



PINAR SÜT
2016
ANNUAL
REPORT



Yaşar

for a better life

Reporting Period

01.01.2016 - 31.12.2016

Commercial Name

Pınar Süt Mamulleri Sanayii A.Ş.

Trade Registry & Number

Izmir Trade Registry Office 34821 K-572

Authorized Capital

TL 80,000,000 TL

Paid-in Capital

TL 44,951,051.25 TL

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42.5

MILLION DOLAR

TOTAL
EXPORT**60.0**

MILLION TL

NET
PROFIT**85**İN İCİ "TOP 500
INDUSTRIAL
ENTERPRISES"

Turkey's Hardworking, Productive Leading Group...

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

FOOD AND BEVERAGE GROUP

Food

- Pinar Süt
- Pinar Et
- Yaşar Birleşik Pazarlama
- Pinar Foods GmbH
- HDF FZCO

Water

- Pinar Su
- **Agriculture, Livestock and Fishery**
- Çamli Yem Besicilik

COATINGS GROUP

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

TISSUE PAPER GROUP

- Viking Kağıt

TRADE AND SERVICE GROUP

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

FOUNDATIONS

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

Operations in Various Sectors with Turkey's Most Famous Brands

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

Established Organization Brought Several “Firsts” to Turkey

Yaşar Holding Broke New Ground in Turkey thanks to its Innovative Approach:

- First paint factory and brand, DYO
- First private dairy factory adherent to international standards, PINAR SÜT
- First first-class holiday village with 1,100 beds, ALTIN YUNUS ÇEŞME
- First private paper factory, VIKING KAĞIT
- First natural spring water in one-way package, PINAR SU
- First private integrated meat processing plant, PINAR ET
- First integrated turkey processing plant
- First culture fishing plant and first culture fish farming, PINAR DENİZ

Dignifying Environment and Society

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

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

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

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

Chairperson's Message

We, Pinar Süt, produce with high technology parallel to our visionary and innovative approach. We prioritize our investments with this approach to adopt to 4th Industrial Revolution and to apply the same.



Dear Shareholders,

Pinar Süt is a member of Yaşar Holding, one of the most established groups of Turkey. The company has played an important role in industrializing the country since 1945 and contributed value to the life of consumers with high-quality products offered for over 43 years. Since the day of our founding, we have manufactured with an understanding of non-compromising quality, in compliance with European Union standards, and been pioneering the development of the animal husbandry and food sectors in Turkey. Pinar Süt produces milk, yogurt, ayran, cheese, fruit juice, butter, cream, pudding, ketchup, mayonnaise, honey, sauce, jam, sweets and powdered products in its factories in İzmir, Eskişehir and Şanlıurfa.

In the first half of 2016, the Turkish economy grew at a significant rate due to domestic demand. However, the impact of the July 15 coup attempt and losses in the tourism sector led to a contraction in the third quarter of the year after 27 quarters. Despite these developments, the interest policies of the Central Bank of Turkey and government stimulus packages have aimed to reinvigorate the economy.

Although the growth target for 2017 was announced as 4.4% in the Medium-Term Program of the Turkish Ministry of Development, the IMF estimates that the global economy and Turkish economy will grow by about 3% in 2017. We hope that unfavorable events we experienced in the previous year will be followed by a more stable environment in 2017.

Total milk production reaches 18 million 489 thousand tons

According to data from Turkish Statistical Institute, total milk production in Turkey decreased by 0.9% to 18,489,000 tons in 2016, compared to 2015. In Turkey, a decrease of 1.3% was also seen in the number of animals milked in 2016. In 2016, the population of large and small livestock in Turkey numbered 55.4 million, decreasing by 0.9% compared to 2015. While all categories except the discount stores showed growth in Turkish milk and dairy products market in terms of tonnage in 2016, the categories that

contributed most to the turnover growth were cheese (4%) and milk (2%).

We have successfully closed this year of fierce competition and maintained our market share and position by supporting our strong brand recognition with communication efforts. In particular, our increasing performance in the cheese category was a main driver of growth. We grew rapidly in new categories such as strained and snack cheese in the cheese category, winning the favor of our consumers. In the milk category, we focused on value-added products and achieved rapid growth in this area.

