

BUTTER
SECOND

9.3%

HOMOGENIZED
YOGHURT
SECOND

38.1%

VALUE-ADDED
CHEESE
LEADER

42.6%

SLICED CHEESE
LEADER

86.5%

FRESH CHEESE
LEADER

48.9%

LABANEH
LEADER

21.4%

CREAM CHEESE
LEADER



2014 OPERATIONS



35%

IN 2014 PINAR SÜT'S RETAIL SALES OF KASHKAVAL CHEESE WERE UP BY 35% AND 49% AS MEASURED BY TONNAGE AND TURNOVER RESPECTIVELY. (NIELSEN 2014)



Value-added cheeses

Commanding a 38.1% share of its total turnover, Pinar Süt remains the leader of the value-added cheese market in Turkey. In the cream cheese category, Pinar Süt's "Pinar Beyaz" brand is the undisputed leader with an 86.5% share of turnover. The company also controls turnover shares of 48.9% in the labaneh market and of 21.4%, 42.6%, and 19.7% respectively in the cheese spread, sliced cheese, and triangular cheese segments of the processed cheese market. (Nielsen 2014)

Traditional cheeses

In 2014 Pinar Süt's retail sales of kashkaval cheese were up by 35% and 49% as measured by tonnage and turnover respectively.

Pinar Süt controls a 6% turnover share in the market for salted white cheese and kashkaval cheese. (Nielsen 2014)

Yoghurts & ayran

As compared with 2013, retail sales of Pinar Ayran in 2014 increased by 21% on a tonnage and by 34% on a turnover basis. The company's 4.2% share of this market's turnover last year boosted its ranking to fourth place. (Nielsen 2014)

Pinar Süt registered 4% growth in its turnover in the homogenized yoghurt market and rose to second place with a 9.3% of its total turnover. (Nielsen 2014)

Condiments & sauces

In 2014 Pinar ranked among the top four most popular brands in ketchups and was one of the top three in mayonnaises.

Sales in the ketchups market last year weighed in at 12.8 thousand tons, a 3% year-on decline. The market's turnover however grew by 5% and reached TL 70.8 million. Pinar's ketchups controlled a 14% market share last year.

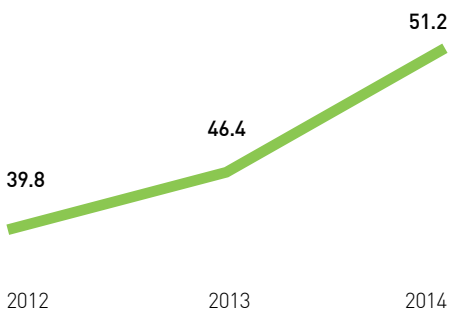
In the market for mayonnaises, total volume amounted to 6.9 thousand tons, which corresponds to a year-on decline of 2%, while total turnover was up by 3% and reached TL 65.9 million. Pinar controlled a 17% share of the mayonnaise market's turnover.

Fruit juices

Sales in the fruit juices market reached 495.4 million liters in 2014, a year-on rise of 9%. Market turnover was up by 15% and reached TL 1.3 billion. Pinar-brand products controlled a 4.8% share of this market last year.

PINAR SÜT CONTINUES TO ADVANCE SURE-FOOTEDLY TOWARDS BECOMING A REGIONAL FORCE.

EXPORTS (USD MILLION)



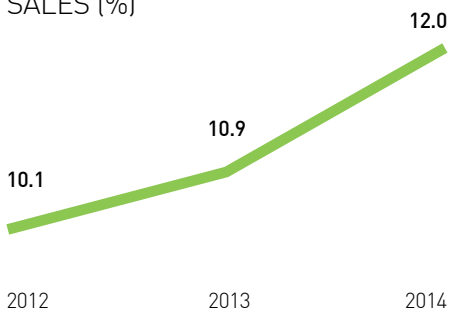
MILK AND DAIRY PRODUCT EXPORTS

In 2014, Turkey exported USD 312 million worth of milk and dairy products. This corresponds to a year-on rise on the order of 28%. Products in the Cheeses category contributed the largest share of these exports.

Iraq takes the biggest (26%) share of Turkey's milk and dairy product exports, with Saudi Arabia ranking in second place with a 19% share of the total (TurkStat).

Pinar-brand recognition was boosted through communication activities in Iraq, Azerbaijan, and TRNC last year. The rise in our brand recognition in Iraq's dairy products market continues apace and has reached the 84% level. Indeed Nish Marketing, an Iraqi marketing & research firm, said in its July 2014 report that Pinar was one of that country's best-known brands. Packaging customized in local languages is currently being introduced for Pinar products in categories for which there is a strong consumer need in the Iraq market.

SHARE OF EXPORTS IN NET SALES (%)



AN INCREASINGLY STRONGER AND MORE VISIBLE INTERNATIONAL BRAND

Besides supplying its domestic market, Pinar Süt also continues to advance sure-footedly towards becoming a regional force by exporting milk and dairy products to countries in its home market's near abroad. The company is engaged in efforts to strengthen both the image and the visibility of its brand in many other countries.

Already one of Turkey's strongest brands, Pinar Süt is active in 26 other countries including Saudi Arabia, United Arab Emirates, and Kuwait in the Gulf region; non-Gulf countries such as the Turkish Republic of Northern Cyprus, Iraq, and Azerbaijan; and Germany and the UK in Europe.

In the Azerbaijani market, Pinar's brand recognition has reached the 59% level in the dairy products category according to Ipsos's July 2014 report. On a USD basis our exports to that country were up by 20% last year.

Pinar is one of only three brands whose products from Turkey have received approval for importation into Russia by that country's authorities. Having been duly licensed, Pinar representatives took part in WorldFood Moscow, the leading international exhibition for food products in Russia, and met with local vendors and other potential buyers of its products.

PINAR-BRAND LABANEH COMMANDS MARKET SHARES OF 26%, 41%, AND 53% IN SAUDI ARABIA, UAE, AND KUWAIT RESPECTIVELY.



Last year 58% of Pinar Süt's exports went to Gulf markets, where the Company's sales and marketing operations are conducted by HDF FZCO, a Yaşar Holding subsidiary.

Pinar-brand labaneh commands market shares of 26%, 41%, and 53% in Saudi Arabia, UAE, and Kuwait respectively.

Pinar-brand promotion and marketing activities in other foreign markets continued to gain momentum in 2014. Our sales performance suffered severely due to political instability in countries such as Iraq and Libya however.

During its attendance at the fair, Pinar's representatives investigated and analyzed local consumer habits and expectations in order to determine what products are best suited for export to the Russian market, where the Company plans to gain at least a foothold before the end of 2015.

Pinar Süt is also licensed to export its milk and labaneh products from Turkey to European Union countries. It currently exports fruit juices and prepackaged powdered dessert mixes to countries such as the UK and Sweden. In parallel with the growth in its sales in Kosovo, Pinar Süt is also exploring export market opportunities in other Balkan countries.

Germany-headquartered Pinar Foods GmbH is responsible for the production and sale of Pinar-brand dairy products in Europe.

2014 OPERATIONS

campaign

IN THE PLAIN MILK CATEGORY, THE "PREVIOUS GENERATIONS GREW UP HEALTHY AND STRONG WITH PINAR SÜT: NOW IT'S THE NEXT GENERATION'S TURN" COMMUNICATION CAMPAIGN CONTINUED



PHOTOS OF THE CHILDREN WHOSE ENTRIES WERE FINALISTS IN THE 33RD PINAR KIDS' ART COMPETITION WERE INCLUDED ON THE COMPANY'S 200-ML PACKAGES OF PLAIN MILK BEGINNING IN OCTOBER.

MARKET-SHARE-BOOSTING CAMPAIGNS AND THEIR RESULTS

Milks

In the plain milk category, the "Previous Generations Grew Up Healthy And Strong With Pinar Süt: Now It's The Next Generation's Turn" communication campaign continued to attract strongly favorable consumer response in the TV, digital, and outdoor channels in 2014.

As an adjunct of this campaign, photos of the children whose entries were finalists in the 33rd Pinar Kids' Art Competition were included on the Company's 200-ml packages of plain milk beginning in October.

In the fortified children's milk category, TV ads were broadcast initially in February-May and then again in November-December as part of our "Three Ways To Support Your Kids' Nutrition" campaign, which was also supported by website content enrichment and magazine ads. The packaging of all products in this category was modified so as to enhance the visual impact of their calcium, zinc, and vitamin B12 content. The functional features of these products were also communicated to consumers through the "Mom's Diary" Facebook page all year long during 2014.

In the flavored milk category, communication activities were conducted all year long for the "Kido" brand in order to strengthen its position. The licensed Smurf-franchise characters continued to be used in the first half of 2014. The products were accompanied by child-appealing and entertaining giveaways during the "Kido's Mysterious Smurfy Journey" (January-February) and the "Kido's Smurfy Hello To Spring" (May-June) campaigns. Campaigns linked with these giveaways were conducted on the www.kido.com.tr website, which has more than 5 million users, and TV ads were broadcast.

For the back-to-school season, by which time the Company's Smurf franchise license had expired, a "Show Us How You Dance And Be Kido's Next Advertising Star!" campaign that was mounted was supported by means of intensive TV and digital platform communication.

The flavored milk portfolio was expanded with two new additions in August: Kido Chocolate Milk and Kido Melon & Watermelon flavored milk. The product launch was followed up by TV ads in December.

In the flavored milk for adults category, support was provided by product introductions to potential target groups conducted on university campuses.

AS A RESULT OF ITS SUCCESSFUL PINAR AYRAN CAMPAIGN IN 2014, SALES OF GLASS-BOTTLED AYRAN WERE UP BY 64% YEAR-ON.



MARKETING SUPPORT PROVIDED TO INCREASE THE PINAR LABNE PRODUCT'S HOUSEHOLD PENETRATION RATE HAD THE EFFECT OF INCREASING THE OVERALL RATE BY TWO PERCENTAGE POINTS.



Cheeses

Product communication support continued to be provided to Pinar Labne (Pinar-brand labaneh) through the "It Adds Flavor To Whatever It Touches" campaign in 2014, during which the Company worked with Sahrap Soysal, a popular TV celebrity chef and presenter. Active use was made of a variety of above-the-line media such as TV, digital platforms, and newspapers in keeping with the principle of maintaining communication continuity. By sponsoring the "Melek" program on Star TV, product placement opportunities were created in which Ms Soysal showed off recipes using Pinar-brand labaneh. In the digital world, an interactive platform was created in which visitors to both the www.pinarlabne.com and the www.nefisyemektarifleri.com websites competed with one another by submitting recipes of their own using the product. Ms Soysal also engaged directly with consumers in events organized in some cities.

Marketing support provided to increase the Pinar Labne product's household penetration rate had the effect of increasing the overall rate by two percentage points. Sales of this product, which has been the object of a quite long-term and multi-platform communication campaign, grew by 33% in 2014. Commanding a 48.9% market share as of year-end, the product was also the undisputed leader of its category.

A three-month (March-to-May) communication campaign was also conducted for Pinar Beyaz. A novel aspect of last year's campaign was the introduction of "Beyno" ("Brainy"), a puppet character

voiced by award-winning TV actress and movie star Demet Akbağ. Pinar Beyaz is especially active on kids-oriented TV channels, mounts giveaway-based point-of-sale promotional campaigns throughout the year, and conducts various child-targeting activities at shopping malls during the week around April 23rd, Turkey's National Sovereignty and Children's Day holiday. Such efforts helped maintain Pinar Beyaz's standing as the unchallenged category leader with an 86.5% market share.

Yoghurts & ayrans

Last year Pinar Ayran mounted Turkey's first cap-based promotional campaign in the ayran category. Consumer awareness of the campaign, in which hundreds of thousands of free containers of ayran were given away, was created and nourished through the effective use of POS advertising at thousands of grocery shops and stores. This campaign encouraged consumers who had never drunk Pinar-brand ayran before to try it while also encouraging repeat sales among the product's purchasers. During the campaign, Pinar Ayran ranked third in the overall ayran market and second in the market's glass-bottle segment as measured by sales. This campaign contributed to the 64% rise in sales of glass-bottled ayran registered last year. Growth in the large-format segment of the market was achieved through dual-pack bottles, sales of which continued during the cap promotional campaign having previously been initiated at Ramadan. Attention was also given to supporting long-term sales by having the product included in the inventories of major national chains. Ayran packaged in smaller, individual-

2014 OPERATIONS



design

IN THE CONDIMENTS & SAUCES GROUP, PINAR SÜT HAS CHANGED OVER TO NEW PACKAGING DESIGNS AND FORMATS WHICH BETTER DISTINGUISH THEM FROM THEIR COMPETITORS, WHICH HAVE STRONGER SHELF APPEAL, AND WHICH DRAW ATTENTION TO THE PRODUCTS' LACK OF ADDITIVES ETC.



portion containers that are more compatible with grocery-shop level sales appealed to consumers on price while increasing the product's POS penetration.

In the yoghurt category, products were marketed in container sizes that are the most compatible with market dynamics, with particular attention being given to channel-based size management. In-store activities were conducted in order to support product sales through one-on-one contacts with consumers.

By making it possible to amplify distribution performance by reaching out to different target audiences, discount stores have become an important channel for those involved in Turkey's yoghurt market.

The launch of a strained yoghurt product has given the Company access to new market segments and the ability to address different consumer needs and tastes while also further boosting the Pinar brand's shelf visibility.

Condiments & sauces

In the condiments & sauces group, the Company has changed over to new packaging designs and formats which better distinguish them from their competitors, which have stronger shelf appeal, and which draw attention to the products' lack of additives etc. This changeover also involved the introduction of more ergonomically-shaped containers that improve usability performance by being easier to squeeze. In response to greater demand for small-packaged products in recent years, Pinar-brand ketchups and mayonnaises are now appearing on shelves in the single-portion format.

Promotional activities were carried out for Pinar Kremilla, a thick custard sauce similar to those that have long been popular in other national markets. An "Eat It With A Spoon Or Use It In Desserts" communication focusing on the product's versatility was conducted via digital platforms and in printed media such as newspapers and magazines. Videos showing how the product can be used to make quick-and-easy desserts are shown on the "Pinar Flavors" web page as well as on other food-related websites. Consumer product trials were conducted in stores and on university campuses.

Creams

Pinar Krema is a Pinar-branded cream whose flavor and consistency have made it especially popular among consumers and earned it a pole position on shelves. Video recipes using this product have been released along with those for Pinar Kremilla.

Fruit juices

The "Flavor Comes Alive With Pinar" campaign conducted in 2013 was reworked in 2014 as a "Flavor Goes Smurfy With Pinar" TV communication using Smurf-franchise designs on 200 ml fruit nectar and 100%-pure fruit juice products. The campaign was supported by events in which Smurf-decorated glasses were given away at shopping malls. The TV ad included scenes of Smurfs frolicking about as they wield Pinar-branded fruit juice boxes. The fruit juice category drew attention in 2014 with the launch of three new products. Approved by moms because of their high vitamin C content and quality and loved by kids because of their entertaining designs and great taste, each member of

PINAR PINK, A FRUIT JUICE SPECIALLY FORMULATED FOR WOMEN, IS YET ANOTHER PINAR SÜT FIRST IN TURKEY.

new

PINAR PINK ANOTHER NEWCOMER TO PINAR SÜT'S PRODUCT LINE, MADE ITS APPEARANCE IN 2014.



Pinar's "Crazy" line of fruit juices seems more delicious than the others. Last year the line introduced consumers to Crazy Watermelon and Crazy Strawberry-Apple-Raspberry. Just like the others in the series, these new Crazy Series stand apart from their competitors by virtue both of their taste and of their colorful and entertaining designs. Crazy Watermelon and Crazy Strawberry-Apple-Raspberry are supplied in 200 ml containers that add to their fun and enjoyment.

The third new addition to the fruit juice category was Pinar Pink, a fruit juice specially formulated for women and another Pinar first in Turkey. A delicious blend of strawberry, raspberry, and peach, Pinar Pink also contains essence of melissa, is vitamin-enriched, and has had no sugar added. Melissa extract is known to be a nervous system relaxant and its calming effect helps overcome problems with going to sleep while the B group vitamins that it contains play an important role in coping with stress. In late December Pinar Pink's promotion was supported by lower-third placements during television broadcasts.

SOCIAL MEDIA

- twitter.com/PinarKurumsal: Consumers are provided with specially-created recipes, press releases, announcements, and holiday- and week-specific celebratory messages via the Company's corporate Twitter account.
- www.facebook.com/LightYasaminSirlari: Focusing on "Light" products and living as a lifestyle choice, the Pinar "Secrets of Light Living" Facebook page hosts constantly-renewed content intended to appeal to consumers and encourage them to adopt healthier lifestyles.

- www.facebook.com/PinarLabne: This Facebook page concerning Pinar-brand labaneh hosts content and recipes designed to appeal to consumers.
- www.facebook.com/PinarSutleBuyuyorum: Pinar Süt'le Büyüyorum (I'm Growing Up With Pinar Süt) is a Facebook fans page whose target audience is women in the 25-45 age group. It has attracted a large number of fans through constant and quantifiable interaction with its target audience. Constant use is also made of Pinar Süt's Twitter and Instagram accounts for consumer communication.
- www.facebook.com/anneningunlugu: "Mother's Diary" is a Facebook page set up to provide detailed information about Pinar-brand products as well as other matters that are of interest to mothers and their children.
- www.facebook.com/PinarKido: The Pinar Kido Facebook contains information about the product's campaigns and also hosts a variety of activities aimed at children.



2014 OPERATIONS

INNOVATION AND CHANGE SUPPORTED BY INVESTMENTS

Because innovation and change are such important elements of Pınar Süt's corporate culture, the Company adheres to an investment program that constantly builds upon its existing technology and knowledge bases and transforms the strengths they nourish into competitive advantages while also keeping pace with changing sectoral conditions.

Production Facilities

	Pınar Süt İzmir Plant	Pınar Süt Eskişehir Plant	Pınar Süt Şanlıurfa Plant
Indoor	47,151 m ²	35,825 m ²	18,239 m ²
Outdoor	67,774 m ²	114,175 m ²	79,267 m ²
Total Area	110,076 m ²	150,000 m ²	97,506 m ²

THE PINAR SÜT ŞANLIURFA PLANT REPRESENTS THE BIGGEST FOODS INDUSTRY INVESTMENT EVER MADE IN THE SOUTHEASTERN ANATOLIA REGION.



MORE VALUE FOR THE NATIONAL ECONOMY: THE PINAR SÜT ŞANLIURFA DAIRY PLANT

An important goal of Pınar Süt's new dairy plant is to bring to the city of Şanlıurfa and all of southeastern Turkey the newest instance of the social-contribution model that the Company introduced in İzmir, continued in Eskişehir, and has been adhering to for more than forty years without interruption as a way of creating value for the national economy.

Following up the investments that Yaşar Holding undertook in the Aegean (İzmir) and Central Anatolian (Eskişehir) regions, Yaşar Holding is now fulfilling its responsibilities towards the improvement of animal husbandry and farming in southeastern Turkey as well. The Pınar Süt Şanlıurfa Plant, work on which began in

2013, represents the biggest investment undertaken by the Company in recent years.

As originally conceived, the Şanlıurfa plant will be producing milk, yoghurt, ayran, and fruit juice at the outset; however the project has been designed so as to allow production to be tailored and diversified as requirements dictate. State-of-the-art energy-efficient and eco-friendly automation and production technologies have been incorporated into the plant.

The Pınar Süt Şanlıurfa Plant is a project designed to make the most of the efforts of thousands of local dairy farmers: milk will be procured not just from Şanlıurfa itself but also from neighboring towns and provinces. In order to ensure that their production complies with Pınar Süt's strict quality-assurance standards, farmers will be provided with training and the local dairy industry as a whole will be improved through veterinary and artificial insemination services. Owing to its proximity to other countries' markets, export demand is expected to contribute substantially to the plant's growth.

INVESTMENTS IN 2014

In addition to its investment in the new Şanlıurfa plant, in 2014 also gave considerable attention to renovation investments at its İzmir and Eskişehir plants last year. Total investments in 2014 amounted to TL 64,062 thousand of which TL 9,334 thousand was for land, buildings, and improvements, TL 48,727 thousand for machinery & plant, TL 5,550 thousand for fixtures, TL 114 thousand for vehicles and TL 337 thousand for rights.

PINAR SÜT'S CORPORATE GOVERNANCE RATING WAS RAISED FROM 8.99/10 (89.94%) TO 9.09/10 (90.93%).

AWARDS & RECOGNITIONS

- In the Capital magazine and GfK marketing research firm's "Turkey's Most Admired Companies" survey, Pinar Süt was identified as the most admired company in the milk and dairy products industry.
- In the 2014 Effie Turkey Advertising Effectiveness Competition organized jointly by the Association of Advertising Agencies and the Advertisers' Association, Pinar Süt's "I Grew Up With Pinar" ad received a Bronze Effie.

IN THE CAPITAL MAGAZINE AND GfK MARKETING RESEARCH FIRM'S "TURKEY'S MOST ADMIRABLE COMPANIES" SURVEY, PINAR SÜT WAS IDENTIFIED AS THE MOST ADMIRABLE COMPANY IN THE MILK AND DAIRY PRODUCTS INDUSTRY.



- Pinar Süt's 2013 annual report received a silver medal in the "Consumer Consumables Food / Beverages / Tobacco" category from the League of American Communications Professionals in its "2013 Vision" awards program. LACP also numbered it among the top 80 annual reports cited it as the annual report showing the most improvement in the Europe, Middle East, and Africa Region.
- In the Business Awards program of the Ege University Business Club, Pinar placed first in the "Most Admired Brand Management" and "Best Social Media Use" categories.
- In the "Brand Voice" category of the Felis series awards given out by Mediacat for successful public relations projects, Pinar received the grand prize for the Pinar Kids' Art Competition.
- According to the second-quarter results of the 2014 Turkey Customer Satisfaction Index, Pinar is the fruit juice brand whose customers are the most satisfied with their product choice. Having been so cited consistently for three years in a row, Pinar was also honored for its sustainable success.
- During the Turkey Customer Satisfaction Index (TMME) ceremony at which the Turkish Quality Association (KalDer) hands out awards based on the results of its survey in which about 40,000 consumers in twenty-five different sectors are polled, Pinar received two awards, both in the fruit juices sector: TMME 2013 Sector First (Silver) and TMME Sustainable Success (Gold).
- According to the second-quarter results of the TMME 2014 Turkey Customer Satisfaction Index, Pinar Süt ranked first

in the fruit juice sector with a score of 79 out of a possible 100 points. This was also the highest score received in any sector in the same poll.

- According to the 2014 results of "The One Awards" survey, a brand-reputation and brand-value measurement poll conducted by Akademetre for Marketing Türkiye, Pinar ranks among the brands that have enhanced their reputation the most.
- In the 15th "Energy Efficiency in Industry Projects" competition conducted by the Ministry of Energy and Natural Resources, Pinar Süt won first prize in the Energy-Efficient Industrial Plant category (Food & Beverages Industry) for having reduced its energy density by 65.3% during the most recent three-year period (2011-2013).
- Pinar Süt was awarded gold medals by the İzmir Chamber of Commerce in recognition both of its having paid the most tax and of having booked the highest foreign currency earnings.
- Pinar Süt was awarded certificates of achievement by the Aegean Region Chamber of Industry (EBSO) in recognition of its having the most exports, investment, and output and of having made the biggest contribution to employment in manufacturing. It also received an EBSO plaque in the "Highest Tax Paid" category.