Growing by 5.6% in 2016 with net sales of 1.07 billion in 2016, Pınar Süt also achieved a growth of 4% in tonnage. Sustaining its leadership and stable financial performance in its main categories of operation, Pınar Süt increased its operating profit by 21% to 65.1 million TL. With a net profit for the period of 60.0 million TL in 2016, Pınar Süt's total assets increased by 5.7% compared to 2015's year-end figures, reaching 934 million TL. We, Pınar Süt, strengthened our leading position in main categories in which we operate by increasing our brand power with new product launches, campaigns and effective communication efforts to meet consumers' needs. Pınar brand received strong approval ratings this year, as in every year. We have protected our reputation as the leading brand in dairy products. Our brand, which we have carried forward without sacrificing quality, was mentioned as the best brand for children by mothers in our surveys this year.

We offered new products to the market despite difficult economic conditions

We managed challenging economic situations in 2016 by establishing closer relationships with our customers, focusing on communication and advertising efforts, paying attention to inventory management and taking care of operational efficiencies.

Pınar Süt, the first brand that instilled the concept of healthy milk and dairy products in consumption habits of our country, has become identified with the concepts of "Novelty Spring," "Health Spring," "Taste Spring," and "My Life Spring." We feel proud to have introduced the first healthy long-life milk, first ready-made mayonnaise, first cream cheese, first packaged organic milk, first labaneh, first fresh cheese, first kid's milk and many more. We continue working with our innovative approach that does not sacrifice quality with the responsibility of being perceived as a trusted brand by millions for generations. As one of the food producers with the highest brand value, we offer our rich product range to consumers through Turkey's largest cold distribution network. Under all these activities, Pınar Süt launched 13 new products and 59 newly packaged products in 2016.

Investments prioritizing Industry 4.0

We, Pınar Süt, execute production with high technology and follow the latest industrial developments and adapt them into our system in parallel with our visionary and innovative approach. Accordingly, we prioritize our investments in this area to adapt and implement the 4th Industrial Revolution. In this latest industrial revolution, called Industry 4.0, which aims at bringing industry together with digitalization, automation and information technology, the purpose is to perform the same work or more with minimum workforce as a result of adapting technology-oriented processes to operation. In addition to technology investments, restoration investments in our facilities continued in 2016 as well. Pınar Süt made maintenance and renovation investments in Izmir and Eskişehir factories in this period, as in every year. Also, Pınar Süt's Şanlıurfa plant, the largest food-industry investment in the

Southeastern Anatolia Region which started operations in 2015, continued producing in 2016.

Taking changing industrial conditions into consideration, Pınar Süt followed an investment program in line with the principles of "innovation" and "change," which are an integral part of organizational culture. Accordingly, our company invested 38,346,000 TL in 2016. Of the total investment, 61.9% was in Izmir Factory, 37.5% in Eskişehir Factory and 0.6% in Şanlıurfa Factory. The investments; we made in 2016 consisted of capacity increase, 65.8 %; renovation, 25.5%; and other investments, 8.7%.

The R&D Center comes into action

In 2017, we will continue to further our ability to use technology effectively and improve our knowledge, prioritize health and professionalism, and aim at developing different products for the "Canteen Profile" to ensure compliance with the legislation of Ministry of Health. Also, with the updated "Dietary Guidelines for Turkey," we plan to evaluate the nutritional deficiencies determined in our country and design products to address these deficiencies.

Continuously improving itself and its products through R&D activities, Pınar Süt opened its R&D Center in January 2017 after meeting relevant qualifications. With our innovative approach, we will continue to offer new products and develop new packages both in Turkish and foreign markets by focusing on our R&D activities. Thus, one of our most important targets is to become the first and newest in the market with high value-added products. Furthermore, it is among Pınar Süt's primary targets to realize projects in Industry-University cooperation in the coming period with the main principle of production in the light of scientific and technological developments.

While Turkey's milk and dairy product exports amounted to 370 million USD in 2016, the cheese category had the biggest share in exports with a turnover of 52% (TurkStat). Pınar Süt's share of total exports (excluding milk powder) was 20%. Exporting to over 25 countries, our company aims for a presence in the neighboring region and is making rapid progress to achieve that. In 2016, we exhibited at Anufood, Gulfood, Fancy Food and Sial trade fairs to penetrate new markets and increase our presence in current markets. We will continue our efforts in this area in 2017.

We received CDP Turkey Water Leaders Award

In line with our understanding of "sustainability" for a better life, Pınar Süt was awarded the "CDP Turkey Climate Leaders Award" among the firms with high performance in combating climate change, and "CDP Turkey Water Leaders Award" among the firms with a leading position in water management, according to results of the "2016 Climate Change Report" and the "2016 Water Program Report" of Carbon Disclosure Project (CDP) Turkey.

I would like to thank all our employees, distinguished shareholders and stakeholders for their support in the success we achieved in 2016.

Best Regards,

İdil Yiğitbaşı
Chairperson of Board of Directors

Board of Directors



İdil Yiğitbaşı
Chairperson



Emine Feyhan Yaşar
Vice Chairperson



Mustafa Selim Yaşar
Member



Ali Yiğit Tavas
Independent Member



Yılmaz Attila
Independent Member



Cengiz Erol
Member



Yılmaz Gökoğlu
Member

Senior Management and Committees

Board Members and Terms of Office

NAME SURNAME	TITLE	TERMS OF OFFICE
İDİL YİĞİTBAŞI	CHAIRPERSON	30.03.2016 - 1 YEAR
EMİNE FEYHAN YAŞAR	VICE CHAIRPERSON	30.03.2016 - 1 YEAR
MUSTAFA SELİM YAŞAR	MEMBER	30.03.2016 - 1 YEAR
ALİ YİĞİT TAVAS	INDEPENDENT MEMBER	30.03.2016 - 1 YEAR
YILMAZ ATTİLA	INDEPENDENT MEMBER	30.03.2016 - 1 YEAR
CENGİZ EROL	MEMBER	30.03.2016 - 1 YEAR
YILMAZ GÖKOĞLU	MEMBER	30.03.2016 - 1 YEAR

Limits of Authority:

Chairperson of Board of Directors and Board Members have the powers set out in relevant articles of Turkish Commercial Code and Articles 11 and 12 of the Company's Articles of Association.

Corporate Governance Rating:

In 2016, Pinar Süt's corporate governance rating was revised upwards to 9.24 out of 10.

Senior Management

NAME SURNAME	POSITION
LEVENT DAĞHAN	DEPUTY CEO - HEAD OF FOOD GROUP
GÜRKAN HEKİMOĞLU	GENERAL MANAGER
MUSTAFA ŞAHİN DAL	FINANCIAL AFFAIRS AND BUDGET CONTROL ANALYSIS

Audit Committee

NAME SURNAME	POSITION
ALİ YİĞİT TAVAS	HEAD OF COMMITTEE
YILMAZ ATTİLA	MEMBER

Corporate Governance Committee

NAME SURNAME	POSITION
YILMAZ ATTİLA	HEAD OF COMMITTEE
CENGİZ EROL	MEMBER
YILMAZ GÖKOĞLU	MEMBER
GÖKHAN KAVUR	MEMBER

Early Detection of Risk Committee

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

*Background information of Board of Directors and Top Management is given on pages 39-40.

Company Profile

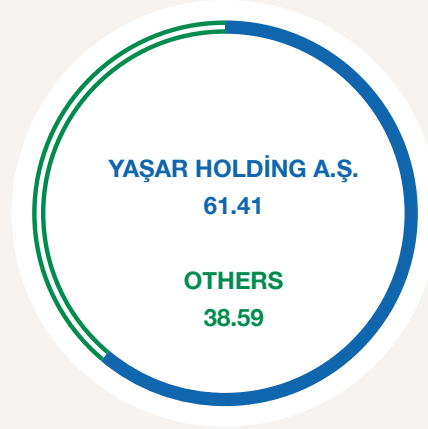
The Company performs production in conformity with the **European standards** without compromising on quality. Having contracts with 301 suppliers, 119 of which are farms, Pınar Süt always supports over **18,000** producers and contributes to the increase of milk production in Turkey.

Financial Performance in 2016

(Million TL)	01.01.2015 - 31.12.2015	01.01.2016 - 31.12.2016
Net Sales	1,011.2	1,067.8
Gross Profit on Sales	162.4	191.1
Gross Profit Margin	16.1%	17.9%
Net Profit	62.2	60.0
Net Profit Margin	6.2%	5.6%

(Million TL)	31.12.2015	31.12.2016
Shareholder's Equity	587.1	593.3
Assets	883.8	933.6
Debt/Equity Ratio	0.51	0.57

SHAREHOLDING STRUCTURE OF PINAR SÜT (%)



Shareholder	Share Rate	Share Amount (TL)
YAŞAR HOLDİNG A.Ş.	61.41%	27,603,901.57
OTHER	38.59%	17,347,149.68
TOTAL	100%	44,951,051.25

The company's shares are traded at Borsa İstanbul Star Market under the ticker symbol PNSUT. Information on privileges related to the Company's shares can be found in the Corporate Governance Principles Compliance Report.