CORPORATE GOVERNANCE RATING

In the most recent corporate governance compliance report prepared by SAHA Corporate Governance and Credit Rating Services, Pinar Süt's corporate governance rating was raised from 8.99/10 (89.94%) to 9.09/10 (90.93%).

PINAR SÜT 2014

For our customers and consumers...



THE PINAR SÜT PRODUCT PORTFOLIO

28

İN 2014, PINAR SÜT ADDED 28 NEW PRODUCTS TO ITS PRODUCT PORTFOLIO.



MILK

Boxed Milk

- Long-Life Plain Milk
- Organic Milk
- Organic Light Milk
- Day-Fresh Milk (Pasteurized and Organic Pasteurized)
- Pinar Kido Milk (Cocoa, Strawberry, Banana, Chocolate, Melon & Watermelon)
- Pinar Adult Flavored Milk for Adults (Chocolate, Chocolate Latte)
- Light Milk
 - 50% Light Milk
 - 0.1% Light Milk

FORTIFIED MILKS

- Pinar Kids Follow-On Milk
- Pinar Kids Follow-On Milk (Honey-flavored)
- Toddler & Follow-On Milk (plain)
- Denge Calcium + Vitamin A, D & E Milk
- Denge Lactose-free Milk

YOGHURT

- Pinar Natural Yoghurt
- Pinar Natural Half-Fat Yoghurt
- Pinar Natural Full-Fat Yoghurt
- Pinar Natural Light Yoghurt
- Organic Yoghurt

AYRAN

- Pinar Şişe Ayran (bottled)
- Pinar Bardak Ayran (individual portion)
- Pinar Light Ayran

CHEESE - BUTTERS

Value-added Cheeses

- Cheese Spread
- Thyme & Olive Cheese Spread
- Cheddar Cheese Spread
- Pinar Cream Cheese
- Pinar Light Cream Cheese
- Pinar White with Chocolate
- Pinar Labaneh
- Pinar Light Labaneh
- Toasting Cheese Slices
- Sliced Burger Cheese
- Pinar Kido Triangular Cheese
- Full-Fat Triangular Cheese
- Thyme & Olive Triangular Cheese
- Cheddar Triangular Cheese
- Half-Fat Triangular Cheese
- Light Triangular Cheese
- Kahvaltı Keyfi Triangular Cheese

Traditional Cheeses

- Fresh Kashkaval
- Full-Fat White Cheese
- Light White Cheese
- Kahvaltı Keyfi White Cheese
- Kahvaltı Keyfi Fresh Kashkaval
- Organic White Cheese

Specialty Cheeses

- String Cheese
- Cheddar Cheese
- Mozzarella Cheese
- Braided Cheese
- Halloumi
- String Cheese

Tereyağı

- Cupped Butter
- Traditional Butter
- Roll Butter
- Block Butter
- Portioned Butter

KEEPING A CLOSE WATCH ON LEADING FOOD TRENDS AROUND THE WORLD, PINAR SÜT ADHERES TO AN INNOVATIVE APPROACH IN ORDER TO COME UP WITH NEW, CONSUMER-FOCUSED PRODUCTS THAT ARE COMPATIBLE WITH THE TURKISH MARKET.



FRUIT JUICES

Fruit Nectars

- Sour Cherry Nectar
- Peach Nectar
- Mixed Mediterranean Fruit Nectar
- Apricot Nectar
- Orange Nectar
- Sour Cherry & Apple Nectar

100% Pure Fruit Juices

- Pinar 100% Pure Orange Juice
- Pinar 100% Pure Apple Juice
- Pinar 100% Pure Peach & Apple Juice
- Pinar 100% Pure Apricot & Apple Juice

Fruit Drinks

- Pinar Tropical
- Pinar Orange & Peach
- Pinar Orange, Carrot & Lemon
- Pinar Orange, Pear & Apple
- Pinar Pear & Pineapple



CONDIMENTS & SAUCES

Sweet Sauces

- Pinar Chocolate Sauce
- Kremilla (Custard)

Mayonnaises

- Jar Mayonnaise
- Light Mayonnaise

Ketchups (regular & spicy)

Mustards

Pinar Whole Cream

Pinar Sütkrem (Clotted Cream)

DESSERTS

Convenience Desserts

- Kido Puddings (cocoa, banana)
- Puddings (cocoa, banana, vanilla, bitter chocolate, chocolate & hazelnut flavored, supangle)
- Chantilly Cream



BULK-PACKED PRODUCTS FOR THE FOOD TRADE

Milk

- Food Trade Milk full-fat & half-fat)
- Pinar Bag-In-Box Milk (full-fat & half-fat)

Cheeses

- Pinar Labaneh
- Pinar Cream Cheese
- Pizzarella
- Toasting Cheese Slices

Butters

- PVC-Tub & Foil-Wrapped Portions
- Roll Butter

Yoghurt

- Pinar Natural Yoghurt

Ayran

Dehydrated Milk for the Food Trade

- Dehydrated Skim Milk
- Dehydrated Full-Fat Milk
- Dehydrated Whey

Condiments

- Food Trade Mayonnaise
- Food Trade Ketchup
- Bucket Mayonnaise
- Bucket Ketchup

2014 OPERATIONS

100

IN 2014, PINAR SÜT INTRODUCED TO CONSUMERS 100 NEW FORMS OF PACKAGING.



NEW OFFERINGS FROM PINAR SÜT

Keeping a close watch on leading food trends around the world, Pinar Süt adheres to an innovative approach in order to come up with new, consumer-focused products that are compatible with the Turkish market. As a result of new product and packaging projects undertaken in 2014, the Company developed and introduced to consumers 28 new products and 100 new forms of packaging.

New products put on the market in 2014

- Half-Fat UHT Milk
- Organic Pasteurized Milk
- Organic Milk (750 ml)
- Kido Chocolate Milk
- Kido Melon & Watermelon Flavored Milk
- Kahvaltı Keyfi Fresh Kashkaval
- Kahvaltı Keyfi Triangular Cheese
- Halloumi Cheese
- Braided Cheese
- String Cheese
- Organic Butter
- Strained Yoghurt
- Crazy Watermelon (Watermelon-Flavored Apple Drink)
- Crazy Strawberry (Strawberry, Apple & Raspberry Drink)
- Pink Relax Nectar

AFH

- Shredded Mozzarella
- Diced Mozzarella
- Oops Pineapple-Flavored Drink
- Oops Tropical Fruits Flavored Drink
- Barbecue Sauce (Sachet)
- Barbecue Sauce (Bucket)
- Hot Sauce (Sachet)

Cheese

IN 2014 PINAR SÜT INTRODUCED THREE NEW SPECIALTY CHEESES EXPRESSLY CREATED FOR THE ENJOYMENT OF TUROPHILES.

- Hot Sauce (Bucket)
- Garlic Mayonnaise (Sachet)
- Garlic Mayonnaise (Bucket)
- UHT Stabilized Cream (new formula)

INNOVATIVE R&D

Always mindful of such issues as goal-oriented R&D, sustainability, and environmental awareness in its ongoing pursuit of innovation, in 2014 Pinar Süt developed many new products.

For the steadily growing beverage market, the Company introduced four different fruit drinks, two flavored milks for children, and "Pink Relax", a fruit nectar specially designed to appeal to women.

Three new offerings—String, Braided, Halloumi—expressly created to appeal to cheese-loving turophiles were added to the Pinar Süt line of specialty cheeses while shredded and diced mozzarella were added to the away-from-home (AFH) line of products. Seeking to expand its portfolio of organic products, Pinar-brand Organic Butter and Organic Pasteurized Milk made their appearance in supermarkets' dairy sections for the first time.

In response to strong AFH channel demand, the Company introduced Pinar-brand Barbecue Sauce, Hot Sauce, and Garlic Mayonnaise in both the sachet and bucket packaging formats.

Strained Yoghurt, a product for which there has been substantial market demand for many years, was reformulated using an entirely new process and introduced to the market in a modern and hygienic form under the Pinar label.

ALL PINAR SÜT PERSONNEL ARE PROVIDED WITH REGULAR HACCP TRAINING AS WELL AS TRAINING ON HYGIENE-RELATED ISSUES.



PINAR SÜT REGIONAL SALES OFFICE PERSONNEL ARE PROVIDED WITH TRAINING ON SUCH ISSUES AS PRODUCTS' TECHNICAL FEATURES AND THE ASPECTS THAT MAKE THEM SUPERIOR IN QUALITY TO SIMILAR PRODUCTS.



Handy-Cap closures were introduced on the packaging of 1/1 UHT milks as they are one of the reasons why consumers prefer such milk.

PINAR SÜT QUALITY APPROACH AND MANAGEMENT SYSTEMS

Pinar Süt's primary goal is to offer consumers high added-value products that are natural and wholesome. With production compliant with international standards, its innovative structure, and determination to satisfy consumers' needs, Pinar Süt has the richest line of milk and dairy products on offer in Turkey today. Exploiting all of the benefits of existing and new technologies, Pinar Süt keeps pace with, acquires, and implements national and international developments in such areas not only in terms of production methods, machinery, and equipment, but also with respect to such issues as marketing, product & quality improvements, packaging, information systems, logistics, and consumer convenience.

Pinar Süt has been involved in assessing and achieving compliance with the control mechanisms and certification procedures related to the production of heat-treated milk and dairy products for export to the European Union since 2000.

Existing and potential suppliers were visited and inspected throughout 2014 in line with the year's schedule. Class A suppliers were identified and certified.

A country's economic development and prosperity nowadays are largely dependent on the competitive strength of their economic actors and on their ability to be profitable and to make their influence felt in national and international markets. Recognizing this, Pinar Süt regional sales office personnel are provided with training on such issues as products' technical features and the aspects that make them superior in quality to similar products. The goal of this training is to provide personnel with guidance on how to become a more competitive and sustainable sales force by properly addressing and satisfying the technical requirements of customers' needs and expectations.

All Pinar Süt personnel are provided with regular Hazard Analysis & Critical Control Point (HACCP) training as well as training on hygiene-related issues in line with annually-planned training schedules. Special attention was again given last year to the importance of food safety during the conduct of personal training activities.

PINAR SÜT 2014



quality

THE EFFECTIVENESS OF PINAR SÜT'S SUPERIOR QUALITY APPROACH IS ATTESTED TO BY A VARIETY OF ENVIRONMENT, ENERGY, AND OCCUPATIONAL HEALTH & SAFETY AUDITS AND CERTIFICATIONS.

Attention continued to be given to keeping abreast of changes in technology both at home and abroad, to making the best possible use of existing and new technologies, and to being sure that all technology transfers take into account not just such issues as production management and physical resources like machinery & equipment but also intangible resources related to such issues as marketing, product & quality development, packaging, information technology, logistics, and product convenience.

A customer relationship management system has been set up with the aims of strengthening customer communication, satisfying customer needs and expectations, and increasing customer satisfaction. This system makes it possible to maximize customer satisfaction by listening to and understanding what customers say. The customer experience is also quantified through secret shopper feedback in customer points like chain stores.

The effectiveness of Pınar Süt's superior quality approach is attested to by a variety of environment, energy, and occupational health & safety audits and certifications. Pınar Süt has been awarded the following certifications:

- TS EN ISO 9001: 2008 Quality Management System
- TS EN ISO 14001:2004 Environmental Management System
- TS EN ISO 22000 Food Safety Management System
- FSSC 22000 / TS 22002-1 Food Safety Management System

- TS EN ISO 50001 Energy Management System
- TS OHSAS 18001 Occupational Health & Safety Management System

COST OPTIMIZATION

During 2014 Pınar Süt continued to carry out projects aimed at reducing expenditures, cutting costs, and increasing production efficiency. The operational Cost Improvement (OCI) program initiated in 1999 and the Lean Six Sigma program introduced in 2007 continue to generate significant cost advantages throughout Pınar Süt.

LEAN SIX SIGMA PROJECTS

In 2014 Pınar Süt carried out eight Lean Six Sigma projects at its Eskişehir and İzmir production facilities. First introduced in 2008 and continued ever since, these bring the total number of projects deploying the Lean Six Sigma methodology to 53.

The Lean Six Sigma program, which is rooted in the principle of maximizing customer satisfaction, was first implemented at the Company's İzmir and Eskişehir plants in 2008.

Efforts were made to improve operational excellence and costs, to reduce natural resource consumption, and to more effectively manage environmental risks.

The projects undertaken in 2014 were designed to reduce and improve process variability, to improve operational costs, and to manage environmental risks.

SUBSTANTIAL CHANGES IN PINAR SÜT'S INFORMATION TECHNOLOGY INFRASTRUCTURE IN 2014 RESULTED IN IMPROVEMENTS IN BUSINESS CONTINUITY, DATA SECURITY, AND COST RECOVERY.



IN 2014 PINAR SÜT CARRIED OUT EIGHT LEAN SIX SIGMA PROJECTS AT ITS ESKİŞEHİR AND İZMİR PRODUCTION FACILITIES.

The common goal of all Lean Six Sigma projects is to achieve operational excellence by responding flexibly and nimbly to customers' expectations as they evolve over time. In addition, the Lean Six Sigma philosophy makes it possible to create a customer satisfaction structure that is constantly made better through efforts to achieve quality, cost, and delivery time improvements.

OPERATIONAL COST IMPROVEMENT SYSTEM

The underlying goal of Operational Cost Improvement (OCI) is to reduce costs. This is achieved essentially by asking individuals to report problems related to their own functions, soliciting ideas to deal with the problems, and implementing solutions that are approved by management. The OCI system is supported by a program of rewards for those whose projects are successful.

When they were originally introduced in the 1990s, OCI projects were dealt with individually. As IT infrastructure continued to make progress and with the changeover to SAP, a more systematic management of these projects began in 2003.

INFORMATION TECHNOLOGY OPERATIONS

Substantial changes in Pinar Süt's information technology infrastructure in 2014 resulted in improvements in business continuity, data security, and cost recovery. Investments and improvements at the Company's data headquarters were concerned with renovating the file storage unit so as to create a more sustainable file structure. Improvements were made in the data backup systems that are to be used for disaster recovery. Thanks to data center infrastructure improvements, the system has been made more efficient and robust. The inter-plant communication infrastructure was renovated to make it faster and more secure.

A Supplier Network Planning Project was initiated. The goal of this project is to permit centralized planning of procurements by taking suppliers network capacity limitations and local raw data into account.

2014 OPERATIONS

AFH

PINAR'S AFH CHANNEL EMBRACES ALL POINTS OF SALE THAT INVOLVE THE CONSUMPTION OF FOOD OUTSIDE THE HOME. PINAR SÜT HAS AN EXTENSIVE PORTFOLIO OF SUCH CUSTOMERS RANGING FROM HOTELS TO RESTAURANTS AND FROM SCHOOLS TO CATERING FIRMS.



The technical and SAP enterprise resource planning infrastructure of the new Şanlıurfa plant was planned so as to maximize business continuity. The infrastructure was made operational during the year.

To comply with a statutorily-mandated changeover to electronic books of account, Pinar Süt's SAP integration was completed last year. The company's system has been in regulatory compliance since November 2014.

DISTRIBUTION

85% of Pinar Süt's sales are made through Yaşar Birleşik Pazarlama, Yaşar Group Food Division's sales and distribution company.

Turkey's biggest sales and distribution network

Operating through 9 regional departments, more than a 100 dealerships, and 150 thousand sales outlets, Yaşar Birleşik Pazarlama ensures that Pinar-branded products reach customers and consumers in the freshest, most wholesome, and fastest way possible. With more than 500 types of product in 17 different categories maintained under three different degrees of climate control, Yaşar Birleşik Pazarlama is one of the biggest and most important sales and distribution organizations in Turkey.

Yaşar Birleşik Pazarlama employs a strong team of specialized, customer-focused, and experienced personnel and a fleet of more than 1,200 vehicles to sell and distribute the products made by the Yaşar Group Foods Division.

Keeping customer channels supplied with the products in the Company's portfolio in order to ensure both that the maximum number of sales outlets is reached and that product diversity is maximized at each outlet, Yaşar Birleşik Pazarlama's extensive and efficient distribution clout contributes significantly to Pinar-branded products standing as market leaders.

THE AFH CHANNEL AND PINAR PROFESSIONAL

The AFH Marketing Department, which was reorganized as a Yaşar Birleşik Pazarlama unit in 2012, is responsible for away-from-home (AFH) channel strategy development and implementation.

More women in the workforce and more singleton households are bringing about changes in people's lifestyles and consumption habits. These changes, which manifest themselves both as more time spent away from home and as more meals being ordered out, are nourishing the growth of the AFH channel in Turkey and increasing its importance almost day by day. According to TurkStat-published figures, the estimated value of the AFH channel's business in Turkey amounts to TL 33 billion a year.

PINAR PROFESSIONAL IS A SUB-BRAND WHOSE PRIORITY OBJECTIVE IS TO ACHIEVE IN THE AFH CHANNEL THE SAME CONFIDENCE THAT ORDINARY CONSUMERS HAVE IN THE PINAR BRAND IN THE FORM OF “QUALITY-TRUSTED PRODUCTS AND SERVICES SUPPLIED TO PROFESSIONALS BY AN EXPERT”.

IN 2014 PINAR REDESIGNED THE PACKAGING OF ALL OF THE PRODUCTS THAT IT MAKES SPECIFICALLY FOR THE AFH CHANNEL.

Pinar Professional is a sub-brand whose priority objective is to achieve in the AFH channel the same confidence that ordinary consumers have in the Pinar brand in the form of “quality-trusted products and services supplied to professionals by an expert”.

The AFH channel embraces all points of sale that involve the consumption of food outside the home. Pinar Süt has an extensive portfolio of such customers ranging from hotels to restaurants and from schools to catering firms. By determining the hands-on aspects of their business by interacting with influential chefs and other food professionals and understanding their needs, the Company also develops innovative and practical products that will be beneficially useful to them.

In 2014 Pinar redesigned the packaging of all of the products that it makes specifically for the AFH channel.

PINAR COMMUNICATION CENTER

Pinar’s “Consumer and Customer First” principle demands that all company units quickly and correctly perceive not just consumers’ but all external and internal customers’ needs and take a nimble, proactive, and innovative approach in responding to their expectations for a better way of life. Adhering to a customer-focused business approach, Pinar Süt carefully examines and gives importance to requests and suggestions received from consumers.

Accessible from everywhere in Turkey on 444 7627 without the need to dial an area code, the Pinar Communication Center (PİM) is staffed by live operators who are on duty and respond to incoming calls between the hours of 07:00 and 23:00 every day of the week.

90% of all calls received by PİM are responded to before the caller hangs up; 92% of them are responded to within 15 seconds. Through its Twitter account, PİM keeps track of, examines, and responds to consumers’ requests and suggestions received via social media. PİM service quality and the satisfaction of consumers with which PİM interacts are measured at regular intervals by means of polls. 89% of the consumers who dealt with PİM in 2014 said that they were satisfied with the quality of the service they had received.

An official Twitter account was also opened at twitter.com/InfoPinar to which consumers who access the Pinar corporate Twitter account to express their views and suggestions are redirected. All consumer tweets received through this account are examined and dealt with by PİM.



PINAR SÜT 2014

For our suppliers...

PINAR SÜT CONSTANTLY SUPPORTS THE EFFORTS OF MORE THAN 25,000 PRODUCERS THROUGH THE STRONG AND LONG-TERM RELATIONSHIPS THAT IT ENTERS INTO WITH THEM.

442

MILK IS PROCURED FROM A TOTAL OF 442 MILK CHILLING CENTERS, OF WHICH 195 ARE DAIRY FARMS.

THE MORE THAN FORTY PRODUCER TRAINING MEETINGS THAT WERE HELD IN VILLAGES AND TOWNS DURING 2014 WERE ATTENDED BY OVER 4,000 PRODUCERS.



CONTRIBUTING TO THE PROGRESS OF TURKEY'S DAIRY INDUSTRY

In order to ensure it has access to sources of good-quality raw milk, Pınar Süt has entered into contractual agreements with 195 dairy farms whose production conforms to European Union standards and who themselves understand and concur with Pınar Süt's own quality approach. Thirteen of these producers' operations hold "disease-free" certification and eight have been granted EU-recognized licenses. Milk is procured from a total of 442 milk chilling centers, of which 195 are dairy farms.

60% of Pınar Süt's certified-organic raw milk is procured from Çamlı Yem Besicilik, a sister company in the Yaşar Group.

The quality values of milk procured from farms are reported back to producers on a daily basis. This feedback keeps producers informed about the current standing of their output.

In order to keep its producers informed and aware about the need to produce wholesome milk, Pınar Süt conducts training programs for them on such

issues as milk quality, herd health, animal nutrition, preventive medicine.

The more than forty producer training meetings that were held in villages and towns during 2014 were attended by over 4,000 producers.

During such meetings, participants are provided with information on a wide range of topics related to the impact that animal health has on milk quality and quantity such as hygiene and correct milking practices, the importance of healthy calves to herd sustainability, silage and ensilaging practices, and the identification, detection, and prevention of harmful substances that may be present in feed.

A training program for milk tanker drivers was launched in order to help maintain quality control even while harvested milk is being transported to plants.

By constantly supporting the efforts of more than 25,000 producers through the strong and long-term relationships that it enters into with them, Pınar Süt also contributes to the progress of Turkey's dairy industry.

For our employees...

PINAR SÜT'S HUMAN RESOURCES POLICY IS INFORMED BY A "PEOPLE-FIRST" APPROACH.

HUMAN RESOURCES: ONE OF THE FUNDAMENTAL PILLARS OF ECONOMIC GROWTH AND DEVELOPMENT

As is true at all Yaşar Group companies, Pınar Süt's human resources strategy is rooted in the principle of "Improve manpower productivity by increasing the number of competent and effective human resources". Taking that as its point of departure, Pınar Süt seeks to attract the labor market's most talented, qualified, creative, innovative, motivated, and high-performing people, to further improve the quality of its workforce, and to strengthen employee loyalty through fair-minded human resources policies and practices that win the hearts and minds of its personnel.

The superior human resources that Pınar Süt attracts through human resources policies and practices that are fair and informed by a "people first" approach consist of individuals who are educated and experienced, who have a strong sense of job commitment and ownership, who are progressive and open-minded, who value knowledge-sharing and the spirit of solidarity, who accept the notion of participatory management, and who are success-focused in their work.

In line with its HR approach Pınar Süt seeks to:

- Increase the number of competent and effective human resources and deploy outstanding people within the Company

through a competency-based selection and placement process

- through the deployment of a performance evaluation system, ensure that company and individual objectives coincide so as to enhance overall corporate performance
- reward individual success and encourage even better efforts by evaluating employee performance on the basis of the degree to which goals have been achieved
- formulate annual training & development plans by identifying compulsory and optional training components and implementing them accordingly
- provide support training on issues related to health in recognition of the importance of employees' physical and mental wellbeing to the successful performance of their jobs

During 2014, Pınar Süt provided its employees with a total of 28,823 hours of training. Average training time per person was 25.7 hours.

In 2012 Pınar Süt launched Yaşar Academy, a pilot-project new training platform making extensive use of e-learning methodologies. Based on feedback received from those taking part in this project, improvements were made in the diversity, content, and number of personnel taking part in the Company's regular training activities in 2014.