Pınar Süt, the first brand to draw consumer attention to the concept of "healthy milk and dairy products", reached a high level of brand recognition with the introduction of "My Life Spring", which became synonymous with "taste", "health" and "novelty". Pınar Süt continues to work as one of the most reliable food brands today with a high recognition level.

Pınar Süt was the first brand to introduce healthy milk and dairy products to Turkey 43 years ago. In 1973, it started to serve as the largest facility in the Middle East and most advanced in Europe. Introduced its long-lasting milk to consumers for the first time in 1975, Pınar Süt constantly enriches its product range by considering the needs and demands of consumers. Pınar Süt makes a great contribution to the nurturing of healthy generations and the growth of the dairy farming and food industries in Turkey.

Today, Pınar Süt carries out its production activities with great care at its factories located at three different points of our country, namely İzmir, Eskişehir and Şanlıurfa. Production and sales of milk, yoghurt, ayran, cheese, fruit juice, butter, cream, pudding, ketchup, mayonnaise, honey, sauce, jam, dessert and powder products constitute Pınar Süt's fields of activity.

Pınar Süt reaches major countries of the world with its quality and healthy milk and dairy products. With its export volume and investments, the company is on its way to become a regional power in its nearby geography.

Pınar Süt provides services as a member of Yaşar Group, one of Turkey's biggest and most highly respected corporate groups.

Leading Manufacturer & Brand in Dairy Sector

"Raising healthy generations" has always been one of the main objectives supported by Pınar Süt. Making significant contribution to development of animal husbandry and food industry in Turkey, Pınar Süt was the first brand in Turkey to draw consumer attention to the concept of healthy milk and dairy products and its name has become synonymous with "Novelty", "Health", "Taste" and "My Life Spring". In Turkey, Pınar Süt offered many firsts such as the first healthy long life milk, first ready-made mayonnaise, first cream cheese, first packaged organic milk, first labaneh, first fresh cheese, first child's milk and many more. It has been a trusted brand to millions of people for many generations and continues to work hard to be worthy of such trust

Pınar Yoğurt Ambalajları Saksıya Dönüşüyor!



Pınar Yoğurtla
Ailem Mutlu!



Competitive Advantages

With an innovative perspective that does not compromise on quality, Pınar Süt markets its rich product portfolio with Turkey's largest cold distribution network.

HIGH BRAND VALUE

- Among CDP Turkey Climate Leaders
- Pınar, the Most Successful Brand of the Year in Food Sector (Marketing Turkey Magazine)
- Social Responsibility Project of the Year in Europe (Stevie Business Awards)

QUALITY PRODUCTION, RICH PRODUCT PORTFOLIO

- Hygienic production conforming to EU norms
- Healthy and quality products
- Certified quality of production
- About 300 SKUs
- Innovative and pioneering identity
- R&D experience
- Technological and sectoral knowledge and experience
- Energy-efficient industrial plant

CERTIFICATES OF PINAR SÜT

- TS EN ISO 9001:2008 Quality Management System Certificate
- TS EN ISO 14001:2004 Environmental Management System Certificate
- TS EN ISO 22000 Food Safety Management System Certificate
- FSSC 22000 Food Safety System Certificate
- TS EN ISO 50001 Energy Management System Certificate
- TSE 18001 OHSAS - Occupational Health and Safety Management System Certificate

WIDE DISTRIBUTION AND SUPPLIER NETWORK

- Yaşar Birleşik Pazarlama, Turkey's largest and most extensive frozen and cold chain distribution network
- 150,000 sales points
- Group synergy created by distribution of dairy and meat products
- More than 18,000 raw milk suppliers
- 301 separate sites adopting Pınar Süt's quality approach, 119 of which are farms
- Monitorable production process
- Supplier performance evaluation
- Training & consulting services for producers

The Power of Experience, Knowledge and Innovative Approach

As a manufacturer that uses technology effectively, Pınar Süt is always one step ahead of the competition. The company continues to grow with the investments it has made and to be the pioneer of the sector, while strengthening its brand awareness and reliability with its consumers.