Pınar Süt adheres to human resources practices that are internationally recognized as being the best. Since 2005 the Company

has been making use of a performance evaluation system that seeks to ensure that its employees' personal objectives coincide with its own corporate goals.

In 2014 Pınar Süt provided traineeship positions to 102 university and 49 lycee students.

Aware that high levels of employee motivation and loyalty give it an important advantage in achieving success more quickly, Pınar Süt has been soliciting feedback from its personnel through an Annual Employee Opinion Survey that has been conducted every year since 1998. The success of a Yaşar Group pilot project carried out in 2012 in which the survey's questionnaires were responded to online led to a decision to conduct the poll using that method every other year rather than every year. For the 2014 Employee Survey, all personnel will be responding to the survey questionnaire online.

The average number of people on Pınar Süt's payroll was 1,120 in 2014. The company's collective bargaining agreement with the Tek Gıda trade union being due to expire as of 31 December 2013, contractual negotiations were entered into with the union and a new agreement beginning on 1 January 2014 and ending on 31 December 2015 was signed. Pınar Süt strongly believes that collective bargaining agreements are one of the cornerstones of labor peace and that it is through labor peace that social peace may be ensured.

2014 OPERATIONS

For the environment and the community...



contribution

PINAR SÜT CONTINUES TO CONTRIBUTE TO THE COMMUNITY OF WHICH IT IS A MEMBER EVEN AS IT CONDUCTS ITS BUSINESS ACCORDING TO THE PRINCIPLES OF PROFITABILITY AND PRODUCTIVITY

Pınar Süt is a company that strives to leave behind a healthier physical and social environment so that future generations may enjoy a better life in a more livable world. Recognizing that sustainability is a three-dimensional concept simultaneously enfolding society, the environment, and economics, Pınar Süt takes a holistic approach to all three and defines its goals and strategies accordingly.

Pınar Süt's environmental management programs and practices are constantly focused on making productive use of natural resources, on minimizing the environmental impact of effluents on the receiving environment, on the environmental safety of raw materials used in its processes, on the environmental performance of its processes, and on the qualitative and quantitative control of effluents.

In line with its environment, energy, and occupational health & safety policies, Pınar Süt:

- Complies strictly with all laws and regulations pertaining to protecting the environment and reducing pollution, to energy, and to occupational health & safety;

- Employs production methods which are not detrimental to human or environmental health and which reduce resource consumption;
- Reduces waste through recycling rather than disposal;
- Conserves energy by improving maintenance programs and undertaking new investments;
- Lowers overall waste water discharge by using less water in processes and by reusing water released from processes in other ways;
- Makes its employees, customers, and suppliers aware of environment-, energy-, and occupational health & safety-related issues.

The Company formulates and implements environmental management programs that are focused on making productive use of natural resources, minimizing the environmental impact of waste on the receiving environment, ensuring the environmental safety of raw materials used in production processes, improving production process environmental performance, and performing qualitative and quantitative effluent controls.

Pınar Süt continues to contribute to the community of which it is a member even as it conducts its business according to the principles of profitability and productivity.

PINAR SÜT IS A COMPANY THAT STRIVES TO LEAVE BEHIND A HEALTHIER PHYSICAL AND SOCIAL ENVIRONMENT SO THAT FUTURE GENERATIONS MAY ENJOY A BETTER LIFE IN A MORE LIVABLE WORLD.

CO₂

PINAR SÜT REGULARLY CALCULATES AND FOLLOWS UP ITS CARBON FOOTPRINT WITH THE AIM OF ENERGY SAVING AND ALTERNATIVE ENERGY USAGE.



In line with the United Nations Global Compact (UNGC) that its parent company Yaşar Holding subscribed to in 2007, Pınar Süt has also committed itself to regularly providing its stakeholders with information about its stance and progress with respect to the issues of human resources, manpower, and combating corruption. Through activities conducted under the "Corporate Reputation" project that was launched in 2010, Pınar Süt also emphasizes its intention to be more systematic in its efforts to achieve a balance among economic, environmental, and social issues.

In the case of our other stakeholders, including but not limited to our suppliers, we develop new strategies that will strengthen our communication channels so as to remain on course as they accompany us on our journey to sustainability.

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

CARBON FOOTPRINTING

A measurement team headed by a Carbon Leader was set up and calculated and reported the Company's "corporate carbon footprint" as of 2014. Taking 2011 as the base year, Pınar Süt has identified a goal of reducing this footprint by at least 15% by 2020.

An organizational structure has been created to carry out ongoing carbon emission calculations with the Foods Group acting as Carbon Leader. Every Yaşar Holding company has identified a carbon specialist and carbon manager who will be a member of this organization.

With the carbon footprinting organizational structure in place, work has also begun on projects to calculate company water footprints with the aim both of monitoring natural resource use and of increasing environmental awareness. Companies' carbon specialists and managers have undergone training on water footprinting as well as carbon footprinting and we plan to begin calculating water footprints in designated pilot areas.

766 employees at Pınar Süt have undergone 40 hours of TS EN 50001 Energy Management System training.

2014 OPERATIONS

environment

ACTING WITH ENVIRONMENTAL AWARENESS AND CONSCIOUSNESS, PINAR SÜT SEEKS TO CONSTANTLY IMPROVE ITS ENVIRONMENTAL PERFORMANCE AS GOVERNED BY THE TS EN ISO 14001 ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATION THAT IT HAS BEEN AWARDED.

Work has begun on water footprint calculating and reporting in order to identify and better manage the amount of water used in production. A water footprinting team was formed and given training in 2014. Work is currently in progress on calculating and reporting water footprints.

USING ECO-FRIENDLY MATERIALS AND TECHNOLOGIES

Pinar Süt invests in the environment, makes the most productive use possible of national and natural resources, complies with all environment-relevant laws and regulations in the conduct of its operations, and carries out all of its activities in line with prescribed management system policies. Pinar Süt's actions are informed by its environmental awareness and consciousness. It seeks to constantly improve its environmental performance as governed by the TS EN ISO 14001 Environmental Management System certification that it has been awarded.

Based on its compliance with legal norms, Pinar Süt's Eskişehir plant has been awarded an "air emission permit" that is valid for a five-year period. The Company also has its emissions regularly measured by an accredited agency as required by law.

The Company has formulated a "Greenhouse Gas Monitoring Plan" conforming to the requirements of Communiqué concerning the monitoring and reporting of greenhouse gas emissions and it has duly submitted the plan to the Ministry of Environment and Urban Planning.

At the beginning of each year, Pinar Süt formulates environmental action plans and programs aimed at further improving its performance in resource use reduction.

The effectiveness of these activities is monitored throughout the year. To date, the following progress has been achieved:

- An economizer investment reduced the carbon emissions generated by steam boilers and resulted in energy savings.
- The replacement of ammonia with ice water as a refrigerant in cold storage refrigeration systems resulted in energy savings.
- The use of illumination panels and high-efficiency lighting fixtures in newly-constructed units resulted in energy savings.
- The replacement of high power consumption electrical motors with EFF1 high-efficiency units resulted in energy savings.
- Boiler and burner system modifications resulted in fuel savings.
- Recent investments in new-generation UHT systems and machinery whose higher energy efficiency, eco-friendliness, and low carbon emission values increased energy efficiency.
- The use of waste heat from condensers to heat yoghurt incubation rooms resulted in electricity savings.
- Chemical agent costs were reduced by making improvements in waste water treatment processes. Investments undertaken at the Eskişehir factory's waste water treatment plant have lowered storage and disposal costs by increasing the percentage of solid content in sludge.
- A central water heating system was installed and lines were laid to supply hot water to units that need it.

As one requirement of its ISO 14001 Environmental Management System certification, environmental impact inventories have been drawn up for all units within the plant and environmental logs have been created in which is maintained

ALL OF PINAR SÜT'S ENERGY EFFICIENCY EFFORTS WERE DOCUMENTED UNDER THE TS ISO 50001:2011 ENERGY MANAGEMENT SYSTEM CERTIFICATION THAT IT WAS AWARDED IN 2013.

award

IN THE 15TH "ENERGY EFFICIENCY IN INDUSTRY PROJECTS" COMPETITION CONDUCTED BY THE MINISTRY OF ENERGY AND NATURAL RESOURCES, PINAR SÜT WON FIRST PRIZE IN THE ENERGY-EFFICIENT INDUSTRIAL PLANT CATEGORY (FOOD & BEVERAGES INDUSTRY).



a record of the nature and scope of each unit's environmental impact. A supplier evaluation system has also been set up under which Pınar Süt assigns points to its suppliers based on the existence and effectiveness of their own environment management systems.

REDUCTIONS IN ENERGY CONSUMPTION

In 2014 Pınar Süt engaged in a variety of activities aimed both at making more efficient use of energy and at reducing its existing energy consumption.

Work has begun on installing an illumination system that takes advantage of natural daylight in the manufacturing sections of the Pınar Süt Eskişehir plant. Electricity is also being conserved by replacing existing fixtures with more efficient ones.

In 2013 work began at the Pınar Süt İzmir plant to replace existing manufacturing-section and exterior illumination systems with LED-based systems that use less electricity and are more energy-efficient. This LED-conversion project continued in 2014.

Pınar Süt uses metering in order to keep track of the amounts of energy that it consumes in the conduct of its production activities. The results of this metering are documented and comparisons are made in order to determine how much energy is used for each type of production. Through such comparisons, the dimensions of the Company's energy use are quantified, thus allowing targets to be set and target performance to be reviewed at regular intervals. Energy efficiency is one of the

criteria taken into account before making machinery & equipment procurement decisions.

All of Pınar Süt's energy efficiency efforts were documented under the TS ISO 50001:2011 Energy Management System certification that it was awarded in 2013.

- In 2014 Pınar Süt successfully passed its TS ISO 50001:2011 Energy Management System audit.
- Work has begun at the Pınar Süt İzmir factory on an automation system that will automatically monitor and report energy consumption.
- A central water heating system was installed and lines were laid to supply hot water to units that need it. Besides conserving energy, this system also increases workplace safety.
- Energy-related OCI suggestion weeks were scheduled both to solicit ideas and to create awareness of energy conservation issues.
- Thermal imaging was used to identify places where heat loss is occurring. Such losses were reduced by installing better insulation.

PRODUCTION LINE EFFICIENCY

In the 15th "Energy Efficiency in Industry Projects" competition conducted by the Ministry of Energy and Natural Resources, Pınar Süt won first prize in the Energy-Efficient Industrial Plant category (Food & Beverages Industry) for having reduced its energy density by 65.3% during the most recent three-year period (2011-2013) based on data reported to the ministry's General Directorate for Renewable Energy.

2014 OPERATIONS

efficiency

THE EFFICIENCY OF THE PRODUCTION LINES IN OPERATION AT ALL OF PINAR SÜT'S PRODUCTION CENTERS IS MEASURED ON A DAILY BASIS.

ENERGY-EFFICIENT INDUSTRIAL PLANTS

The efficiency of the production lines in operation at all of Pinar Süt's production centers is measured on a daily basis. These measurements are consolidated and permanently recorded at regular intervals and they are also subject to testing and analysis periodically. Immediate and long-term action plans are formulated in order to eliminate any factors that may cause production losses and also to improve existing efficiency values.

PACKAGING WASTE MANAGEMENT INITIATIVES TO REDUCE THE ENVIRONMENTAL IMPACT OF PRODUCTS

In order to determine the potentially adverse environmental impact of its product manufacturing and use processes and to minimize them wherever possible, Pinar Süt regards identifying and exploiting technological alternatives as a high-priority component of its environmental awareness.

An industrial waste management plan has been formulated to manage and control waste generated during production and to ensure regulatory compliance. This plan incorporates such information as the types and quantities of waste and where and how the waste is disposed of.

The results of in-house inspections conducted by environment officers are recorded so that the Company may continuously review and improve its environmental performance. Beginning in

2015, the results of these inspections are to be submitted to the Ministry of Environment and Urban Planning through an online system that the ministry has set up. It is also a requirement now that the reports of environment officers' monthly assessments be maintained systematically and reported to the ministry through the same system.

Organic waste and domestic waste resulting from processing is temporarily stored at the same facility in a holding area that fully complies with the requirements of laws and regulations. Such waste is subsequently disposed of at locations which have been designated by local authorities.

Similarly, waste that is generated in the course of production and use that cannot be recycled is sent to licensed firms for disposal while waste which can be recycled is sent to licensed recycling firms so that it may be put to economic use. All waste, including packaging waste, that is generated is reported annually to the Ministry of Environment and Urban Planning. As required by Regulation on General Principles Pertaining to Waste Management, the Company has obtained "Hazardous Waste Liability Insurance" coverage. Such insurance is required of those who engage in the activities of collecting, transporting, temporarily or intermediately storing, recovering, reusing, and/or disposing of hazardous waste in order to cover any losses that may be sustained by third parties or the environment on account of their conduct of such activities.

A NEW ROUTING-OPTIMIZATION MODEL THAT IS BASED ON THE TWIN PRINCIPLES OF ECONOMIES OF SCALE AND OF TRANSPORTING MORE GOODS FOR SHORTER DISTANCE HAS INCREASED THE EFFICIENCY OF THE COMPANY'S INTERCITY HIGHWAY TRANSPORT OPERATIONS.

recycling

PRODUCT PACKAGING IS DESIGNED AND EXECUTED WITH THE ISSUES OF REUSABILITY AND RECOVERABILITY IN MIND.



As required by Regulation on Major Industrial Accidents, Pınar Süt prepares and submits Seveso II Directive reports to the Ministry of Environment and Urban Planning, which uses them to assess the potential human and environmental impact of any hazardous chemicals maintained on company premises and to grade the Company accordingly.

Product packaging is designed and executed with the issues of reusability and recoverability in mind.

Pınar Süt is a member of and works with the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO) in the fulfillment of the Company's contractual obligations set forth in a packaging waste management plan which has been submitted to the ministry for approval. ÇEVKO also engages in public education campaigns that are aimed at both individuals and municipalities.

All company employees are encouraged to play an active role in waste management through both on-the-job and classroom training activities that focus on increasing environmental awareness and on minimizing waste and preventing environmental pollution as part of Pınar Süt's ISO 14001 Environmental Management System certification requirements.

IMPROVEMENTS IN SHIPPING MANAGEMENT

Pınar Süt's efforts to develop and improve its sales and distribution capabilities at the national level continued without letup in 2014. Such efforts are informed by "green logistics" concepts and focus on both efficiency and customer satisfaction.

A new routing-optimization model that is based on the twin principles of economies of scale and of transporting more goods for shorter distance has increased the efficiency of the Company's intercity highway transport operations and contributed to the Company's greater environmental sustainability.

Yaşar Foods Group companies together booked about 40,000 separate shipments throughout the country in 2014. During these shipments, 90% of non-perishables and 56% of perishables were carried aboard optimized-route lorries.

A monthly Dealer Logistical Services Satisfaction Survey is conducted both to determine the degree to which dealers are satisfied with the Company's logistical services and to improve service quality. The 91% satisfaction level achieved in 2012 was improved by three percentage points in 2013 to 94%, and by further two points in 2014 to 96%.

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

2014 OPERATIONS



SOCIAL RESPONSIBILITY

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

Pınar Children's Theater in its 27th year

In the course of twenty-seven years, the Pınar Children's Theater has reached more than three million children, fostering among them a love of theater through performances, to which no admission is charged, with every play being carefully crafted to contribute towards its audiences' cultural and personal development.

As a training ground for many famous performers, the Pınar Children's Theater even functions as a sort of school of the performing arts.

Since 1987, the Pınar Children's Theater has been employing a professional team of performers, directors, designers, and backstage crews to mount dozens of programs that are specially designed to appeal to children. For the 2013-2014 academic year, the theater mounted a new play, "Sütle Gelen Sevgi" ["The Love That Comes With Milk"], whose professionally-created scenery, costumes, staging, and music provides a theatrical experience and a visual feast that its audiences will never forget. Last year the Pınar Children's Theater went on tour and mounted performances in Diyarbakır, Şanlıurfa,



Gaziantep, Konya, Karaman, Aksaray, Eskişehir and İzmir that were watched by thousands of kids.

According to a public-awareness poll conducted by GfK, the Pınar Children's Theater's public-awareness rating was 25.1% in 2014 (Source: GfK Flavored Dairy Products Tracking Survey).

Pınar Children's Art Competition

The Pınar Art Competition has been held for 33 years with the aims of increasing primary school children's interest in the fine arts in general and painting and drawing in particular, of giving children opportunities to express their creativity through pictures, and of educating the artists of the future. Every year the competition provides hundreds of thousands of children with an opportunity to express their dreams, their hopes, and their longings through art.

One of the goals of the Pınar Kids' Art Competition, which has been held with a different theme every year since 1981, is to give the artists of the future a chance to display their talents at an early age. The theme of the 2014 competition was "I Drink Milk & I Grow Up Healthy".

From among 19,538 entries submitted from every part of Turkey, the Turkish Republic of Northern Cyprus, and Germany, the works of twenty-three children were selected by a jury of educators and professional artists. The winners of the 33rd Pınar Children's Art Competition were rewarded with a chance to take part in a one-week art camp in İstanbul under the coordination of the well-known artist Ergin İnan. At an award ceremony that was held on the last day of the art camp, the children also received certificates of attendance and iPad Minis as prizes.

“THE FUTURE OF OUR MILK IS IN KNOWLEDGEABLE HANDS” IS A PROJECT WHOSE AIM IS TO ACHIEVE GREATER PUBLIC- AND PRIVATE-SECTOR COLLABORATION IN THE EDUCATION AND TRAINING OF RAW MILK PRODUCERS ON SUCH ISSUES AS ANIMAL HEALTH, NOURISHMENT, HYGIENE, AND SANITATION.

healthy

THE PINAR INSTITUTE WAS FOUNDED IN ORDER TO CONTRIBUTE TO THE DEVELOPMENT OF A HEALTHY SOCIETY.



According to a public-awareness poll conducted by GfK, the Pinar Children's Art Competition's public-awareness rating was 24.9% in 2014 (Source: GfK Flavored Dairy Products Tracking Survey).

Pınar Institute

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

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

“The Future Of Our Milk Is In Knowledgeable Hands”

“The Future Of Our Milk Is In Knowledgeable Hands” is a project whose aim is to achieve greater public- and private-sector collaboration in the education and training of raw milk producers on such issues as animal health, nourishment, hygiene, and sanitation. Participating in the project are the Muğla and Eskişehir provincial directorates of the Food, Agriculture and Livestock Ministry, the Milas Dairy Association, the Eskişehir Provincial Cattle Breeders' Association, the Eskişehir Regional Livestock Cooperatives' Association, the İnönü County Dairymen's Association, Pınar Süt, and Çamlı Yem Besicilik. Training overseen by Professor Ayhan Baştan of the Ankara University Faculty of Veterinary Science and by Professor Ahmet Alçıçek of the Ege University Faculty of Agriculture

was provided to 2,600 dairy farmers at 44 milk-collection centers in Milas and to 1,388 dairy farmers at 17 milk-collection centers in Eskişehir. Work is currently in progress to expand the scope of such training in 2015 by making it available in Şanlıurfa and other provinces as well.

“Consumer Perceptions Of Milk And Dairy Products: The Impact Of Media Misinformation” is a project being conducted jointly by Pınar Institute and the Yaşar University Faculty of Communication. The project, which is being carried out under the TÜBİTAK 3001 Initial R&D Projects Support Program, is looking into consumers' notions about milk and dairy products. The study's findings will be reported to sectoral academicians and representatives at a Milk & Dairy Products Workshop that will be conducted by Pınar Institute.

Pınar Institute representatives attended the 21st European Congress on Obesity held in Sofia on 28-31 May 2014 and also the İstanbul Health and Nutrition Biennial held in İstanbul on 12-14 November 2014. During the latter event, a “Food safety and what the industry does about it” presentation was given by the institute during the “What's on the food industry's agenda?” session.

Pınar Institute's first project as a new member of the European Food Information Council was to translate into Turkish and print 10 Tips for the Kids, a booklet prepared for EUFIC's CoolFoodPlanet website. The book will be used extensively in all of the institute's activities aimed at fostering healthy nutrition habits in children.

2014 OPERATIONS



sport

PINAR DEMONSTRATES ITS SUPPORT FOR SPORTS THROUGH ITS SPONSORSHIP OF THE PINAR KARŞIYAKA BASKETBALL TEAM.



School Milk Program

Pınar Süt supports the School Milk Program that is being conducted jointly by the Food, Agriculture and Livestock Ministry, the Ministry of Health, and the National Dairy Council. In 2014 Pınar Süt again was actively involved in a program which, in addition to being tremendously important both to public health and to the dairy industry, dovetails perfectly with the Company's sense of social responsibility and with the "raising healthier new generations" mission that it has been fulfilling since its inception.

Support for Sport

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

Pınar Karşıyaka

A team which has been contending in the Turkish Premier Basketball League since 1998, Pınar Karşıyaka devotes considerable time and energy to inculcating a love of sport among children by encouraging them to play basketball. Every year nearly a thousand youngsters are given free access to the facilities of the Çiğli Selçuk Yaşar Sports Center thanks to Pınar's support.

Pınar Karşıyaka;

- Pınar Karşıyaka beat Anadolu Efes in the Spor Toto Türkiye Cup final and took home the trophy for the first time in the club's history.
- In the 30th Men's President's Cup Tournament, the Pınar Karşıyaka's team defeated the Fenerbahçe Ülker team to claim the cup again for the second time since 1987.
- Having qualified to play in ULEB Eurocup's 2013-2014 season, Pınar Karşıyaka was one of the Last 32 contenders in Group I.



EVENTS

Pınar supported the Men's and Women's Turkish National Cup and the Turkish President's Cup matches organized by the Turkish Basketball Federation.

Pınar was the official beverages supplier at the FIBA Women's World Championship when it was held in Ankara and İstanbul last year and in which Turkey's A National Women's Basketball Team placed fourth. Held every four years and one of the most prestigious events in the international women's basketball calendar, the 2014 FIBA Women's World Championship games were played in Ankara and İstanbul from September 27th to October 5th. Pınar supplied beverages to all sixteen of the teams from five continents that took part in the tournament.

PUBLICATIONS

Yaşam Pınarım

Focusing especially on content that will be of particular use to parents and first appearing in 2004, Yaşam Pınarım is a magazine that seeks to establish and maintain bonds between the Company and its consumers and business partners as well as links with academic and governmental circles. The magazine is published quarterly and is distributed free of charge. In 2013 the magazine began being distributed to consumers as an e-bulletin sent out by email. As a result of this change in format, it is now reaching 115,000 people a month.

ONE OF ONLY THREE BRANDS WHOSE PRODUCTS FROM TURKEY HAVE RECEIVED APPROVAL FOR IMPORTATION INTO RUSSIA BY THAT COUNTRY'S AUTHORITIES, PINAR SENT REPRESENTATIVES TO TAKE PART IN WORLDFOOD MOSCOW ON 15-18 SEPTEMBER 2014.

Pinar Newspaper

Pinar Newspaper serves as an important source of information for meat and dairy farmers on issues related to animal health and nutrition, dairy technology, and the like. The newspaper is published quarterly for the 25,000 producers that supply Pinar Süt with milk, veterinarians, and the producers with which the Pinar Et procurements department works.

FAIRS & CONGRESSES

Since the day it was founded, Pinar has taken part in and supported numerous fairs and congresses dealing with matters of concern to the development of its sector such as quality, foods, R&D, and marketing. Coming into contact with many different marketing and consumer channels through the fairs that it takes part in at home and abroad, Pinar is a leading participant showing off more than 600 products at the most prestigious local, regional, and international trade fairs. Abiding by its sustainability principle of contributing to the development of its sector, Pinar seeks to make its products better known in international markets while also organizing and hosting distinguished events of its own that contribute to the foods industry in a variety of ways. By sponsoring activities related to cooking, gastronomy, and cuisine in Turkey, Pinar also creates opportunities to link up with sectoral leaders and scientists.

Held in Dubai between February 23rd and 27th, GULFOOD 2014 is the most prestigious and highly-attended food industry gathering in the Middle East. Pinar Süt was on hand to show off its products to an international audience of visitors and buyers.

Pinar Süt took part in the AFH EXPO fair and displayed its away-from-home products at İstanbul CNR one March 28-31.

One of only three brands whose products from Turkey have received approval for importation into Russia by that country's authorities, Pinar sent representatives to take part in WorldFood Moscow on 15-18 September 2014.

SPONSORSHIPS

Major events for which Pinar Süt acted as a sponsor in 2014:

- "Indoor Cup", organized by Fanatik, a sports newspaper (12 January)
- "7th Logistics Days", organized by Yaşar University (6-7 March)
- "1st Art Days Artists' Gathering", organized by Harran University (10-20 March)
- "Marketing Power Conference" (20 March)
- "3rd Media Days", organized by Ege University
- "Industry Summit", organized by Ege University (7 April)
- "3rd Innovative Brands Summit" (10 April)
- "3rd Children's Festival", organized by the Aegean Foundation for Progressive Education" (19 April)
- "30th Children's Festival", organized by İstanbul Municipal Theaters (26 April)
- "Career Adventures", organized by Dokuz Eylül University (30 April)
- "Career Days" organized by Ege University Faculty of Engineering (30 April)
- "SEV Bazaar Day", organized by the American Collegiate Institute (3 May)
- "Quality of Life Project Idea Competition", organized by KalDer (8-9 May)
- "International Food Congress", organized by Ege University (26-29 May)
- "Ayran Day", organized by Bornova Anadolu High School (1 June)
- "15. Quest for Excellence Symposium" (3-5 June)

- "RSX Surfing Championship" (28 June - 5 July)
- "Turkish National Men's and Women's Teams Warmup Matches" (22 August)
- "TEDxAlsancak" (30 August)
- "Pinar Official Beverages Supplier To FIBA Women's World Championship" (27 September - 5 October)
- "Dairy Industry Present Situation, Opportunities, and Potentials Panel", organized by the Aegean Young Businessmen's Association (22 September)
- "3rd Bursa International Food Congress", organized by Uludağ University (26-27 September)
- "World Food Day" organized jointly by the Turkish Food & Beverage Industry Employers' Association and the Food and Agriculture Organization of the United Nations (16 October)
- "11th Aegean Human Management Summit", organized by Per-Yön Ege (24-25 October)
- "2nd International Congress on Food Technology", organized by the Food Technology Association and supported by Ankara University (5-7 November)
- "3rd International İzmir Theatre Festival", organized by the Foundation for Social Research, Culture, and Art (5-15 December)
- "İzmir: A Brand City", symposium organized by Ege University (15-16 December)
- "2014-2015 Men's Turkish National Cup Official Beverage Sponsor"
- "2014-2015 Women's Turkish National Cup Official Beverage Sponsor"
- "2014-2015 Turkish President's Cup Official Beverage Sponsor"

MANAGEMENT

BOARD OF DIRECTORS

İdil Yiğitbaşı Chairperson

İdil Yiğitbaşı received a bachelor's degree in business administration from Boğaziçi University in 1986 and a master's degree in the same subject from Indiana University in 1989. She began her career in the field of finance at the Yaşar Group in 1986, and subsequently held senior management positions particularly in strategy and marketing, as well as seats on the boards of directors, in various Group companies involved mainly in the food industry. Having served as the Vice Chairperson of Yaşar Holding from 2003 until 2009, Ms. Yiğitbaşı has been appointed as the Chairperson of Yaşar Holding in April 2009, a position she still holds. Ms. Yiğitbaşı is a member of the Turkish Industry and Business Association (TÜSİAD), Union of Dairy, Beef, Food Industrialists and Producers of Turkey (SETBİR), and Turkish Institutional Investment Managers' Association (TKYD). İdil Yiğitbaşı has been holding seats on the boards of directors of other Yaşar Group companies for the last ten years.

Mustafa Selim Yaşar Chairperson

Mustafa Selim Yaşar graduated from Paris-Académie Arqueille Sorbonne in 1976, from the New York University in 1980 and from the Pace University in New York in 1981. He began his professional life at Yaşar Dış Ticaret A.Ş. the same year, where he worked in various positions. Between 1988 and 1996, he served as the CFO of Yaşar Holding A.Ş. and subsequently assumed the position of the President of Paint and Beverage Groups. Mr. Yaşar held the positions of Chairman and CEO of Otak-Desa A.Ş. and Desa Enerji A.Ş. between 1997 and 1999. Sitting as chairman on the boards of directors of İzmir Teknopark A.Ş., BDS İş Geliştirme Ltd. Şti. and Yüzey İnşaat Taahhüt A.Ş. from 2000 until 2013, Selim Yaşar served as Board of Directors Member, Board Chairman and President of Assembly of the Aegean Region Chamber of Industry from 1991 until 1997. He was also the Deputy Chairman of the Aegean Industrialists and Businessmen Association (ESİAD) for four years, of which he is a founding member. Having functioned as Deputy Chair of İzmir Metropolitan Municipality Council and as a member of Karşıyaka Municipal Council from 2004 to 2009, Mr. Yaşar currently works actively at a number of nongovernmental organizations. Serving as the chairman of the boards of directors of Desa Enerji A.Ş., Dyo Boya Fabrikaları A.Ş., Yaşar Birleşik Pazarlama A.Ş. and as Vice Chairman of Hedef Ziraat A.Ş. since March 2014, Mr. Yaşar also holds seats on the boards of directors of other Yaşar Group companies.

Emine Feyhan Yaşar Chairperson

Feyhan Yaşar received her bachelor's degree from the Faculty of Administrative Sciences at Boğaziçi University in 1978 and her master's degree in economics from Dokuz Eylül University in 1996. After starting her career in the Human Resources Department at the Yaşar Group in 1978, she later served as Personnel Relations Coordinator and Tourism Coordinator. She assumed the positions of vice chairperson, group president and board member in Group companies. After serving as the Vice Chairperson of the Board of Directors of Yaşar Holding from 1997 through 2003, she functioned as the Chairperson of the Board from 2004 until 2009. She currently holds seats as a member or chairperson on the boards of directors of Group companies. Speaking English and French, Ms. Yaşar also serves in the Group's foundations.

The Honorary Consul of Luxembourg in İzmir, Ms. Yaşar is also a member of the Turkish Industry and Business Association (TÜSİAD) and Aegean Industrialists and Businessmen Association (ESİAD), Board member of Turkish Institutional Investment Managers' Association (TKYD), Deputy Head of the Board of Trustees of Yaşar University, and a member on the boards of trustees of Health and Education Foundation (SEV), Boğaziçi University Foundation (BÜVAK), and the Turkish Education Foundation (TEV).

Turhan Talu Independent Director

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

Ali Yiğit Tavas Independent Director

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

Cengiz Erol Independent Director

Cengiz Erol obtained his bachelor's degree in business administration from Ege University in 1974, his master's degree in finance and accounting from the State University of New York (SUNY) in 1979 and his doctorate degree in international trade and finance from SUNY in 1983. After working as an Assistant Professor of Finance at Çukurova University from 1983 until 1985, he was an Associate Professor of Finance at Yarmouk University in Jordan (1985-1990) and in the Department of Business Administration at the Middle East Technical University (METU) (1990-1993), where he worked as a Professor of Finance from 1993 until 2010. He was an Advisor to the CEO of Ereğli Demir Çelik Fabrikaları A.Ş. (1991-1994), Board member at Ankara Sigorta and Chairman at Ankara Emeklilik Sigorta (2000-2003), advisor to the Board of Directors at Interfarma Tibb. Mal. A.Ş. (2002-2004), Board member at Interfarma Tibb. Mal. A.Ş. (2004-2008), and Chair of the Department of Business Administration at METU (2008-2010). Mr. Erol was also the Vice President of METU and member of the Executive Committee of the Student Assessment, Selection and Placement Center (in Turkish: ÖSYM). After holding the position of the Head of the Department of International Trade and Finance at İzmir University of Economics from 2011 to 2013, Mr. Erol has been a faculty member in the same department and the Director of the Graduate School of Social Sciences since 2010. Mr. Erol also holds seats on the boards of directors of other Yaşar Group companies.

MANAGEMENT

Yılmaz Gökoğlu **Director**

Yılmaz Gökoğlu received a bachelor's degree in economics and public finance from Ankara University, Faculty of Political Sciences in 1977. He worked as a tax inspector for the Ministry of Finance from 1978 through 1982, and joined Yaşar Group in 1983 where he held various senior management positions mostly in the fields of financial affairs and audit. Elected as a member of the Yaşar Holding Board of Directors in April 2007, Mr. Gökoğlu also serves as General Secretary of the Boards of Directors at the Yaşar Group. Yılmaz Gökoğlu also holds seats on the board of directors of Yaşar Group companies.

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

SENIOR MANAGEMENT

Gürkan Hekimoğlu **General Manager**

Gürkan Hekimoğlu got his bachelor's degree in agricultural technology from Ege University, Faculty of Agriculture in 1986 and his master's degree in dairy technology from Ege University, Institute of Science. He began his career in 1989 as a Production Manager at Ömür Yoğurt. After joining Türkiye Süt Endüstrisi Kurumu in 1990 as an operations engineer at Bolu Facility, he held the positions of Operations Manager and Production Manager at Türkiye Kalkınma Vakfı (Development Foundation of Turkey) and Köytür Holding in 1992. He began working at Pınar Süt as a Production Supervisor in 1994, where he later functioned as a Project Supervisor and Production Manager. He was Eskişehir Plant Director from 1999 to 2012. He has been serving as Pınar Süt General Manager since June 2012.

Erhan Savcıgil **R&D and Technology Coordinator**

Erhan Savcıgil received his bachelor's degree in food engineering from Ege University, Faculty of Engineering in 1990. He began his professional life as a Milk Purchaser in the Milk Purchasing Department at Pınar Süt in 1992. He then held the positions of Production Engineer, Production Supervisor, Production Manager and Business Unit Department Manager. He served as İzmir Plant Director from 2001 to 2012. Mr. Savcıgil has been appointed as Pınar Süt R&D and Technology Coordinator in June 2012.

MustafaŞahin Dal **Financial Affairs and Budget Control Director**

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

Muzaffer Bekar **Finance Director**

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

Serdar Türkmen **İzmir Plant Director**

Serdar Türkmen got his bachelor's degree in food engineering from Ege University, Faculty of Engineering in 1996. He began his career as a Shift Engineer at Pınar Süt İzmir Plant in 1998, where he later worked as Production Supervisor and Production Manager. He has been serving as İzmir Plant Director since June 2012.

Mehmet Erdi Eren **Eskişehir Plant Director**

Mehmet Erdi Eren got his bachelor's degree in food engineering from the Middle East Technical University, Faculty of Engineering in 1992. He started his career as an Operations Engineer at Tarış Pamuk ve Yağlı Tohumlar İşletmesi in 1993, where he worked through 1995. He joined Pınar Süt as a Shift Engineer at İzmir Plant in 1996, and then worked as Eskişehir Plant Production Engineer, Production Supervisor, Production Manager, and İzmir Plant Production Manager. He has been serving as Eskişehir Plant Director since June 2012.

RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

RISK MANAGEMENT

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

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

Risk Management Policy of the Company

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

Activities of the Early Detection of Risk Committee

The 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 27 March 2014 have been implemented. An Extraordinary General Assembly Meeting was not convened during 2014.

Affiliated Companies Report

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

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

Necessary disclosures on the transactions our company carried out with the associated parties are covered in the present report. In this report, the Company's Board of Directors concluded that in all transactions the Company carried out during 2014 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 2014, the Company's donations and grants to various organizations and institutions amounted to TL 915,979.38.

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 2014 - 31 December 2014.

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. Financial rights provided to the chairperson, members of the Board of Directors and Senior Executives in the twelve months that ended on 31 December 2014 are determined within the frame of the Remuneration Policy posted on our website. In the twelve months that ended on 31 December 2014, remunerations and similar payments made to the members of the Board of Directors and senior executives amounted to TL 4,029,134.

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

During 2014, 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 529,338,453 as at 31 December 2014 indicates that the issued capital of TL 44,951,051 has been very well maintained.

AGENDA

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

AGENDA FOR 2014 ORDINARY GENERAL ASSEMBLY MEETING HELD ON 26 MARCH 2015

1. Opening and electing the Presiding Committee,
2. Authorizing the Presiding Committee to sign the minutes of the General Assembly Meeting minutes,
3. Reading, deliberating and approving the Annual Report 2014 by the Company's Board of Directors,
4. Reading and deliberating the Independent Auditor's Report for 2014 fiscal year,
5. Reading, deliberating and approving the financial statements for 2014 fiscal year,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2014 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. 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,
12. Deliberating and voting on matters pertaining to the year's profits,
13. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,
14. Wishes and comments.

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

PROFIT DISTRIBUTION PROPOSAL

At a meeting of the Board of Directors held on 04 March 2015, the Company's directors voted to submit the following Profit Distribution Proposal for approval at the Annual General Assembly meeting:

The Company's net distributable profit for 2014 is calculated as TL 87,076,222. This amount is arrived at as follows:

- TL 87,076,222 is shown as net profit for 2014 in the Company's independently audited financial statements, which have been prepared taking into account the requirements of the Turkish Commercial Code, capital markets legislation, Corporate Income Tax Law, Income Tax Law, and other applicable legislation as well as of the provisions of the Company's articles of incorporation pertaining to the distribution of profits and our profit distribution policy, and in accordance with International Financial Reporting Standards. Inasmuch as the legally mandated threshold has been reached, no General Legal Reserves were set aside.
- We submit for your consideration and approval the following proposal concerning the allocation of the TL 87,076,222 in distributable profit as calculated above:
- TL 17,598,440 will be distributed among shareholders as a first dividend. This corresponds to 20% of distributable profit when the TL 915,979 that was paid out as charitable donations during the year in line with the CMB rules is taken into account.
- Of the remainder, Board of Directors allocation be set aside, which will not be in excess of 5% as stipulated in the articles of incorporation,
- Of the remainder, the amount of TL 55,222,263 will be distributed among shareholders as a second dividend. The net combined total of first and second dividends amounts to TL 61,897,598. This corresponds to 137.70% of our issued capital, which amounts to TL 44,951,051.
- Of the remainder, TL 7,397,315 will be set aside as a General Legal Reserve.
- Of the final amount remaining, all will be set aside as an Extraordinary Reserve.

If this proposal is approved, the Company will be paying out a net cash dividend amounting to TL 1.,3770 on each share of its stock with a par value of TL 1.00.

Please be advised.

PROFIT DISTRIBUTION TABLE

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. 2014 PROFIT DISTRIBUTION TABLE (TL)

1. Paid-in/Issued Capital		44,951,051
2. General Legal Reserves (According to Legal Records)		42,685,999
Information on privileges for distribution of profits, if any, according to the Articles of Incorporation		
	According to CMB	According to Legal Records (LR)
3. Profit for the Period	82,557,279	86,899,687
4. Taxes (-)	4,518,943	[2,868,299]
5. Net Profit for the Period (=)	87,076,222	84,031,389
6. Losses in Prior Years (-)	0	0
7. General Legal Reserves (-)	0	0
8. NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	87,076,222	84,031,389
9. Donations during the Year (+)	915,979	
10. Net Distributable Profit for the Period Including Donations	87,992,201	
First Dividend to Shareholders		
- Cash	17,598,440	
- Bonus Shares		
11. - Total	17,598,440	
12. Dividends Distributed to Owners of Privileged Shares		
Other Dividends Distributed		
- Members of the Board of Directors	3,400,000	
- Employees		
13. - Non-Shareholder Individuals		
14. Dividends Distributed to Owners of Redeemed Shares		
15. Second Dividend to Shareholders	55,222,263	
16. General Legal Reserves	7,397,315	
17. Statutory Reserves		
18. Special Reserves		
19. EXTRAORDINARY RESERVES	3,458,204	413,371
20. Other Resources to be Distributed		
21. General Legal Reserves Allocated for other Funds to be Distributed		

RATIO OF DIVIDENDS TABLE

CLASS	TOTAL DIVIDENDS DISTRIBUTED (TL)		TOTAL DIVIDENDS DISTRIBUTED/NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDENDS PER SHARE WITH A PAR VALUE OF TL 1 TL EACH	
	CASH (TL)	BONUS (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
NET No share classes enjoy privileges for profit distribution	61,897,598		71.08	1.3770	137.70
TOTAL	61,897,598		71.08	1.3770	137.70

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART 1. Statement of Compliance with Corporate Governance Principles:

a) During the operating period ended 31 December 2014, PINAR SÜT MAMULLERİ SANAYİİ A.Ş. ("the Company") achieved compliance with the entirety of the mandatory articles of the Corporate Governance Principles appended to the "Communiqué No: II.17.1 on Corporate Governance ("the Communiqué") issued by the Capital Markets Board of Turkey (CMB).

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

The Company maintains its position for the principles numbered 1.3.10 and 1.3.11 as their implementation is non-compulsory.

While the Company intends to achieve full alignment with the principles numbered 2.1.2 and 2.2.2/a, 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.

During 2014, the Investor Relations Department at our Company was structured as stipulated by the legislation, necessary Board of Directors decisions were passed regarding common and continuous transactions with related parties, employee compensation policies were developed, material event disclosures incorporating significant Board of Directors decisions were separately classified on the website, and improvements to the website continued.

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. The Investor Relations Department reports to Muzaffer Bekar, the Finance Director of the Company.

Contact information for Investor Relations Department employees is presented below:

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

Investor Relations Department Officer: Derya Gülerman

Tel : +90 232 482 2200

Fax : +90 232 489 1562

Email : investorrelations@pinarsut.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 40 investors, and responded to more than 150 queries by phone or e-mail. In addition, upon disclosure of the Company's financial results, two webcast meetings have been organized, which were open to all analysts and addressed the Company's activities and financial results for 2013 full year and for 2014 half-year. "Financial Presentations" drawn up in Turkish and English languages covering the Company's periodic operating results were published on the Company's website. The website and investor presentations have been updated regularly to make sure that up-to-date information is made available to the investors at all times. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests

2.3. Shareholders' exercise of their right to obtain information:

The fundamental principle in shareholders exercising their right to obtain information is that there should be no discrimination among shareholders. All information and documents that shareholders may need to exercise their shareholders' rights in a sound manner are made equally available to all shareholders on the Company's corporate website. During 2014, 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 2014.

2.3. General Assembly Meetings

Pursuant to "Article 19 - 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 2013 Annual General Assembly meeting took place on 27 March 2014 at our company's factory during the reporting period. At the 2013 Annual General Assembly meeting, 83.40% 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 meetings were made by the Board of Directors.

The Company's General Assembly meeting announcements were promulgated under "Article 22 - 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 at least three weeks (excluding the dates of the meeting and announcement) in advance. The meeting announcement was also published on the corporate website, and shareholders whose addresses were on record with the Company were sent letters in which they were informed about the meeting date, location, and agenda. Prior to the General Assembly meeting, the meeting date, place and agenda, the information that the Informational Document regarding the agenda is posted on the website, and the profit distribution proposal to be submitted by the Board of Directors to the General Assembly were publicly disclosed in material event disclosures. The Informational Document drawn up for 2013 Ordinary General Assembly Meeting covered detailed descriptions about each general meeting agenda item, as well as all the explanations, information and documents required by the legislation.

The Company's annual report and the informational document for the general assembly meeting were made available for shareholders' review at the Company's headquarters and on its corporate website as of twenty-one 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 eight 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 is presented to the shareholders on the amount and recipients of the donations and grants made during the reporting period. This matter is addressed as a separate agenda item. An upper limit was set for the donations to be made during 2014 at the meeting.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

2.4. Voting Rights and Minority Rights:

Article 8 of the Company's articles of incorporation grants the following privilege regarding nominations to the Board of Directors:

"Should the Board of Directors be constituted of five members, three of them shall be elected from among the nominees indicated by Group A shareholders, one member each shall be elected from among the nominees indicated by Group B and Group C shareholders. In case the Board consists of seven members, four of them shall be elected from among the nominees indicated by Group A shareholders, two members shall be elected from among the nominees indicated by Group B shareholders, and one member shall be elected from among the nominees indicated by Group C shareholders. In case the Board consists of nine members, five of them shall be elected from among the nominees indicated by Group A shareholders, three members shall be elected from among the nominees indicated by Group B shareholders, and one member shall be elected from among the nominees indicated by Group C shareholders.

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

The Company's articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. With respect to the exercise of voting rights, the Company's articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. Article 23 of the Company's articles of incorporation, which governs the exercise of voting rights, reads as follows:

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

There are no other companies in which the Company has a cross-ownership. Minority rights are not represented on the Board of Directors. The articles of incorporation do not set minority rights to be less than one twentieth of the capital.

2.5. Entitlement to Dividends:

The Company's profit distribution decisions are based on the provisions of the Turkish Commercial Code, capital market legislation, tax regulations and other applicable legislation, and the profit distribution provision of the Company's articles of incorporation, and a consistent policy observing the balance between the interests of shareholders and of the Company is pursued, in accordance with the CMB's Corporate Governance Principles.

The Company's annually reviewed policy for profit distribution is to pay out cash dividends and/or bonus shares corresponding to minimum 20% of the distributable profit for the period, which is calculated in accordance with the capital market regulations and other applicable legislation, taking into consideration the economic conjuncture, market projections, the Company's long-term strategies and long-term investment and financing policies, the Company's financial position, profitability and cash position, to the extent allowed by relevant regulations and finances.

Unless otherwise decided in the general assembly meeting in which the profit distribution decision is discussed, it is intended to realize the dividend payout by no later than in May in the same year in which the relevant general assembly meeting is held, and the date of profit distribution is decided by the General Assembly of Shareholders. The General Assembly of Shareholders, or the Board of Directors, if authorized, may decide to pay out the dividends in installments in accordance with the capital market regulations and rules.

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 provided further that capital market regulations and rules are adhered to.

The Company's Dividend Policy for 2013 and thereafter, which was formulated in line with the capital market legislation, has been laid down for approval at the 2013 Annual General Assembly Meeting and publicly disclosed. Our Dividend Policy is publicly disclosed also via our website.

Distribution of the Company's profit for 2013 has been completed on 30 May 2014.

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. The Corporate Website and its Content:

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

3.2. Annual Report:

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

PART IV: STAKEHOLDERS

4.1. Disclosure to Stakeholders:

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

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

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

4.2. Stakeholder Participation in Management

In an effort to maximize customer satisfaction, a careful ear is turned to customers through the customer relationship management system, which was established to respond to customer needs and expectations, to strengthen communication with customers, and to enhance customer satisfaction. Customer audits are successfully carried out, as are chain store audits.

Customer requests and complaints received by Pınar Communication Center (in Turkish: PİM) on the phone line 444 76 27 are responded to, and information is provided to consumers on the topics conveyed as soon as possible. The PİM twitter account serves to review the requests and suggestions received via the social media, upon which the team gets back to the consumers. The service level of PİM is regularly measured through the satisfaction questionnaire administered with contacted consumers.

During producer training meetings, information is provided on livestock health, hygiene and correct milking practices, continuance of the herd, ensilaging and important considerations during ensilaging, harmful substances that can be contained in fodders and control thereof.

Visits are paid to, and inspections are performed at, existing and potential suppliers in line with the annual plans, and Class A suppliers are certified.

Technical training programs are offered to Regional Sales Directorates, which address technical properties of the products, and their superior qualities over similar products. Training sessions are organized which provide guidance as to how to satisfy customer needs and expectations in a technical sense. The Company assesses the feedbacks received from these meetings.

Based on its awareness that maintaining a high level of employee motivation and engagement creates a significant advantage in attaining success faster, Pınar Süt collects its employees' feedbacks through the "Employee Opinion Survey" administered since 1998 to this end. In 2014, the Employee Opinion Survey was turned into an online application covering all employees at the Group. These surveys are used as a key tool whereby employees are able to provide feedback to the Company management.

During 2014, Pınar Süt offered 19,632 hours of training in total to its employees, which corresponds to 17.5 training hours per person on average.

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 2014. 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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Basic human resources policies

- a) Staffing at the Company is determined according to the criteria of business economics. All employees agree that honorable employment is only possible through productive work.
- b) The Company conducts intramural and extramural training programs within the framework of plans that are devised for each level in order to ensure the progression of its employees.
- c) The Company is mindful of equality of opportunity in all promotions and appointments throughout its organization. As a matter of principle, appointments are made from among the Company's own personnel.
- d) By means of a career planning system in which progression plans are implemented, employees who have potential are provided with the broadest possible opportunities for advancement.
- e) Employees' performance is evaluated on the basis of their fulfillment of targets and their competencies.
- f) Job descriptions and performance standards are documented for positions at every level from the highest to the lowest and these serve as the basis for employee evaluations.
- g) Employee Opinion Surveys are conducted 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 five workplace representatives at Pınar Süt (three in the Pınarbaşı plant and two in the Eskişehir plant).

At the İzmir Plant: Ali Ünlü, Cheese Packaging Shift Supervisor; Yılmaz Solak, Electrical Maintenance Foreman; Günay Aslan, Dehydrated Milk Production Foreman

At the Eskişehir Plant: Erdoğan Yörüksoy, Tetrapak Operator; Vural Sakarya, Machinery Maintenance Foreman

The duties of these representatives are to:

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

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

4.4. Rules of Ethics and Social Responsibility:

In order to fulfill its responsibilities related to public health and the nature, Pınar Süt 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 seeks to make contributions that are beneficial to employees and to the community in the areas of culture, art, sport, and education through the Pınar Kido art competitions, the Pınar Kido children's theater, its sponsorship of Pınar Karşıyaka basketball team, farmer training programs, its newspaper Pınar, and its magazine Yaşam Pınarım.

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

Carrying out its activities on Yaşar University Campus, Pınar Institute has been established as part of the commitment to corporate social responsibility for the purposes of contributing to healthy development of the society, carrying out researches, supporting researches and training, publishing the outcomes, and taking on activities to this end.

A consumer perception study on milk and dairy products was carried out with the project "Consumer Perception of Milk and Dairy Products: Effects of Misinformation by the Media", co-conducted by Pınar Institute and Yaşar University Faculty of Communication under the TUBITAK 3001: Starting R&D Projects Support Program.

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

Name	Position	Independent Director or Not	Executive Director or Not	Term of Office
İdil Yiğitbaşı	Chairperson	Non-independent Board Director	Non-executive	1 year
Mustafa Selim Yaşar	Vice Chairperson	Non-independent Board Director	Non-executive	1 year
Emine Feyhan Yaşar	Director	Non-independent Board Director	Non-executive	1 year
Turhan Talu	Director	Independent Board Director	Non-executive	1 year
Ali Yiğit Tavas	Director	Independent Board Director	Non-executive	1 year
Cengiz Erol	Director	Independent Board Director	Non-executive	1 year
Yılmaz Gökoğlu	Director	Non-independent Board Director	Non-executive	1 year

Gürkan Hekimoğlu serves as the Company's General Manager. The engagement of company directors in the activities set forth in Articles 395 and 396 of the Turkish Commercial Code is subject to the approval of the General Assembly of shareholders. With the exception of those activities, there are no other limitations imposed on what Board directors may do 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 the Yaşar Group, may hold seats on the boards of directors of other Group companies, and there may be various transactions by and between these companies that may be considered under the scope of Article 395/1 of the Turkish Commercial Code. However, the parties to such transactions are Group companies only, and necessary permissions are obtained at the general assembly meeting of each relevant company.

The General Manager's résumé is provided in the Company's annual report, and the résumés 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.

Three independent director candidates were presented for 2014 to the Corporate Governance Committee that acts as the Nomination Committee. The declarations of independence and résumés of these individuals have been discussed in the Corporate Governance Committee meeting of 3 March 2014 and in the meetings of the Board of Directors, and it has been decided to nominate all of them as independent directors. No situations arose that prejudiced independence as at 2014 operating period. There are two 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.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

5.2. Operating Principles of the Board of Directors

The operating principles of the Board of Directors are spelled out as follows in Article 10 of the Company's articles of incorporation:

"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 2014 activities of the Board of Directors are provided below:

During the reporting period, the Board of Directors convened forty-two 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. All directors are usually present at meetings. There were no unresolved disputes over issues during the 2014 reporting period. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights. An insurance coverage has been obtained for losses that the Company may sustain by reason of the faults committed by the Board of Directors members during the performance of their duties.

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

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

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

The Corporate Governance Committee is headed by Turhan Talu, a non-executive, independent Board member, and its other members are Cengiz Erol, non-executive, independent Board member, Yılmaz Gökoğlu, non-executive Board member, and Muzaffer Bekar, Finance Director to whom Head of the Investor Relations Department reports. Corporate Governance Committee meets at least four times a year, held at least on a quarterly basis. The Corporate Governance Committee establishes whether the Corporate Governance Principles are implemented at the Company, the grounds for non-implementation, if applicable, and the conflicts of interest arising from failure to fully comply with these principles. The Committee proposes improvement actions to the Board of Directors. Corporate Governance Committee oversees the activities of the Investor Relations Department.

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

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

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

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 Finance Director, to whom the Head of the Investor Relations Department reports, is appointed as a member of the Corporate Governance Committee by the Board of Directors. Since there are three 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 Goals of the Company:

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

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 the Company website. The Company's annual reports do not present the rights provided to senior executives on an individual basis, but state a cumulative amount.

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

INDEPENDENT AUDITOR'S REPORT ON THE ANNUAL REPORT

[Convenience translation into English - the Turkish text is authoritative]

To the Board of Directors of Pınar Süt Mamülleri Sanayii A.Ş.

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

1. We have audited the annual report of Pınar Süt Mamülleri Sanayii A.Ş. (the "Company") for the period ended 31 December 2014.

Board of Directors' responsibility for the Annual Report

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

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's annual report based on the independent audit conducted pursuant to Article 397 of TCC and the Communiqué, whether or not the financial information included in this annual report is consistent with the Company's financial statements that are subject to independent auditor's report dated 2 March 2015 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

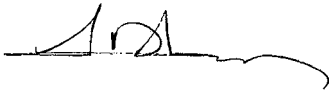
4. Based on our opinion, the financial information in the annual report of Board of Directors of Pınar Süt Mamülleri Sanayii A.Ş. is consistent with the audited financial statements and presented fairly, in all material respects.

Other Responsibilities Arising From Regulatory Requirements

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

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

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Atilla Yılmaz Dölerslan, YMM
Partner

İzmir, 2 March 2015

INDEPENDENT AUDITOR'S REPORT

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

To the Board of Directors of Pınar Süt Mamülleri Sanayii A.Ş.

Report on the Financial Statements

1. We have audited the accompanying financial statements of Pınar Süt Mamülleri Sanayii A.Ş. (the "Company"), which comprise the statement of financial position as of 31 December 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Independent auditor's responsibility

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

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

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

Opinion

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of Pınar Süt Mamülleri Sanayii A.Ş. as of 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

INDEPENDENT AUDITOR'S REPORT

Emphasis of Matter

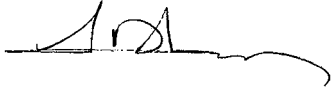
5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 2 March 2015.

Other Responsibilities Arising From Regulatory Requirements

6. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 2 March 2015
7. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period
1 January – 31 December 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
8. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

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Atilla Yılmaz Dölarıslan, YMM
Partner

İzmir, 2 March 2015

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Pınar Süt Mamulleri Sanayii A.Ş.

**Statements of Financial Position (Balance Sheets)
at 31 December 2014 and 2013**

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

Convenience translation into English of financial statements Originally issued in Turkish

	Notes	31 December 2014	31 December 2013
ASSETS			
Current assets		279.259.168	233.008.057
Cash and cash equivalents	6	2.393.628	823.866
Trade receivables		156.657.716	115.879.577
- Due from related parties	7	147.263.702	108.887.049
- Other trade receivables	8	9.394.014	6.992.528
Other receivables		2.953.547	6.518.748
- Due from related parties	7	-	5.286.851
- Other receivables	10	2.953.547	1.231.897
Inventories	11	96.422.663	95.188.742
Prepaid expenses	13	3.973.946	3.718.011
Other current assets	30	16.857.668	10.879.113
Non-current Assets		500.824.667	450.339.382
Financial assets	45	67.521.088	56.148.218
Other receivables	10	13.359	751
Investments in associates accounted for using equity method	4	52.997.281	45.947.804
Property, plant and equipment	15	378.522.890	346.848.708
Intangible assets	18	766.452	813.515
Prepaid expenses	13	1.003.597	580.386
TOTAL ASSETS		780.083.835	683.347.439

The financial statements at 31 December 2014 and for the year then ended have been approved for issue by Board of Directors of Pınar Süt Mamülleri Sanayii A.Ş. on 2 March 2015.

Pınar Süt Mamulleri Sanayii A.Ş.

Statements of Financial Position (Balance Sheets) at 31 December 2014 and 2013

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

Convenience translation into English of financial statements Originally issued in Turkish

	Notes	31 December 2014	31 December 2013
LIABILITIES			
Current liabilities		196.491.171	153.820.005
Short term borrowings	25	1.074.614	1.269.615
Short-term portion of long-term borrowings	25	4.029.704	164.773
Other financial liabilities		2.262.735	3.093.529
Trade payables		169.841.906	144.015.326
- Due to related parties	7	28.035.899	27.065.092
- Other trade payables	8	141.806.007	116.950.234
Payables related to employee benefits	28	1.210.923	1.041.517
Other payables		14.942.497	2.519.885
- Due to related parties	7	13.356.975	630.131
- Other payables	10	1.585.522	1.889.754
Deferred income		155.552	202.500
Current income tax liabilities	39	1.564.328	73.331
Short-term provisions		1.084.522	1.390.340
- Provisions for employee benefits	28	1.084.522	1.390.340
Other Current Liabilities	30	324.390	49.189
Non-Current Liabilities		54.254.211	49.695.218
Long-term borrowings	25	6.000.000	-
Trade payables		31.476.564	27.678.536
- Other trade payables	8	31.476.564	27.678.536
Other payables		44.622	45.450
- Other payables to non-related parties	10	44.622	45.450
Long-term provisions		12.475.024	10.600.960
- Provisions for employee termination benefits	28	12.475.024	10.600.960
Deferred Income Tax Liabilities	39	4.258.001	11.370.272
TOTAL LIABILITIES		250.745.382	203.515.223
EQUITY			
Share capital		44.951.051	44.951.051
Adjustment to share capital	31	16.513.550	16.513.550
Other comprehensive income/ expense not to be reclassified to profit or loss		114.291.370	130.599.073
- Revaluation of property, plant and equipment	15	120.120.092	134.799.798
- Revaluation reserves of investments-in-associates		464.314	552.525
- Actuarial gain/ loss arising from defined benefit plans		(5.139.557)	(3.961.260)
- Actuarial gain/ loss arising from defined benefit plans of investments-in associates		(1.153.479)	(791.990)
Other comprehensive income/ expense to be reclassified to profit or loss		49.201.421	37.133.995
- Foreign currency translation differences		1.149.544	1.344.686
- Fair value reserves of available-for-sale investments	45	41.825.136	31.021.811
- Fair value reserves of investments-in-associates		6.226.741	4.767.498
Restricted reserves	31	43.161.534	38.576.527
Distribution to shareholders		(5.537.877)	(5.537.877)
Retained earnings		179.681.182	150.152.970
Profit for the year		87.076.222	67.442.927
TOTAL LIABILITIES AND EQUITY		780.083.835	683.347.439

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

Pınar Süt Mamulleri Sanayii A.Ş.

Statements Of Income And Other Comprehensive Income For The Periods 1 January - 31 December 2014 And 2013

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

Convenience translation into English of financial statements Originally issued in Turkish

PROFIT OR LOSS	Note Reference	1 January - 31 December 2014	1 January - 31 December 2013
Revenue	32	940.469.588	809.821.985
Cost of Sales	32	(782.759.244)	(658.957.435)
Gross Profit from Trading Operations		157.710.344	150.864.550
GROSS PROFIT	32	157.710.344	150.864.550
General Administrative Expenses	34	(31.611.728)	(27.863.632)
Marketing Expenses	34	(64.411.441)	(60.288.388)
Research and Development Expenses	34	(7.593.754)	(8.221.306)
Other Operating Income	35	8.294.822	7.630.698
Other Operating Expenses	35	(9.762.676)	(11.624.678)
OPERATING (LOSS)/ PROFIT		(242.831)	982.405
Income from Investment Activities	36	20.420	14.890
Expense from Investment Activities	36	(40)	(114.325)
OPERATING PROFIT		52.625.567	50.497.244
Income from Investment Activities	36	24.704.848	5.640.801
Expense from Investment Activities	36	(1.183.861)	(2.209.739)
Share of results of investment-in-associates - net	4	7.338.308	5.701.222
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		83.484.862	59.629.528
Financial Income	37	1.404.222	1.503.214
Financial Expenses	37	(2.331.805)	(1.824.203)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		82.557.279	59.308.539
Tax Income of Continuing Operations		4.518.943	8.134.388
- Current Income Tax Expense	39	(2.868.299)	(4.124.289)
- Deferred Tax Income	39	7.387.242	12.258.677
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		87.076.222	67.442.927
PROFIT FOR THE YEAR		87.076.222	67.442.927
Earnings per share:		1,9371	1,5004
- Earnings per 1 Kr number of 100 shares from continuing operations	40	1,9371	1,5004
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/ expense not to be reclassified to profit or loss		(1.539.786)	20.797.956
Increase in revaluation reserve		-	24.230.727
Actuarial loss arising from defined benefit plans	28	(1.472.871)	(982.343)
Actuarial gain/ loss arising from defined benefit plans of investments-in-associates - net		(361.489)	(105.753)
Increase in revaluation reserve of investments-in-associates - net		-	11.951
Taxes for other comprehensive income/ expense not to be reclassified to profit or loss		294.574	(2.356.626)
- Deferred tax income/ (expenses)	39	294.574	(2.356.626)
Other comprehensive income/ expense to be reclassified to profit or loss		12.067.426	1.715.224
Foreign currency translation differences	4	(195.142)	962.641
Increase in fair value reserve of available-for-sale investments	45	11.372.870	2.814.782
Increase in fair value reserve of investment in associates - net	4	1.459.243	(1.934.296)
Taxes for other comprehensive income/ expense to be reclassified to profit or loss		(569.545)	(127.903)
- Deferred tax expenses	39	(569.545)	(127.903)
OTHER COMPREHENSIVE INCOME		10.527.640	22.513.180
TOTAL COMPREHENSIVE INCOME		(1.169.781)	6.121.891

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

Pınar Süt Mamulleri Sanayii A.Ş.

Statements of Cash Flows for the Years Ended at 31 December 2014 and 2013

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

Convenience translation into English of financial statements Originally issued in Turkish

	Notes	1 January - 31 December 2014	1 January - 31 December 2013
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the Year		87.076.222	67.442.927
Adjustments Related to Reconciliation of Net Profit for The Year		(17.900.928)	(854.306)
Adjustments related to taxation on (income)/ expense	39	(4.518.943)	(8.134.388)
Adjustments related to depreciation and amortization of fixed assets	15-18	16.206.238	15.658.728
Adjustments related to interest income	36-37	(361.979)	(1.904.882)
Adjustments related to interest expense	35-37	3.531.160	2.122.055
Adjustments related to provision for employment termination benefits	28	2.145.582	1.646.335
Adjustments related to share of results of investment in associates - net	4	(7.338.308)	(5.701.222)
Adjustments related to inventory profit elimination	4	32.412	6.785
Adjustments related to (loss)/ gain from sales of property, plant and equipment - net	36	(19.202.798)	1.857.430
Adjustments related to dividend income	36	(4.091.560)	(3.490.618)
Adjustments related to unrealized foreign exchange gain/ (loss)		(511.888)	1.093.852
Adjustments related to income accruals		(3.790.844)	(4.008.381)
Changes in working capital		(16.162.112)	17.799.815
Increase/ (decrease) in trade receivables	8	(2.401.486)	2.516.551
Increase in inventory	11	(1.233.921)	(13.064.294)
Increase in trade receivables from related parties	7	(38.376.653)	(17.231.808)
Increase/ (decrease) in short and long - term other receivables and other current assets		(4.177.900)	(1.276.524)
Change in other non-current assets		(423.211)	1.342.749
Increase in trade payables	8	29.163.639	35.170.927
Increase in short-term trade payables to related parties	7	970.807	9.551.000
Increase in other payables		316.613	791.214
Cash used in operating activities		(3.635.627)	(8.462.054)
Bonus paid		(315.417)	(230.234)
Employment termination benefits paid	28	(1.944.109)	(1.891.731)
Taxes paid	39	(1.376.101)	(6.340.089)
Net cash provided by operating activities		49.377.555	75.926.382
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		361.978	1.904.882
Cash outflows from purchases of property, plant and equipment and intangible assets and from advances given		(64.061.778)	(49.505.643)
Cash inflows from property, plant and equipment sales		35.431.219	1.233.576
Decrease in non-trade receivables from related parties	7	5.286.851	18.325.368
Dividends received	7	5.250.591	7.038.851
Net cash used in investing activities		(17.731.139)	(21.002.966)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/ (decrease) in financial liabilities - net		8.839.134	(10.003.528)
Dividends paid	7	(48.097.625)	(46.299.583)
Interest paid		(3.547.074)	(2.122.055)
Increase in non-trade payables to related parties	7	12.726.844	(180.778)
Net cash used in financing activities		(30.078.721)	(58.605.944)
Net increase/ (decrease) in cash and cash equivalents before foreign currency translation differences		1.567.695	(3.682.528)
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS			
Net decrease/ (increase) in cash and cash equivalents		1.569.762	(3.682.528)
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD			
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	2.393.628	823.866

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

Pınar Süt Mamulleri Sanayii A.Ş.

Statements of Changes in Equity for the Years Ended 31 December 2014 and 2013

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

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	Share Capital	Adjustment to share capital	Revaluation Reserve	Other Comprehensive Income/(Expense) not to be reclassified to profit or loss		
				Revaluation reserves of investments in associates	Actuarial gain/(loss) arising from defined benefit plans	Actuarial gain/(loss) arising from defined benefit plans of investments in associates
PREVIOUS PERIOD						
1 January 2013 (opening)	44.951.051	16.513.550	117.422.792	713.355	(3.175.386)	(686.237)
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-
Transfer to restricted reserves	-	-	-	-	-	-
Dividend payment (Note 7)	-	-	-	-	-	-
Sale of property, plant and equipment	-	-	(1.070.404)	-	-	-
Depreciation transfer of investments-in-associates - net	-	-	-	(172.781)	-	-
Total comprehensive income	-	-	21.677.632	11.951	(785.874)	(105.753)
Depreciation transfer - net (Note 15)	-	-	(3.230.222)	-	-	-
31 December 2013 (closing)	44.951.051	16.513.550	134.799.798	552.525	(3.961.260)	(791.990)
CURRENT PERIOD						
1 January 2014 (opening)	44.951.051	16.513.550	134.799.798	552.525	(3.961.260)	(791.990)
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-
Transfer to restricted reserves	-	-	-	-	-	-
Dividend payment (Note 7)	-	-	-	-	-	-
Sale of property, plant and equipment	-	-	(11.287.899)	-	-	-
Depreciation transfer of investments-in-associates - net	-	-	-	(88.211)	-	-
Total comprehensive income	-	-	-	-	(1.178.297)	(361.489)
Depreciation transfer - net (Note 15)	-	-	(3.391.807)	-	-	-
31 December 2014 (closing)	44.951.051	16.513.550	120.120.092	464.314	(5.139.557)	(1.153.479)

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

**Other Comprehensive
Income/(Expense)
to be classified to profit or loss**

Fair value reserve for available for sale investments	Fair value reserve for investment in associate	Foreign currency translation differences	Restricted reserves	Distribution to shareholders	Retained earnings	Profit for the year	Total Equity
28.334.932	6.701.794	382.045	34.121.324	(5.537.877)	139.013.283	57.421.066	436.175.692
-	-	-	-	-	57.421.066	(57.421.066)	-
-	-	-	4.455.203	-	(4.455.203)	-	-
-	-	-	-	-	(46.299.583)	-	(46.299.583)
-	-	-	-	-	1.070.404	-	-
-	-	-	-	-	172.781	-	-
2.686.879	(1.934.296)	962.641	-	-	-	67.442.927	89.956.107
-	-	-	-	-	3.230.222	-	-
31.021.811	4.767.498	1.344.686	38.576.527	(5.537.877)	150.152.970	67.442.927	479.832.216
31.021.811	4.767.498	1.344.686	38.576.527	(5.537.877)	150.152.970	67.442.927	479.832.216
-	-	-	-	-	67.442.927	(67.442.927)	-
-	-	-	4.585.007	-	(4.585.007)	-	-
-	-	-	-	-	(48.097.625)	-	(48.097.625)
-	-	-	-	-	11.287.899	-	-
-	-	-	-	-	88.211	-	-
10.803.325	1.459.243	(195.142)	-	-	-	87.076.222	97.603.862
-	-	-	-	-	3.391.807	-	-
41.825.136	6.226.741	1.149.544	43.161.534	(5.537.877)	179.681.182	87.076.222	529.338.453

Pınar Süt Mamulleri Sanayii A.Ş.**Notes to the Financial Statements
for the Period Between 1 January - 31 December 2014**

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

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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Pınar Süt Mamülleri Sanayii A.Ş. ("the Company") was established in 1973 and the main operations of the Company are the processing, production and sales of milk, dairy products, fruit juice, sauces and powder products. The Company's production facilities are located in İzmir - Pınarbaşı, Eskişehir Organized Industry Zone and Şanlıurfa Organized Industry Zone; whether production process has not started yet in Şanlıurfa facility. The Company's head office is located in İzmir. The Company sells its products under "Pınar" brand, which is one of the leading brands in food and beverages business in Turkey.

95% (2013: 97%) of sales and distribution of the Company's products in the domestic market are performed by its investment-in-associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), and substantial portion of its exports are performed by Yaşar Dış Ticaret A.Ş., ("YDT") which are both Yaşar Group companies (Note 7).

The Company is subject to the regulations of the Capital Market Board ("CMB") and 37,95% (2013: 37,95%) of its shares are quoted on the Borsa İstanbul ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 61,41% shares of the Company (2013: 61,41%) (Note 31).

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

Şehit Fethi Bey Caddesi No: 120
Alsancak/ İzmir

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS**2.1 Basis of Presentation of Financial Statements**

The accompanying financial statements are prepared in accordance with Communiqué Serial II, No: 14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Accounting Standards ("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 according to the CMB announcement of 7 June 2013 relating to financial statements presentations. Prior period financial figures were restated, where necessary, accordingly.

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

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

2.2 Amendments in Turkish Financial Reporting Standards**a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2014 and are adopted by the Company:**

- Amendment to TAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities, effective from annual periods beginning on or after 1 January 2014. This amendment updates the application guidance in TAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- Amendments to TAS 36, 'Impairment of assets', effective from annual periods beginning on or after 1 January 2014. These amendments address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Pınar Süt Mamulleri Sanayii A.Ş.**Notes to the Financial Statements
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- Amendment to TAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting, effective from annual periods beginning on or after 1 January 2014. These narrow-scope amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met.
- TFRIC 21, 'Levies', effective from annual periods beginning on or after 1 January 2014. This interpretation is on TAS 37, 'Provisions, contingent liabilities and contingent assets'. TAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

b) New standards, amendments and interpretations issued and effective as of 31 December 2014 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

c) New TFRS standards, amendments and IFRICs effective after 1 January 2015:

- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010 - 12 cycle of the annual improvements project, that affect 9 standards:
 - TFRS 2, 'Share-based payment'
 - TFRS 3, 'Business Combinations'
 - TFRS 8, 'Operating segments'
 - TFRS 13, 'Fair value measurement'
 - TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets'
 - Consequential amendments to TFRS 9, 'Financial instruments', TAS 37, 'Provisions, contingent liabilities and contingent assets', and
 - TAS 39, 'Financial instruments - Recognition and measurement'.
- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011 - 12 - 13 cycle of the annual improvements project, that affect 4 standards:
 - TFRS 1, 'First time adoption'
 - TFRS 3, 'Business combinations'
 - TFRS 13, 'Fair value measurement' and
 - TAS 40, 'Investment property'.
- Amendment to AS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2017. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- 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.

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Notes to the Financial Statements for the Period Between 1 January - 31 December 2014

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- 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 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 to TFRS 1) regarding servicing contracts.
 - TAS 19, 'Employee benefits' regarding discount rates.
 - TAS 34, 'Interim financial reporting' regarding disclosure of information

The Company will determine the effects of these amendments above on the consolidated 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 consolidated financial statements. New standards, amendments and interpretations issued and effective as of 31 December 2014 have not been presented since they are not relevant to the operations of the company or have insignificant impact on the financial statements.

2.3 Basis of consolidation

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

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

The table below sets out the associates and the proportion of ownership interest as of 31 December 2014 and 2013 (Note 4):

<u>Investments-in-associates</u>	<u>Share/Voting Right (%)</u>	
	<u>2014</u>	<u>2013</u>
YBP	31,82	31,82
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	30,52	30,52
Pınar Foods GmbH ("Pınar Foods")	44,94	44,94

In addition, the Company made an agreement at 6 December 2013 with Dimes Gıda Sanayii Ticaret A.Ş. ("Dimes") regarding the milk production and distribution to schools in East Anatolian and Aegean Region. According to this agreement, an ordinary partnership was established namely as "Dimes - Pınar Adi Ortaklığı" ("Dimes-Pınar") with the contribution of 39% of Pınar Süt and 61% of Dimes and this project has been completed in August 2014. All transactions related with ordinary partnership reflected to financial statements but not presented in financial statement disclosures because of the materiality notion.

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Notes to the Financial Statements for the Period Between 1 January - 31 December 2014

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Foreign currency translation

i) Transactions and balances

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

ii) Translation of financial statements of foreign associate

Financial statements of the investment-in-associate operating in Germany (Pınar Foods) are prepared according to the legislation of the country in which it operates, and adjusted to the financial reporting standards issued by the CMB. The assets and liabilities of foreign associate are translated into TL from the foreign exchange rates at the balance sheet date. The income and expenses of foreign associate are translated into TL at the average foreign exchange rates. As of 31 December 2014, equivalent of 1 Euro is TL 2,8207 (2013: TL 2,9365) and for the year then ended the average equivalent of 1 Euro TL 2,9049 (2013: TL 2,5270). Exchange differences arising from re-translation of the opening net assets of investments-in-associate and the differences between the average and year-end rates are included in the "currency translation reserve" under the equity as a separate component.

2.4 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are the 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.

2.5 Comparative Information

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 December 2014 on a comparative basis with balance sheet at 31 December 2013; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2014 on a comparative basis with financial statements for the period of 1 January - 31 December 2013.

The reclassifications performed in the profit and loss statement and comprehensive income statements as of and for the year ended 31 December 2014 are presented below:

- As of 31 December 2013, unearned financial income, presented under financial income, amounting to TL1.025.570 were recognised in other operating income.
- As of 31 December 2013, unearned financial expense, presented under financial expense, amounting to TL1.143.242 were recognised in other operating expense.
- As of 31 December 2013, foreign exchange gain, presented under financial income, amounting to TL601.486 were recognised in other operating income.

2.6 Summary of Significant Accounting Policies

Significant accounting policies followed in the preparation of the financial statements are summarized below:

2.6.1 Revenue recognition

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

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

Revenue is recognized as follows:

Sales of goods:

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

Sales of services:

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

Interest income:

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

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

Rental income- recognized evenly on an accrual basis.

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

2.6.2 Inventories

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

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

2.6.3 Property, plant and equipment

Property, plant and equipment, except for land and land improvements, buildings, machinery and equipment, are carried at cost less accumulated depreciation. Land and land improvements and buildings are stated at fair value, based on valuations by external independent valuers namely Elit Gayrimenkul Değerleme A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. while machinery and equipment are stated at fair value, based on valuations by external independent valuers namely Vakıf Gayrimenkul Değerleme A.Ş. (Note 15). Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on the revaluation of land, land improvements, buildings and machinery and equipment are credited to the revaluation reserve in equity, net of applicable deferred income tax. For certain assets, the increase was recognized in the statement of comprehensive income to the extent that it reversed the impairment of the same asset previously recognized in the statement of comprehensive income. Decreases that offset previous increases of the revalued 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 accumulated losses, and the amount transferred is net of any related deferred income tax.

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Buildings, land improvements, machinery and equipment are capitalized 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. Residual values of property, plant and equipment are deemed as negligible.

The advances given for the property, plant and equipment purchases are classified under the other non-current assets until the related asset is capitalised. At each balance sheet date, residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, 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 equipment are as follows:

	<u>Years</u>
Buildings and land improvements	15 - 50
Machinery and equipment	15 - 25
Furniture and fixtures	5 - 10
Motor vehicles	5

Where the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. If the property, plant and equipment that are impaired are revalued, the impairment is charged to the revaluation reserves for an amount equivalent to the increases included in the revaluation reserve in the preceding periods and the remaining amount is recognised in the consolidated statement of comprehensive income.

Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate (Note 36). On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to accumulated losses.

Subsequent costs are included in the asset's carrying value or recognized 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. The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Repairs and maintenance are charged to the consolidated statement 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 other income/ (expense) accounts. When revalued assets are sold, the related amounts included in revaluation reserve are transferred to accumulated losses, net of any related deferred income tax.

2.6.4 Intangible assets

Intangible assets have finite useful lives and mainly comprise acquired rights. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition (Note 18). Costs associated with maintaining computer software programs are recognized as an expense when incurred. Gain or losses on disposals or on impairments of intangible assets with respect to their amounts are included in the related income and expense accounts. Residual values of intangible assets are deemed as negligible. Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

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2.6.5 Impairment of assets

Impairment of financial asset:

- 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 the Company of financial assets is impaired. A financial asset or a the Company 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 the Company 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 reorganization;
 - 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 the Company 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.

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Impairment of non-financial assets:

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

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

In the case of impairment according to TAS 39 'Financial instruments: Recognition and measurement', test with comparing recoverable and carrying amount of impaired assets if there is and impairment according to TAS 36. Goodwill, accounted in investment in associates, does not recognized separately on the financial statements, so is not necessary to perform "Impairment of Assets" according to TAS 36. In accordance with TAS 39 "Financial Instruments: Recognition and Measurement", if there is an indication of impairment in investment in associates, the carrying amount of the investments is tested in accordance with TAS 36, by comparing its recoverable amount (higher of value-in-use and fair value less cost to sell) with its carrying amount and any additional impairment loss is recognised, if any.

2.6.6 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.

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

2.6.7 Financial assets

The Company classifies its financial assets under loans and receivables and available-for-sale financial assets categories. The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company classifies its financial instruments in the following categories:

i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period otherwise these are classified as non-current assets. The Company's loans and receivables comprise "trade receivables, due from related parties" and "cash and cash equivalents" in the balance sheet.

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

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Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the financial assets, loans and receivables and financial assets held to maturity. 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.

ii. Recognition and measurement

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

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

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

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

2.6.8 Business combination

However, if the parties involved for the transaction are the entities under common control, here between the Company and Yaşar Group Companies, the provisions stated in TFRS 3 are not applicable for the transaction, and accordingly goodwill or negative goodwill are not be accounted for.

Aforementioned transactions are recognized in financial statements retrospectively. The difference between the purchase consideration and the fair value of the net asset acquired was accounted for under equity as "Distribution to shareholders".

2.6.9 Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 40).

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

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

2.6.10 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.

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2.6.11 Provisions, contingent liabilities and contingent assets

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

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Where there are number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small. Provisions are not recognized for future operating losses.

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

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

ii. Provision for profit sharing and bonus plans

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

2.6.12 Accounting policies, errors and change in accounting estimates

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

2.6.13 Related parties

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

2.6.14 Segment reporting

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

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

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2.6.15 Leases

(1) The Company as the lessee

Finance Leases

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property net off any tax incentives received, if any, or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other liabilities (Note 21). The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the lower of useful life or the lease period of the asset (Note 15).

Operating Leases

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

(2) The Company as the lessor

Operating Leases

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

2.6.16 Taxation on income

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date (Note 39). The adjustments related to prior period tax liabilities are recognized in other operating expenses.

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

Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. To the extent that deferred income tax assets will not be utilized, the related amounts have been deducted accordingly (Note 39).

2.6.17 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.

2.6.18 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.

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2.6.19 Government grants and incentive

Grants from the government are recognized at their fair value when there is a reasonable assurance that grant will be received and the Company will comply with all relevant conditions after fulfilling minimum requirements.

The Company recognizes the subsidy received for brand development and marketing by way of crediting respective selling and marketing costs whereas the subsidy received for usage of milk powder in products sold abroad is net off against the cost of sales (Note 24).

2.6.20 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:

a) Income taxes

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

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

The generally accepted valuation techniques used in fair value determination of available-for-sale investments for which there is no quoted market price exists, consist of several assumptions, which are based on the management's best estimates and fair value available-for-sale investments could be different when the purchase/ sales of the transactions incurred (Note 45).

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

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

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

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements and machinery and equipment were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.
- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m² sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

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

Values to be originated during purchase/ sale transactions are realized, may differ from these values.

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, in accordance with the "TAS 36 Impairment of Assets", and no impairment indicator is identified.

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 (2013: None).

NOTE 4 - INTERESTS IN OTHER ENTITIES

Investment in associates:

	31 December 2014		31 December 2013	
	TL	%	TL	%
YBP	38.605.503	31,82	32.759.764	31,82
Desa Enerji	9.471.409	30,52	8.271.725	30,52
Pınar Foods	4.920.369	44,94	4.916.315	44,94
	52.997.281		45.947.804	

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

	2014	2013
1 January	45.947.804	44.867.057
Share of profit before taxation of investments-in-associates - net	7.338.308	5.701.222
Increase/ (decrease) in fair value reserves of associates - net	1.459.243	(1.934.296)
Dividend income from investments-in-associates (Note 7.ii.d)	(1.159.031)	(3.548.233)
Currency translation reserve	(195.142)	962.641
Increase in revaluation reserve in investment in associate - net	-	11.951
Actuarial loss arising from defined benefit plans of investments-in associates	(361.489)	(105.753)
Elimination of effect of unrealized profits on inventory - net	(32.412)	(6.785)
31 December	52.997.281	45.947.804

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Condensed financial statements of investments in associates are as follows;

	31 December 2014				
	Assets	Liabilities	Net Sales	Net Period Income	Other Comprehensive Income/ (Expense)
- YBP	337.668.988	215.475.046	1.426.923.988	18.588.412	3.450.304
- Desa Enerji	35.052.205	4.018.755	32.169.814	4.011.449	-
- Pınar Foods	12.166.505	1.217.753	48.918.524	443.213	(444.732)
	31 December 2013				
	Assets	Liabilities	Net Sales	Net Period Income	Other Comprehensive Income/ (Expense)
- YBP	318.254.437	214.533.630	1.245.029.917	12.913.964	(6.374.438)
- Desa Enerji	30.167.824	3.065.186	29.887.228	4.437.452	-
- Pınar Foods	15.161.263	4.221.532	41.618.604	528.902	2.141.891

Details of significant investment in associates of the Company as at 31 December 2014 and 2013 are as follows;

Associates	Nature of business	Based on
- YBP	Marketing and distribution	Turkey
- Desa Enerji	Energy generation	Turkey
- Pınar Foods	Marketing and distribution	Germany

NOTE 5 - SEGMENT REPORTING

None (2013: None).

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Cash in hand	43.612	40.478
Banks	2.350.016	783.388
- Demand deposits	190.016	300.000
- TL	167.381	300.000
- Foreign Currency	22.635	-
- Time deposit	2.160.000	483.388
- TL	2.160.000	483.388
	2.393.628	823.866

As of 31 December 2014, time deposits are denominated in TL amounted to TL2.160.000 (2013: TL483.388) and all mature in less than one month (2013: less than one month) with the effective weighted average interest rates of 9,95% per annum ("p.a") (2013: 8,65% p.a).

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

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NOTE 7 - 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 2014 and 2013 are as follows:

i) Balances with related parties:

a) Trade receivables from related parties- current:

	31 December 2014	31 December 2013
YBP	106.206.315	92.993.117
Arev Gayrimenkul Yatırım ve Geliştirme Sanayi ve Ticaret Anonim Şirketi ("Arev")	30.100.000	-
YDT	11.797.648	16.673.328
Other	145.436	-
	148.249.399	109.666.445
Less: Unearned finance income	(985.697)	(779.396)
	147.263.702	108.887.049

The effective weighted average interest rates applied to related party trade receivables are 8,55% p.a. as of 31 December 2014 (2013: 8,54% p.a). Trade receivables due from related parties mature within three months (2013: two months). Short-term trade receivable from Arev as at 31 December 2014 is related with fixed asset sales.

As of 31 December 2014, overdue trade receivables from related parties amount to TL 1.403.360 (2013: 3.388.946 TL) and maturity is about one month (2013: one month) (Note 46.a).

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

Yaşar Holding	-	3.411.731
HDF FZco ("HDF")	-	1.386.533
DYO Boya Fab. A.Ş. ("DYO Boya")	-	454.007
Viking Kağıt ve Selüloz A.Ş. ("Viking")	-	34.580
	-	5.286.851

Company has collected its other short-term receivables from Yaşar Holding and other companies as at 31 December 2014.

c) Trade payables to related parties - current:

Yadex Export-Import und Spedition GmbH ("Yadex")	16.915.089	18.733.407
Desa Enerji	4.393.861	1.311.554
Çamlı Yem	2.959.555	3.068.205
Yaşar Holding A.Ş.	2.663.891	2.779.618
Other	1.159.149	1.222.157
	28.091.545	27.114.941
Less: Unincurred finance cost	(55.646)	(49.849)
	28.035.899	27.065.092

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TL16.915.089 (2013: TL18.733.407) of due to related parties is the payable to Yadex arising from import transactions conducted by these companies on behalf of the Company. Trade payables to Çamlı Yem and Desa Enerji mainly consist of raw material, steam and electricity purchases.

As of 31 December 2014, the effective weighted average interest rate applied to those payables is

8,58% (2013: 8,56%) and maturity is 2 months (2013: 2 months).

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

	31 December 2014	31 December 2013
YBP	13.355.559	-
Payable to shareholders	-	128.007
Other	1.416	502.124
	13.356.975	630.131

As of 31 December, applied interest rate for non-trade payables to YBP amounting TL13.355.559 is 10% annually and the maturity is in one year.

ii) Transaction with related parties:

	1 January - 31 December 2014	1 January - 31 December 2013
a) Product sales:		
YBP	784.446.039	688.945.603
YDT	112.583.334	88.483.191
Pınar Et	604.643	301.930
Other	103.558	31.541
	897.737.574	777.762.265

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

b) Service sales:

Çamlı Yem	312.372	594.263
YBP	498.535	477.515
Pınar Et	287.338	45.621
Other	515.039	444.016
	1.613.284	1.561.415

c) Financial income and income from investment activities:

Arev	19.687.500	-
Yaşar Holding A.Ş.	998.018	2.536.400
DYO Boya	102.050	151.516
Viking	61.421	71.011
YBP	-	46.669
Other	93.516	26.298
	20.942.505	2.831.894

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The majority of other income from investment activities consists of sale of property, plant and equipment to Arev amounting to TL19.687.500 (Note 15). The majority of finance income consists of bail commission charges amounting to TL1.028.376 (2013: TL1.034.020), for the bond issue of Yaşar Holding in international markets and the borrowings obtained by Yaşar Group Companies from various financial institutions with the guarantee of The Company and the borrowings obtained by Yaşar Group Companies from international capital markets which have closed as of 8 December 2014. The commission rates of bail and financing used in the associated intercompany charges is 0,50% p.a. (2013: 0,50% p.a.). As of 31 December 2013, the other part of finance income consists of interest incomes resulting from non trade receivables of the Company from related parties and from transferred loans obtained via various financial institutions.

d) Dividends received:

	1 January - 31 December 2014	1 January - 31 December 2013
YBP ⁽¹⁾	1.159.031	3.548.233
Pınar Et	4.088.814	3.489.121
Bintur	2.746	1.497
	5.250.591	7.038.851

⁽¹⁾Investment-in-associate (Note 4).

e) Other income from related parties:

YBP	987.320	920.501
Çamlı Yem	861.083	788.042
Other	13.794	11.750
	1.862.197	1.720.293

Other income from YBP and Çamlı Yem is related to the rent of cars and buildings in the current period.

f) Product purchases:

Yadex	38.144.117	39.332.995
Desa Enerji	14.007.562	13.352.635
Çamlı Yem	10.297.221	5.965.125
Hedef Ziraat	3.807.419	3.911.753
Other	130.650	121.034
	66.386.969	62.683.542

The Company imports raw materials through Yadex, purchases steam and electricity from Desa Enerji, and purchases raw materials from Çamlı Yem.

g) Service purchases:

Yaşar Holding	11.274.895	9.871.379
YBP	5.446.928	5.659.023
YDT	4.262.297	3.475.889
Bintur	692.899	829.874
HDF	365.649	623.971
Other	194.569	756.492
	22.237.237	21.216.628

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

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

	1 January - 31 December 2014	1 January - 31 December 2013
Yaşar Holding	249.375	188.939
Other	1.562	81.806
	250.937	270.745

i) Finance and other operating expenses:

YBP	958.513	47.978
Çamlı Yem	272.204	139.071
Pınar Et	222.332	10.356
Yaşar Holding	79.902	53.789
Other	300.558	228.092
	1.833.509	479.286

Other operating expenses from related parties mainly consist of unearned financial expenses and interest expenses related with trade payables of the Company. Financial expenses mainly consist of interest expense sourced from non-trade payables to related parties.

j) Dividends paid ⁽¹⁾:

Yaşar Holding	29.536.175	28.432.019
	29.536.175	28.432.019

⁽¹⁾ Within the year 2014, the Company paid dividend amount to TL48.097.625 (2013: 46.299.583 TL). Amount to TL18.561.450 of dividend payment (2013: TL17.867.564) was paid to other shareholders.

k) Sales of property, plant and equipment:

Arev ⁽¹⁾	34.100.000	-
Dyo Boya	-	25.998
Çamlı Yem	-	10.448
YDT	-	3.135
Pınar Su	1.200	15.703
Other	-	30.320
	34.101.200	85.604

⁽¹⁾ The property, plant and equipment sales to Arev which is Yaşar Group's company, consist of land and building sales of the Company (Note 15).

l) Donations:

Yaşar Eğitim Vakfı	861.203	75.598
Yaşar Üniversitesi	-	500.000
	861.203	575.598

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m) Key management compensation:

	1 January - 31 December 2014	1 January - 31 December 2013
Key management includes General Manager and directors. The compensation provided to key management and attendance fees paid to Board of Directors are shown below:		
Short term employee benefits	3.516.284	3.191.524
Management bonus	347.848	195.836
After severance benefit	-	-
Severance benefit	97.365	-
Other long-term benefits	67.637	75.870
	4.029.134	3.463.230

n) Bails given to related parties:

As of 31 December 2014, Pınar Et, YBP, Çamlı Yem, DYÖ Boya and the Company have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets, amounting to USD250.000.000 equivalent of TL579.725.000 due 6 May 2020. An Indemnity Agreement was signed between Yaşar Holding and the abovementioned guarantors on 3 November 2014, which states that in an occurrence of an event where a guarantor makes a payment related with the guarantee provided; Yaşar Holding will indemnify the paying guarantor. If Yaşar Holding fails to indemnify the paying guarantor, each of the guarantors will indemnify the paying guarantor by 1/5 of the payment amount.

As of 31 December 2014, 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 33.333.333 equivalent of TL94.023.332 (31 December 2013: 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 international markets and financial institutions amounting to EUR44.444.444 and USD250.000.000 equivalent of TL664.086.110) (Note 26).

o) Bails received from related parties:

Received bails are related with guarantees amounting to TL8.640.930 provided by Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. (31 December 2013: guarantees provided by Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. related with other bails amounting to TL11.423.923).

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	31 December 2014	31 December 2013
a) Short-term trade receivables:		
Customer current accounts	5.905.316	2.513.180
Cheques and notes receivable	4.022.627	4.982.537
	9.927.943	7.495.717
Less: Provision for impairment of receivables	(464.722)	(467.649)
Unearned finance income	(69.207)	(35.540)
	9.394.014	6.992.528

The effective weighted average interest rate on TL denominated trade receivables is 8,44% p.a. as of 31 December 2014 (2013: 8,74% p.a.) and maturing within 2 months (2013: 2 months).

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The agings of trade receivables as of 31 December 2014 and 2013 are as follows;

	31 December 2014	31 December 2013
Overdue	295.544	230.105
0 - 30 days	5.286.563	3.698.578
31 - 60 days	2.134.101	3.036.845
61 - 90 days	955.156	27.000
91+ days	722.650	-
	9.394.014	6.992.528

The Company does not expect any collection risk regarding its trade receivables overdue but not impaired amounting to TL295.544 as of 31 December 2014 (2013: TL230.105) considering its past experience and subsequent collections (Note 46.a).

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

0 - 3 months overdue	295.544	230.105
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Movements in the provision for impairment of receivables can be analyzed as follows:

	2014	2013
1 January	467.649	458.181
Collection (Note 35)	(2.927)	(9.000)
Charged to consolidated statement of comprehensive income (Note 35)	-	18.468
31 December	464.722	467.649

	31 December 2014	31 December 2013
b) Short-term trade payables:		
Supplier current accounts	140.427.817	114.793.886
Cheques	2.355.477	2.663.197
	142.783.294	117.457.083
Less: Unincurred finance cost	(977.287)	(506.849)
	141.806.007	116.950.234

As of 31 December 2014 and 2013, the effective weighted average interest rates used in unincurred finance cost calculation for short-term trade payables including TL, USD and EUR denominated liabilities are as follows:

TL trade payable	8,49%	8,59%
USD trade payable	2,26%	2,24%
EUR trade payable	2,27%	2,96%

Trade payables mature within two months (2013: two months).

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c) Long-term trade payables

	31 December 2014	31 December 2013
Supplier current accounts	31.476.564	27.678.536
	31.476.564	27.678.536

Long-term trade payables are comprised of payables regarding property, plant and equipment purchases that are amounting to EUR11.159.132 as of 31 December 2014 (2013: EUR9.425.689). The effective weighted average interest rate for trade payables is 2,26% p.a. (2013: 2,46% p.a.).

The redemption schedules of long-term trade payables at 31 December 2014 and 2013 are as follows:

2015	-	9.451.658
2016	11.952.760	8.450.277
2017	9.471.505	5.101.704
2018	6.504.120	3.343.698
2019	3.548.179	1.331.199
	31.476.564	27.678.536

NOTE 9 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2013: None).

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2014	31 December 2013
b) Other short-term receivables:		
Value Added Tax ("VAT") receivable	2.592.618	890.252
Receivables from insurance companies	225.262	225.262
Receivables from personnel	19.648	5.832
Deposits and guarantees given	5.631	2.435
Other	110.388	108.116
	2.953.547	1.231.897
c) Other long-term receivables:		
Deposits and guarantees given	13.359	751
	13.359	751
d) Other short-term payables:		
Taxes and funds payable	1.512.657	1.802.150
Deposits and guarantees received	35.000	50.000
Other	37.865	37.604
	1.585.522	1.889.754

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e) Other long-term payables:

	31 December 2014	31 December 2013
Deposits and guarantees received	44.622	45.450
	44.622	45.450

NOTE 11 - INVENTORIES

	31 December 2014	31 December 2013
Raw materials	35.126.603	32.875.259
- Raw materials	30.137.534	25.525.895
- Raw materials in transit	4.989.069	7.349.364
Work-in-progress	29.081.092	24.304.773
Finished goods	27.464.591	33.666.984
Merchandise stocks	566.921	609.777
Spare parts and palletes	4.183.456	3.731.949
	96.422.663	95.188.742

The costs of inventories recognized as expense and included in cost of sales amounted to TL677.752.549 (2013: TL570.029.756) (Note 29). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell as of 31 December 2014.

NOTE 12 - BIOLOGICAL ASSETS

None (2013: None).

NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2014	31 December 2013
a) Prepaid expenses - current		
Prepaid expenses	3.679.534	3.447.973
Order advances given	294.412	270.038
	3.973.946	3.718.011
b) Prepaid expenses - non-current		
Advances given	1.003.597	580.386
	1.003.597	580.386

NOTE 14 - INVESTMENT PROPERTY

None (2013: None).

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2014 Opening	Additions	Disposals	Transfers	31 December 2014 Closing
<u>Cost or valuation:</u>					
Land	84.400.000	-	(11.765.000)	945.424	73.580.424
Land improvements and buildings	79.515.632	295.643	(4.674.588)	18.236.867	93.373.554
Machinery and equipment	153.800.191	7.390.186	(1.680.250)	15.661.461	175.171.588
Motor vehicles	6.648.999	-	(92.113)	-	6.556.886
Furniture and fixtures	46.447.556	1.407.756	(474.406)	732.665	48.113.571
Construction in progress	32.108.148	54.630.750	-	(35.576.417)	51.162.481
	402.920.526	63.724.335	(18.686.357)	-	447.958.504
<u>Accumulated depreciation:</u>					
Land improvements and buildings	(1.695.224)	(3.469.178)	1.302.939	-	(3.861.463)
Machinery and equipment	(13.835.430)	(9.384.586)	596.259	-	(22.623.757)
Motor vehicles	(5.990.882)	(231.541)	85.755	-	(6.136.668)
Furniture and fixtures	(34.550.282)	(2.736.427)	472.983	-	(36.813.726)
	(56.071.818)	(15.821.732)	2.457.936	-	(69.435.614)
Net book value	346.848.708				378.522.890

As at 31 December 2014, additions mainly consist of land improvements and buildings, machinery and equipment investments.

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Movements of property, plant and equipment and accumulated depreciation between 1 January and 31 December 2013 were as follows:

	1 January 2013 Opening	Additions	Disposals	Transfers	Revaluation	31 December 2013 Closing
<u>Cost or valuation:</u>						
Land	69.113.000	-	-	-	15.287.000	84.400.000
Land improvements and buildings	69.342.469	215.029	-	5.225.143	4.732.991	79.515.632
Machinery and equipment	143.174.408	7.379.805	(3.652.733)	6.898.711	-	153.800.191
Motor vehicles	6.753.852	-	(104.853)	-	-	6.648.999
Furniture and fixtures	44.935.667	1.746.971	(237.184)	2.102	-	46.447.556
Construction in progress	4.890.823	39.343.281	-	(12.125.956)	-	32.108.148
	338.210.219	48.685.086	(3.994.770)	-	20.019.991	402.920.526
<u>Accumulated depreciation:</u>						
Land improvements and buildings	(2.785.469)	(3.120.491)	-	-	4.210.736	(1.695.224)
Machinery and equipment	(5.073.824)	(9.325.704)	564.098	-	-	(13.835.430)
Motor vehicles	(5.885.951)	(209.784)	104.853	-	-	(5.990.882)
Furniture and fixtures	(32.041.490)	(2.743.605)	234.813	-	-	(34.550.282)
	(45.786.734)	(15.399.584)	903.764	-	4.210.736	(56.071.818)
Net book value	292.423.485					346.848.708

As at 31 December 2013, main additions to property, plant and equipment are comprised of investments related to productions lines of the Company.

There are no mortgages or other collaterals placed on property, plant and equipment as of 31 December 2014 (2013: None)

Current year's depreciation and amortization charges were allocated to cost of goods sold by TL11.204.200 (2013: TL10.855.671), to the cost of inventories by TL738.264 (2013: TL824.603), to selling and marketing expenses by TL1.720.716 (2013: TL1.617.190) (Note 34), to general administrative expenses by TL2.125.571 (2013: TL1.932.824) (Note 34), to research and development expenses by TL417.487 (2013: TL428.440) (Note 34).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2014 and 2013 were as follows:

	2014	2013
1 January	134.799.798	117.422.792
Disposal of revaluation funds due to sale of property, plant and equipment -net	(11.287.899)	(1.070.404)
Deferred income tax calculated on depreciation transferred to retained earnings (Note 39)	847.951	807.556
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements	-	24.230.727
Deferred income tax calculated on increase in revaluation reserve arising from revaluation of land, buildings and land improvements	-	(2.553.095)
Depreciation transfer upon revaluation reserve	(4.239.758)	(4.037.778)
31 December	120.120.092	134.799.798

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The carrying amounts of each class of property, plant and equipment that would have been recognized if the assets have been carried under the cost model at 31 December 2014 and 2013 are as follows:

	Land	Land improvements and buildings	Machinery and equipment
31 December 2014:			
Cost	9.068.782	65.091.114	204.668.726
Less: Accumulated depreciation	-	(18.299.410)	(86.923.741)
Net book value	9.068.782	46.791.704	117.744.985
31 December 2013:			
Cost	8.555.014	50.917.429	182.904.480
Less: Accumulated depreciation	-	(18.233.659)	(80.274.685)
Net book value	8.555.014	32.683.770	102.629.795

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

None (2013: None).

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

None (2013: None).

NOTE 18 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortization for the years ended 31 December 2014 and 2013 were as follows:

	1 January 2014 Opening	Additions	31 December 2014 Closing
Costs:			
Rights	10.446.673	337.443	10.784.116
Accumulated amortization	(9.633.158)	(384.506)	(10.017.664)
Net book value	813.515		766.452
	1 January 2013 Opening	Additions	31 December 2013 Closing
Costs:			
Rights	9.626.116	820.557	10.446.673
Accumulated amortization	(9.374.014)	(259.144)	(9.633.158)
Net book value	252.102		813.515

NOTE 19 - GOODWILL

None (2013: None).

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NOTE 20 - EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

None (2013: None).

NOTE 21 - LEASING

Please see Note 15.

NOTE 22 - SERVICE CONCESSION AGREEMENTS

None (2013: None).

NOTE 23 - IMPAIRMENT IN ASSETS

None (2013: None).

NOTE 24 - GOVERNMENT GRANTS AND INCENTIVES

During 2014, in accordance with bulletin of Republic of Turkey Ministry of Food, Agriculture and Livestock, numbered 2011/40, regarding the utilization of milk powder within export goods, the Company was provided TL3.565.000 government incentive. The relevant incentive amount was reflected to the statement of comprehensive income by netting off against the cost of sales (2013: TL4.348.020).

Also in scope of Turquality Project implemented by Undersecretariat of Foreign Trade to support brandization of products made in Turkey in foreign markets and to settle the image of Turkish goods, the Company was provided TL1.271.667 (2013: TL2.656.404) government incentive. The incentive amount is deducted from selling and marketing expenses. Collections related with Turquality Incentive amount to TL1.672.766 as of 31 December 2014.

There are investment incentive certificates to which the Company has been entitled by the official authorities (Note 39).

NOTE 25 - BORROWINGS AND BORROWING COSTS

	31 December 2014	31 December 2013
Short-term bank borrowings	1.074.614	1.269.615
Short-term portion of long-term bank borrowings	4.029.704	164.773
Short-term financial liabilities and derivative assets - net	5.104.318	1.434.388
Long-term bank borrowings	6.000.000	-
Long-term financial liabilities	6.000.000	-
	11.104.318	1.434.388

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	Effective weighted average interest rate p.a. %		Original currency		TL equivalent	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Short-term bank borrowings:						
TL borrowings ^(*)	-	-	1.074.614	1.269.615	1.074.614	1.269.615
Short-term portion of long-term bank borrowings:						
Short-term portion of long-term EUR borrowings ^(**)	-	5,55	-	56.112	-	164.773
Short-term portion of long term TL borrowings ^(***)	14,44	-	4.029.704	-	4.029.704	-
Total short-term borrowings					5.104.318	1.434.388
Long-term bank borrowings:						
TL borrowings ^(*)	14,44	-	6.000.000	-	6.000.000	-
Total long-term bank borrowings					6.000.000	-

^(*) As of 31 December 2014, TL denominated short term bank borrowings comprised of spot loans without interest charges.^(**) As of 31 December 2014, there is no EUR denominated bank borrowings [31 December 2013: EUR denominated bank borrowings consist of fixed interest rate of 5,55% p.a. amounting to EUR56.112 equivalent of TL164.773]^(***) As of 31 December 2014, TL denominated long term bank borrowings consist of fixed interest rate 14,44% [31 December 2013: There is no long term TL denominated bank borrowing].

Guarantees given for The Company's financial liabilities and other financial liabilities are explained in Note 26.

The redemption schedule of long-term bank borrowings at 31 December 2014 and 2013 is as follows:

	31 December 2014	31 December 2013
2016	4.000.000	-
2017	2.000.000	-
	6.000.000	-

As of 31 December 2014 and 2013, the Group's net financial debt at fixed and variable interest rate by relevant maturity of the interest rate repricing dates breakdown is as follows:

	Total
- 31 December 2014:	
Bank borrowings with fixed rates	10.029.704
Bank borrowings without interest	1.074.614
Total	11.104.318
- 31 December 2013:	
Bank borrowings with fixed rates	164.773
Bank borrowings without interest	1.269.615
Total	1.434.388

There is no variable interest rate borrowing as of 31 December 2014 [31 December 2013: None]

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

	Carrying Amounts		Fair Values	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Bank borrowings	11.104.318	1.434.388	11.477.847	1.450.734

The fair values are based on cash flows discounted using the rates based on the borrowing rates of 10,27% p.a. (31 December 2013: 3,58% p.a. for EUR denominated bank borrowings).

NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
a) Guarantees Given:		
Bails	673.748.332	664.086.110
Letters of guarantee	15.884.948	8.617.041
	689.633.280	672.703.151

As of 31 December 2014, Pınar Et, YBP, Çamlı Yem, DYO Boya and the Company have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets, amounting to USD250.000.000 equivalent of TL579.725.000 due 6 May 2020. An Indemnity Agreement was signed between Yaşar Holding and the abovementioned guarantors on 3 November 2014, which states that in an occurrence of an event where a guarantor makes a payment related with the guarantee provided; Yaşar Holding will indemnify the paying guarantor. If Yaşar Holding fails to indemnify the paying guarantor, each of the guarantors will indemnify the paying guarantor by 1/5 of the payment amount.

As of 31 December 2014, 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 EUR33.333.333 equivalent of TL94.023.332 (31 December 2013: 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 international markets and financial institutions amounting to EUR44.444.444 and USD250.000.000 equivalent of TL664.086.110).

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The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2014 and 2013 were as follows:

	31 December 2014			31 December 2013		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
CPM provided by the Company:						
A. Total amount of CPM given for the Company's own legal personality	TL	15.884.948	15.884.948	TL	8.617.041	8.617.041
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			673.748.332			664.086.110
i. Total amount of CPM given on behalf of the majority shareholder			579.725.000			533.575.000
	USD	250.000.000	579.725.000	USD	250.000.000	533.575.000
ii. Total amount of CPM given to behalf of other group companies which are not in scope of B and C			94.023.332			130.511.110
	EUR	33.333.333	94.023.332	EUR	44.444.444	130.511.110
iii. Total amount of CPM given on behalf of third parties which are not in scope of C						-
TOTAL			689.633.280			672.703.151

The ratio of total amount of other CPM to Equity

127%

138%

31 December 2014

31 December 2013

c) Guarantees received:

Bails	8.640.930	11.423.923
Letters of guarantee	4.222.265	4.120.433
Guarantee cheques	690.023	783.364
Guarantee notes	3.200.118	205.227
Mortgages	75.000	75.000
	16.828.336	16.607.947

Received bails are related with guarantee letter amounting to TL8.40.930 guarantees provided by YBP (31 December 2013: TL11.423.923).

Foreign currency denominated guarantees given at 31 December 2014 is as follows:

Guarantees Received	EUR	190.115
	USD	596.317

Foreign currency denominated guarantees given at 31 December 2013 is as follows:

Guarantees Received	EUR	703.103
	USD	103.717

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f) Major litigations

Ministry of Finance has carried out a tax inspection against the Group and charged tax penalties amounting to total of TL3.835.663 comprising of TL1.723.468 VAT penalty and TL2.112.195 tax loss penalty for the transactions in fiscal years between 2006 and 2011. The Group applied to İzmir Tax Court for cancellation of those tax penalties and except for the lawsuit regarding inconsistency, however they were lost. The Group appealed to a higher court to suspend the execution within the legal time and Supreme Court granted a motion for stay of execution in favour of the Group. The Group management and legal counsellor of the Group believe that the likelihood of losing the cases is considered to be remote. As a result, no provision was accounted for in the financial statements.

NOTE 27 - COMMITMENTS

As of 31 December 2014, the Company has purchase commitments of 1.545 tons of concentrated fruit juice equivalent of TL3.981.092, packaging materials amounting to USD503.499 equivalent of TL1.167.564, and tomato paste amounting to TL477.120 (2013: 2.698 tons of concentrated fruit juice equivalent of TL7.387.159, packaging materials amounting to EUR558.655 and USD837.626 equivalent of TL3.428.235 and tomato paste amounting to TL1.570.000).

NOTE 28 - EMPLOYEE BENEFITS

a) Payables due to employee benefits

	31 December 2014	31 December 2013
Social security premiums payable	1.125.183	948.508
Payable to personnel	85.740	93.009
	1.210.923	1.041.517

b) Short-term provisions due to employee benefits

Year-end bonus provision to top management	910.040	1.225.457
Provision for seniority incentive bonus	174.482	164.883
	1.084.522	1.390.340

Movement of year-end bonus provision to top management is as follows:

	2014	2013
1 January	1.225.457	1.455.691
Year-end bonus payment	(315.417)	(230.234)
31 December	910.040	1.225.457

c) Long-term provisions due to employee benefits

Provision for employment termination benefits	11.839.581	10.165.237
Provision for seniority incentive bonus	635.443	435.723
	12.475.024	10.600.960

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

The amount payable consists of one month's salary limited to a maximum of TL3.438,22 for each year of service as of 31 December 2014 (31 December 2013: TL3.254,44). 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.

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The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL3.541,37 which is effective from 1 January 2015 (1 January 2014: TL3.438,22) 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 2014	31 December 2013
Discount rate (%)	3,95	4,09
Probability of retirement (%)	97,16	96,33

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

	2014	2013
1 January	10.165.237	9.428.290
Interest costs	1.083.322	812.098
Actuarial losses	1.472.871	982.343
Paid during the year	(1.944.109)	(1.891.731)
Annual charge	1.062.260	834.237
31 December	11.839.581	10.165.237

The total of interest cost, actuarial losses and increase during the year amounting to TL3.618.453 (2013: TL2.628.680) was included in general administrative costs amounting to TL2.145.582 (2013: TL1.646.335) and other comprehensive income amounting to TL1.472.871 (2013: TL982.343).

NOTE 29 - EXPENSES BY NATURE

	1 January - 31 December 2014	1 January - 31 December 2013
Direct material costs	677.752.549	570.029.756
Staff costs	59.576.696	50.141.594
Advertisement	32.137.008	31.017.427
Utilities	26.278.909	25.423.218
Repair and maintenance	24.333.236	21.517.521
Depreciation and amortization	16.292.577	15.838.513
Outsourced services	14.278.138	12.152.365
Consultancy charges	11.479.856	10.295.696
Transportation	3.694.401	4.877.137
Export commission	3.364.342	2.657.249
Taxes, dues and fees	2.196.342	1.507.015
Employment termination benefits	2.145.582	1.646.335
Rent	2.137.869	2.412.554
Other	10.708.662	5.814.381
	886.376.167	755.330.761

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NOTE 30 - OTHER ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
a) Other current assets:		
Deferred Value Added Tax	11.710.467	6.870.661
Income accrual	5.141.936	4.008.452
Other	5.265	-
	16.857.668	10.879.113

Income accruals are comprised of government subsidy within the scope of Turquality to be received for brand developments and related marketing activities, and for usage of milk powder in products exported.

b) Other current liabilities

Expense accruals	324.390	49.189
	324.390	49.189

NOTE 31 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of

Kr1. The Company's historical authorized registered capital at 31 December 2014 and 2013 is as follows:

	31 December 2014	31 December 2013
Registered share capital (historical values)	80.000.000	80.000.000
Authorized registered share capital with a nominal value	44.951.051	44.951.051

The compositions of the Company's share capital at 31 December 2014 and 2013 were as follows:

	31 December 2014		31 December 2013	
	Share (%)	TL	Share (%)	TL
Yaşar Holding (A, B, C)	61,41	27.603.901	61,41	27.603.901
Public quotation (C)	37,95	17.060.367	37,95	17.060.367
Other	0,64	286.783	0,64	286.783
Share capital	100,00	44.951.051	100	44.951.051
Adjustment to share capital		16.513.550		16.513.550
Total paid-in capital		61.464.601		61.464.601

Adjustment to share capital amounting to TL16.513.550 (2013: TL16.513.550) represents the remaining amount after net-off the accumulated losses of 2003 from the difference between restated (inflation adjusted) share capital and historical cost of share capital (before inflation adjustment).

In Turkey, companies have right to exceed registered capital thereby addition of all reserves to capital to increase registered capital amount one-time. On the other hand, registered capital amount is not exceed through cash increase.

As of 31 December 2014, there are 4.495.105.125 (2013: 4.495.105.125) units of shares each with a face value of Kr1 (2013: Kr1) each.

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The Company's capital is composed of 172.800 units of A type shares and 126.000 units of B type shares and 4.494.806.325 units of C type shares, and the C type shares are traded on the ISE. Based on the Company's Articles of Association, the Board of Directors comprises five to nine members elected by the General Assembly from the Company's shareholders or from outside the Company personnel, in accordance with the provisions of the Turkish Commercial Code and the CMB Regulation. In the event the Board of Directors comprises of five members, three are elected from among candidates nominated by shareholders bearing A type shares, one from those nominated by shareholders bearing B type shares and one from those nominated by shareholders bearing C type shares. In the event the Board of Directors comprises of seven members, four are elected from among candidates nominated by shareholders bearing A type shares, two from those nominated by shareholders bearing B type shares, and one from those nominated by shareholders bearing C type shares. In the event the Board of Directors comprises of nine members, five are elected from among the candidates nominated by shareholders bearing A type shares, three from those nominated by shareholders bearing B type shares, and one from those nominated by shareholders bearing C type shares. Executive director can be appointed by Board of Directors in case of their decision. Moreover, the chairman of the board and the executive director are selected among shareholders of A type shares.

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

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

The legal reserves cons ("TCC"). The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% all distributions in excess of 5% of the Company's share capital. Under TCC, 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.

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. At 31 December 2014, the restricted reserves of the Company amount to TL43.161.534 (2013: TL38.576.527). The unrestricted reserves of the Company, amounting to TL53.900.340 (2013: TL39.140.044), is classified in the retained earnings.

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

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

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

Companies distribute dividends in accordance with their dividend payment policies numbered II-19.1settled by CMB on 1 February 2014 and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of associations. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on financial statements of the company.

According to 28th article of the Company's core contract, Up to 3% of the amounts that remain after netting previous year losses from the net income of the period, could be allocated for the purpose of usage for the facilities according to TCC 522 after the allocation of first dividend. Up to 5% of this amount could be allocated for the purposes that BOD consider appropriate and 5% of the amount could be allocated for welfare work and premiums.

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

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For the listed companies, dividend distribution is made evenly to all existing shares as of the date of dividend distribution without considering the date of issuance and acquisition of the shares.

Based on the decision of General Assembly meeting on 27 March 2014, the Company has decided to distribute TL48.097.625 of the distributable net profit for the year ended 31 December 2013 as dividend at 30 May 2014. In context of this dividend distribution decision, the Company separated TL4.585.007 as "Restricted Reserve". There is not any profit distribution decision for 2014 since General Assembly Meeting has not been conducted yet.

NOTE 32 - REVENUE AND COST OF SALES

	1 January - 31 December 2014	1 January - 31 December 2013
Domestic sales	1.126.425.520	994.008.503
Export sales	112.583.334	88.483.191
Merchandise goods sales	11.132.066	1.771.633
Gross Sales	1.250.140.920	1.084.263.327
Less: Discounts	(280.386.484)	(250.274.218)
Returns	(29.284.848)	(24.167.124)
Net sales	940.469.588	809.821.985
Cost of merchandise goods sold	(11.151.790)	(837.469)
Cost of goods sold	(771.607.454)	(658.119.966)
Cost of sales	(782.759.244)	(658.957.435)
Gross Profit	157.710.344	150.864.550

NOTE 33 - CONSTRUCTIONS CONTRACTS

None (2013: None).

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

	1 January - 31 December 2014	1 January - 31 December 2013
a) Marketing, selling and distribution expenses:		
Advertisement	32.137.008	31.017.427
Staff costs	6.053.797	5.462.028
Transportation	3.694.401	4.877.137
Consultancy	4.924.546	4.254.636
Outsourced services	4.210.925	3.738.799
Maintenance	3.568.260	3.136.828
Depreciation and amortization	1.720.716	1.617.190
Rent	1.383.953	1.020.651
Other	6.717.835	5.163.692
	64.411.441	60.288.388

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	1 January - 31 December 2014	1 January - 31 December 2013
b) General administrative expenses:		
Staff costs	10.570.076	9.655.462
Consultancy charges	6.555.310	6.041.060
Outsourced services	2.702.550	2.511.009
Employment termination benefits	2.145.582	1.646.335
Depreciation and amortization	2.125.571	1.932.824
Taxes (Corporate Tax excluded)	2.056.132	1.398.063
Repair and maintenance	1.317.614	935.341
Energy	1.053.314	982.139
Other	3.085.579	2.761.399
	31.611.728	27.863.632

c) Research and development expenses:

Staff costs	3.058.336	3.193.072
Repair and maintenance	1.999.045	2.056.523
Outsourced services	1.217.682	1.703.259
Depreciation and amortization	417.487	428.440
Other	901.204	840.012
	7.593.754	8.221.306

NOTE 35 - OTHER OPERATING INCOME/ EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
a) Other operating income:		
Foreign exchange gain	3.582.737	2.649.355
Income from sales of scrap	2.210.558	1.655.278
Rent income	1.828.512	1.715.668
Unearned financial income on term purchases	476.235	1.025.570
Collection of provision for doubtful receivables	2.927	9.000
Other	193.853	575.827
	8.294.822	7.630.698

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	1 January - 31 December 2014	1 January - 31 December 2013
b) Other operating expense:		
Foreign exchange loss	(2.911.103)	(6.931.253)
Interest expense	(1.773.747)	(714.474)
Auxiliary material and scrap sales	(1.170.432)	(1.266.400)
Donations	(915.979)	(846.255)
Unearned financial expense on term sales	(239.969)	(1.143.242)
Other	(2.751.446)	(723.054)
	(9.762.676)	(11.624.678)

NOTE 36 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2014	1 January - 31 December 2013
a) Income from investment activities:		
Dividend income ^(*)	4.091.560	3.490.618
Interest income from other receivables from related parties	226.629	1.797.874
Income from sales of property, plant and equipment ^(**)	20.386.659	352.309
	24.704.848	5.640.801

(*) Note 7.ii.d.

(**) Note 7.ii.k.

b) Expense from investment activities:

Loss from sales of property, plant and equipment	(1.183.861)	(2.209.739)
	(1.183.861)	(2.209.739)

NOTE 37 - FINANCIAL INCOME AND EXPENSES

	1 January - 31 December 2014	1 January - 31 December 2013
Finance income:		
Bail income from related parties	1.028.376	1.034.020
Foreign exchange gain	240.496	362.187
Interest income	135.350	107.007
	1.404.222	1.503.214
Finance expense:		
Interest expense	(1.757.913)	(1.199.567)
Foreign exchange loss	(395.315)	(440.318)
Bail expense from related parties	(32.516)	(110.110)
Other	(146.061)	(74.208)
	(2.331.805)	(1.824.203)

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NOTE 38 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2013: None).

NOTE 39 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND TAX LIABILITIES)

As of 31 December 2014 and 2013, corporation taxes currently payable are as follows:

	31 December 2014	31 December 2013
Corporation taxes currently payable	2.868.299	4.124.289
Less: Prepaid corporate tax	(1.303.971)	(4.050.958)
Current income tax liabilities	1.564.328	73.331

Corporation tax is payable at a rate of 20% for 2014 (2013: 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. No further tax is payable unless the profit is distributed.

Dividends paid to on-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% (2013: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2013: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2013: 17th) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

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

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

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

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

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

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

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

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

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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 in the last day of the fiscal period when the circumstances defined in the 13th article occurred, 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 finalized and paid.

Taxation on income in the statement of comprehensive income for the years ended 31 December 2014 and 2013 are as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
Current corporation tax expense	(2.868.299)	(4.124.289)
Deferred tax income	7.387.242	12.258.677
Taxation on income	4.518.943	8.134.388

The reconciliation of tax expense is as follows;

Profit before tax	82.557.279	59.308.539
Tax calculated at tax rates applicable to the profit	(16.511.456)	(11.861.708)
Expenses not deductible for tax purposes	(186.417)	(44.777)
Tax effect upon the results of investments-in-associates	1.467.662	1.140.244
Income not subject to tax	-	68.375
Income tax due to dividends received from available-for-sale investments	818.312	698.124
Utilized investment incentive during period	14.269.149	6.664.239
Recognition of deferred income tax asset on investment incentive	6.344.341	12.032.416
Other	(2.021.382)	(562.525)
Total taxation on income	4.518.943	8.134.388

Deferred income taxes

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

Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (2013: 20%).

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The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2014 and 2013 using the enacted tax rates at the balance sheet dates are as follows:

	31 December 2014		31 December 2013	
	Cumulative temporary differences	Deferred income tax assets/ (liabilities)	Cumulative temporary differences	Deferred income tax assets/ (liabilities)
Revaluation of property, plant and equipment	138.054.452	(17.934.360)	154.278.812	(19.479.014)
Difference between carrying values (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	60.284.099	(11.567.010)	53.937.365	(10.972.166)
Difference between carrying values and tax bases of available-for-sale investments	46.532.047	(2.012.615)	33.983.603	(1.443.070)
Unused tax credits ⁽¹⁾	(80.983.734)	24.950.642	(46.936.945)	18.606.301
Provision for employment termination benefits	(11.839.581)	2.367.916	(10.165.237)	2.033.047
Other	312.70	(62.574)	576.850	(115.370)
Deferred tax liabilities - net		(4.258.001)		(11.370.272)

⁽¹⁾ The Company has investment incentive certificate relating with modernization, extension and new investments at Şanlıurfa, Eskişehir and İzmir facilities. As of 31 December 2014, based on the best estimate of the Company management, it is highly probable to utilize the deferred income tax asset upon investment incentive, amounted to TL24.950.642 (2013: TL18.606.301).

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

	2014	2013
1 January	(11.370.272)	(21.144.420)
Credited to statement of comprehensive income	7.387.242	12.258.677
Charged to actuarial gain/loss arising from defined benefit plans	294.574	196.469
Charged to fair value reserve of available-for-sale investments	(569.545)	(127.903)
Calculated on revaluation fund	-	(2.553.095)
31 December	(4.258.001)	(11.370.272)

NOTE 40 - EARNINGS PER SHARE

		1 January - 31 December 2014	1 January - 31 December 2013
Profit for the period	A	87.076.222	67.442.927
Weighted average number of shares with a Kr1 face value (Note 31)	B	4.495.105.125	4.495.105.125
Earnings per 100 shares with a Kr 1 face value	A/ B	1,9371	1,5004

There are no differences between basic and diluted earnings per share. As of 31 December 2014, Board of Directors did not account any dividend.

NOTE 41 - SHARE BASED PAYMENTS

None (2013: None).

NOTE 42 - INSURANCE CONTRACTS

None (2013: None).

NOTE 43 - REPORTING IN HYPERINFLATIONARY ECONOMIES

Please see Note 2.

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NOTE 44 - DERIVATIVE FINANCIAL INSTRUMENTS

None (2013: None).

NOTE 45 - FINANCIAL INSTRUMENTS**Available -for sale investments:**

	31 December 2014		31 December 2013	
	TL	%	TL	%
Pınar Et	49.719.980	12,58	40.888.141	12,58
Çamlı Yem	12.552.179	5,47	11.040.912	5,47
Pınar Su	4.600.815	8,77	3.590.880	8,77
YDT	540.446	1,76	534.440	1,76
Bintur	88.307	1,33	74.484	1,33
Other	19.361	-	19.361	-
	67.521.088		56.148.218	

Pınar Et and Pınar Su are stated at quoted market prices as they are listed on ISE; YDT, Bintur and Çamlı Yem are stated at their fair values which are determined based on the discounted cash flows as of 31 December 2014 and 2013 by using the market interest rates and the risk premium specific to unlisted companies within the related sectors. The discount and growth rates used in discounted cash flow models as at 31 December 2014 and 2013 are as follows:

	Discount rate		Growth Rate	
	2014	2013	2014	2013
Bintur	12,06%	12,62%	1%	1%
YDT	9,78%	9,83%	0%	0%
Çamlı Yem	8,74%	9,25%	2%	2%

The movements of available-for-sale investments in 2014 and 2013 were as follows:

	2014	2013
1 January	56.148.218	53.333.436
Fair value gain/ (loss)		
Pınar Et	8.831.839	5.669.822
Pınar Su	1.009.935	(504.968)
YDT	6.006	(85.574)
Bintur	13.823	7.353
Çamlı Yem	1.511.267	(2.271.851)
31 December	67.521.088	56.148.218

Movements of fair value reserve of available-for-sale investments are as follows;

	2014	2013
1 January	31.021.811	28.334.932
Change in fair value of Pınar Et	8.831.839	5.669.822
Change in fair value of Çamlı Yem	1.511.267	(2.271.851)
Change in fair value of Pınar Su	1.009.935	(504.968)
Change in fair value of Bintur	13.823	7.353
Change in fair value of YDT	6.006	(85.574)
Deferred income tax on fair value reserve of available-for-sale investments (Note 39)	(569.545)	(127.903)
31 December	41.825.136	31.021.811

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NOTE 46 - 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, and fair value interest rate risk), capital risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

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

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

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

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risks arises from cash and cash equivalents, deposits in banks and financial intuitions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Majority of the Company's sales in domestic market are made to its investments in associate, YBP, and its exports are made to YDT, which are both Yaşar Group Companies. In line with past experiences and current condition trade receivables are monitored by the Company Management and necessary provisions for impairment is recognized. The Company management believes that credit risk arises from receivables is well managed. The Company management believes that there is no risk for non-trade receivables from related parties since they are mainly comprised of receivables from shareholders (Note 7.i.b). The credit risk analysis of the Company as of 31 December 2014 and 2013 are as follows:

31 December 2014

	Receivables					
	Trade Receivables ⁽¹⁾		Other Receivables		Bank Deposits	Other
	Related Parties	Third Parties	Related Parties	Third Parties		
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) ⁽²⁾	147.263.702	9.394.014	-	2.953.547	2.350.016	-
- The part of maximum credit risk covered with guarantees	238.190	743.541	-	-	-	-
A. Net book value of financial assets not due or not impaired ⁽³⁾	145.860.342	9.098.470	-	2.953.547	2.350.016	-
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired ⁽³⁾	-	-	-	-	-	-
C. Net book value of assets past due but not impaired ⁽⁴⁾	1.403.360	295.544	-	-	-	-
- The part covered by guarantees	128.193	232.000	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due amount (gross book value)	-	464.722	-	-	-	-
- Collateral held as security and guarantees received	-	(464.722)	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received -	-	-	-	-	-	-
E. Off-balance items exposed to credit risk-	-	-	-	-	-	-

⁽¹⁾ Trade receivables of the Company mainly consists of receivables resulting from sales of milk and milk products.

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

⁽³⁾ None.

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31 December 2013

	Receivables					
	Trade Receivables ⁽¹⁾		Other Receivables		Bank Deposits	Other
	Related Parties	Third Parties	Related Parties	Third Parties		
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) ⁽²⁾	108.887.049	6.992.528	5.286.851	1.231.897	783.388	-
- The part of maximum credit risk covered with guarantees	213.420	180.000	-	-	-	-
A. Net book value of financial assets not due or not impaired ⁽³⁾	105.498.103	6.762.423	4.865.993	1.231.897	783.388	-
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired ⁽³⁾	-	-	-	-	-	-
C. Net book value of assets past due but not impaired ⁽⁴⁾	3.388.946	230.105	420.858	-	-	-
- The part covered by guarantees	600	-	-	-	-	-
D. Net book value of assets impaired						
- Past due amount (gross book value)	-	467.649	-	-	-	-
- Collateral held as security and guarantees received	-	(467.649)	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received -	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

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

31 December 2014

	Receivables		Total
	Related Parties	Third Parties	
Past due 1 - 30 days	1.294.241	279.620	1.573.861
Past due 1 - 3 months	109.119	15.924	125.043
The part of credit risk covered with guarantees	128.193	232.000	360.193
	1.403.360 ^(*)	295.544 ^(**)	1.698.904

31 December 2013

	Receivables		Total
	Related Parties	Third Parties	
Past due 1 - 30 days	3.772.087	228.999	4.001.086
Past due 1 - 3 months	25.244	1.106	26.350
Past due 3 - 12 months	12.473	-	12.473
The part of credit risk covered with guarantees	-	-	-
	3.809.804	230.105	4.039.909

^(*) A total amount of TL1.303.089 of the overdue but not impaired receivables from related parties has been collected as of the approval date of the financial statements.^(**) A total amount of TL295.544 the overdue but not impaired receivables from third parties has been collected as of the approval date of the financial statements.

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b) Liquidity risk:

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

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

31 December 2014

	Carrying Value	Total Cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contractual maturity dates:					
Financial Liabilities					
Financial liabilities	13.367.053	15.110.241	347.569	8.134.755	6.627.917
Trade payables	201.318.470	204.598.780	154.705.156	16.989.994	32.903.630
Other payables	13.401.597	14.770.542	-	14.725.920	44.622
	228.087.120	234.479.563	155.052.725	39.850.669	39.576.169

31 December 2013

	Carrying Value	Total Cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contractual maturity dates:					
Financial Liabilities					
Financial liabilities	4.527.917	4.532.540	4.363.144	169.396	-
Trade payables	171.693.862	174.091.176	125.180.243	19.720.008	29.190.925
Other payables	675.581	675.581	-	630.131	45.450
	176.397.360	179.299.297	129.543.387	20.519.535	29.236.375

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c) Market risk:

i) Foreign exchange risk

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

	Foreign Currency Position							
	31 December 2014				31 December 2013			
	TL Equivalent	USD	EUR	Other (TL Equivalent)	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Receivables	10.248.260	4.376.292	23.391	34.097	16.315.874	7.194.390	49.763	814.758
2a. Monetary Financial Assets (Cash, Bank accounts included)	45.484	14.025	4.595	-	16.442	955	4.905	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	10.293.744	4.390.317	27.986	34.097	16.332.316	7.195.345	54.668	814.758
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	10.293.744	4.390.317	27.986	34.097	16.332.316	7.195.345	54.668	814.758
10. Trade Payables	37.384.257	8.379.819	6.364.482	-	32.081.235	7.873.564	5.198.758	10.534
11. Financial Liabilities	-	-	-	-	164.773	-	56.112	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	37.384.257	8.379.819	6.364.482	-	32.246.008	7.873.564	5.254.870	10.534
14. Trade Payables	31.476.564	-	11.159.132	-	27.678.536	-	9.425.689	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	31.476.564	-	11.159.132	-	27.678.536	-	9.425.689	-
18. Total Liabilities (13+17)	68.860.821	8.379.819	17.523.614	-	59.924.544	7.873.564	14.680.559	10.534
19. Net Asset/(Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Amount of Hedged Asset	-	-	-	-	-	-	-	-
19b. Amount of Hedged Liability	-	-	-	-	-	-	-	-
20. Net Foreign Currency Asset/ (Liability) Position (9-18+19)	(58.567.077)	(3.989.502)	(17.495.628)	34.097	(43.592.228)	(678.219)	(14.625.891)	804.224
21 Net Foreign Currency Asset/ (Liability) Position of Monetary Items (IFRS 7.B23) (=1+2a+3+5+6a-10-11- 12a-14-15-16a)	(58.567.077)	(3.989.502)	(17.495.628)	34.097	(43.592.228)	(678.219)	(14.625.891)	804.224
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	-	-	-	-	-	-	-	-
23. Hedged amount for Foreign Currency Assets	-	-	-	-	-	-	-	-
24. Hedged amount for Foreign Currency Liability	-	-	-	-	-	-	-	-
25. Export	112.583.334	48.317.917	228.020	5.815.603	88.483.191	43.137.438	546.888	4.858.276
26. Import	80.202.200	-	27.625.911	-	69.895.016	-	26.691.223	-

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Sensitivity Analysis for Foreign Currency Risk

	Profit/ Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	(925.126)	925.126	(925.126)	925.126
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	(925.126)	925.126	(925.126)	925.126
Change of EUR by 10% against TL				
4- Asset/ Liability denominated in EUR - net	(4.934.992)	4.934.992	(4.934.992)	4.934.992
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	(4.934.992)	4.934.992	(4.934.992)	4.934.992
Change of Other Currencies by average 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	3.410	(3.410)	3.410	(3.410)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	3.410	(3.410)	3.410	(3.410)
TOTAL (3+6+9)	(5.856.708)	5.856.708	(5.856.708)	5.856.708

31 December 2013

Sensitivity Analysis for Foreign Currency Risk

	Profit/ Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	(144.752)	144.752	(144.752)	144.752
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	(144.752)	144.752	(144.752)	144.752
Change of EUR by 10% against TL				
4- Asset/ Liability denominated in EUR - net	(4.294.893)	4.294.893	(4.294.893)	4.294.893
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	(4.294.893)	4.294.893	(4.294.893)	4.294.893
Change of Other Currencies by average 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	80.422	(80.422)	80.422	(80.422)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	80.422	(80.422)	80.422	(80.422)
TOTAL (3+6+9)	(4.359.223)	4.359.223	(4.359.223)	4.359.223

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ii) Interest rate risk

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

	<u>Interest Rate Position</u>	
	31 December 2014	31 December 2013
<u>Financial instruments with fixed interest rate</u>		
Financial assets	159.051.344	121.990.294
Financial liabilities	228.042.498	176.851.910

As of 31 December 2014 and 2013, the Company has not financial assets and liabilities with floating rate.

iii) Price risk

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

The current risks are properly monitored by Board of Directors and Audit Committee regularly in considering the need for active financial risk management.

d) Capital Risk Management:

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

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

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

	31 December 2014	31 December 2013
Financial liabilities	13.367.053	4.527.917
Other payables to related parties	13.356.975	630.131
Less: Cash and cash equivalents (Note 6)	[2.393.628]	[823.866]
Net debt	24.330.400	4.334.182
Total equity	529.338.453	479.832.216
Net-debt/ equity ratio	4,6%	0,9%

The Company's strategy is to maintain low levels of balance sheet gearing and indebtedness consistent with its conservative financial profile. The Company management regularly monitors the debt/ equity ratio.

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NOTE 47 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Classification of financial assets

The Company classified financial assets and liabilities as available-for-sale investments, borrowings and receivables. Cash and cash equivalents (Note 6), trade receivables (Notes 7 and 8) and other receivables (Note 7 and 10) of the Company are categorized as loans and receivables; and measured at amortized cost using effective interest method. Available-for-sale investments of the Company are disclosed in Note 45. Financial liabilities (Note 25), other financial liabilities, trade payables (Note 8) and other payables (Notes 7 and 10) are categorized as financial liabilities measured at amortized costs using effective interest method.

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

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

Financial assets

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

Financial liabilities

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.

The table below analyses financial instruments except for the certain available for sale investments which are measured at cost less impairment, if any, as their fair values cannot be reliably estimated using generally accepted valuation techniques, 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).

Pınar Süt Mamulleri Sanayii A.Ş.

Notes to the Financial Statements for the Period Between 1 January - 31 December 2014

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

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The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2014 and 2013.

31 December 2014

	Level 1	Level 2	Level 3 ^(*)	Total
Assets:				
Available-for-sale investments	54.320.795	-	13.200.293	67.521.088
Total assets	54.320.795	-	13.200.293	67.521.088

31 December 2013

	Level 1	Level 2	Level 3 ^(*)	Total
Assets:				
Available-for-sale investments	44.479.021	-	11.669.197	56.148.218
Total assets	44.479.021	-	11.669.197	56.148.218

^(*) As of 31 December 2014 and 2013, there is no movement between the levels 1 and 2. Please see Note 45 for the movement of Level 3 financial instruments.

The following table presents the Company's non-financial assets that are measured at fair value at 31 December 2014 and 2013.

31 December 2014

	Level 1	Level 2	Level 3	Total
Tangible Assets:				
Land	-	73.580.424	-	73.580.424
Buildings and land improvements	-	89.512.091	-	89.512.091
Machinery and equipment	-	152.547.831	-	152.547.831
Total assets	-	315.640.346	-	315.640.346

31 December 2013

	Level 1	Level 2	Level 3	Total
Intangible Assets:				
Land	-	84.400.000	-	84.400.000
Buildings and land improvements	-	77.820.408	-	77.820.408
Machinery and equipment	-	139.964.761	-	139.964.761
Total assets	-	302.185.169	-	302.185.169

NOTE 48 - SUBSEQUENT EVENTS

None (2013: None).

NOTE 49 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None (2013: None).

INFORMATION FOR INVESTORS

Stock Exchange

Pınar Süt Mamulleri Sanayii A.Ş. shares are traded on the National Market of the Borsa İstanbul (BIST) under the symbol "PNSUT"

Initial public offering date: 03 February 1986

Annual General Assembly Meeting

Pursuant to a resolution passed by the Board of Directors of Pınar Süt Mamulleri Sanayii A.Ş., the Company's annual General Assembly meeting will take place on 26 March 2015 at 14:30 hours at the following address: Kemalpaşa Asfaltı No.317 Pınarbaşı İzmir.

Dividend Policy

Pınar Süt Mamulleri Sanayii A.Ş.'s general policy concerning the distribution of its profits has been publicly disclosed and is accessible in the Turkish and English languages from the "Investor Relations" page of the Company's corporate website located at www.pinar.com.tr.

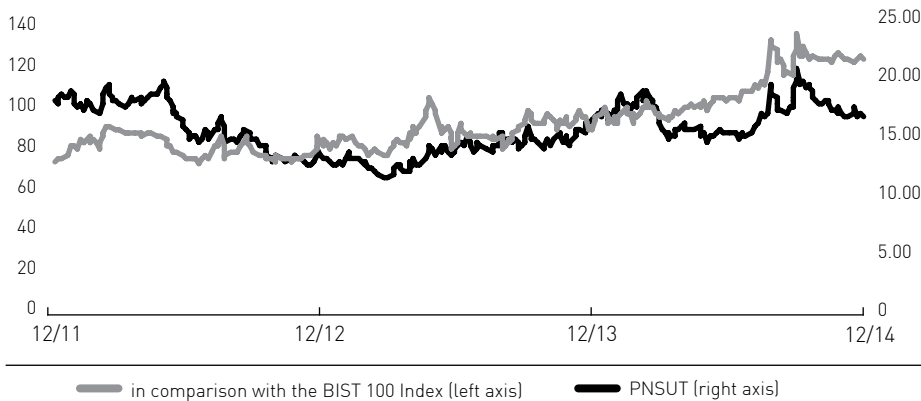
Yatırımcı İlişkileri

Pınar Süt Mamulleri Sanayii A.Ş.
Investor Relations Department
Şehit Fethi Bey Caddesi No: 120 35210 İzmir
Tel: +90 232 482 22 00
Fax: +90 232 489 15 62
E-mail: investorrelations@pinarsut.com.tr

Pınar Süt investor relations web page:



Pınar Süt Share Performance (in comparison with the BIST 100 Index) 



* Adjusted share prices