Pınar Süt continued its consumer-focused approach in 2016 in a way to support its leadership and innovative position. The company also offered new products that makes the lives of consumers easier and organized campaigns that connects with life. As a result of these activities, Pınar Süt maintained and improved its position in as well as market share performance in 2016, based on the criteria of awareness and brand image.



Pınar Süt Products

Working without sacrificing high quality standards with its products that offer health and taste together, Pınar Süt introduced 13 new products and 59 new product packages to the market in 2016.



MILK

Boxed Milk

- Full-Fat Milk
- Half-Fat Milk
- Organic Milk
- Organic Light Milk
- 50% Light Milk
- 0.1% Light Milk
- Kido Milk (Cocoa, Strawberry, Banana)

Fortified Milks

- Kids Follow-On Milk (plain, honey)
- Toddler & Follow-On Milk (plain)
- Denge Calcium Milk
- Denge Lactose-free Milk

YOGHURT

- Natural Yoghurt
- Light Natural Yoghurt
- Organic Yoghurt
- Strained Yoghurt
- Lactose-free Yoghurt

AYRAN

- Bottled Ayran
- Ayran in Cup

DESSERTS AND POWDER PRODUCTS

- Kido Puddings (Cocoa, Banana)
- Chantilly Cream
- Milk Powder



FRUIT NECTARS

Fruit Nectars

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

100% Pure Fruit Juices

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

Fruit Drinks

- Crazy Tropical
- Crazy Orange - Peach
- Crazy Orange - Carrot - Lemon
- Crazy Orange - Pear - Apple
- Crazy Pear - Pineapple
- Crazy Strawberry - Raspberry
- Crazy Watermelon

FLAVORS

Sweet Sauce

- Chocolate Sauce
- Kremilla

Mayonnaise

- Mayonnaise
- Light Mayonnaise

- Ketchups (Regular & Spicy)
- Mustard
- Cream
- Pınar Sütkrem

CHEESE**Modern Cheese**

- Cream Cheese
- Pınar Cream Cheese
- Pınar Light Cream Cheese
- Pınar Labaneh
- Pınar Light Labaneh
- Toasting Cheese Slices
- Sliced Burger Cheese
- Açbitir Sliced Kashkaval
- Açbitir Sliced Cheddar
- Pınar Kido Triangular Cheese
- Full-Fat Triangular Cheese
- Half-Fat Triangular Cheese
- Light Triangular Cheese
- Kahvaltı Keyfi Triangular Cheese
- Go Cheddar
- Go Fresh Kashkaval
- Go String Cheese

Traditional Cheese

- Fresh Kashkaval
- Full-Fat White Cheese
- Light White Cheese
- Kahvaltı Keyfi White Cheese
- Kahvaltı Keyfi Fresh Kashkaval
- Organic White Cheese
- Lactose-free White Cheese
- Cottage Cheese

Specialty Cheese

- Cheddar Cheese
- Halloumi

BUTTER

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

AFH CONSUMPTION**Milk**

- Long-Life Milk (full-fat, half-fat and no-fat)
- Pınar Bag-In-Box Milk (full-fat & half-fat)

Cheese

- Pınar Labaneh
- Pınar Cream Cheese
- Pizzarella
- Toasting Cheese Slices
- Kashkaval
- Shredded Mozzarella
- Diced Mozzarella
- Triangular Cheese

Butter

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

Jam and Honey

- Serving Size Strawberry Jam
- Serving Size Cherry Jam
- Serving Size Honey

Cream

- UHT Cream
- Sour Cream

Yoghurt

- Natural Yoghurt (Semi-Skimmed, Full-Fat)

Ayran

- Ayran in Cup

Flavored Drinks

- Oops Pineapple-Flavored Drink
- Oops Tropical Fruits Flavored Drink

Industrial Milk Powder

- Fat Free Milk Powder
- Full-Fat Milk Powder
- Whey Powder

Sos

- Food Trade Mayonnaise
- Food Trade Ketchup
- Bucket Mayonnaise
- Bucket Ketchup
- Mayonnaise (Sachet)
- Ketchup (Sachet)
- Barbecue Sauce (Sachet)
- Barbecue Sauce (Bucket)
- Hot Sauce (Sachet)
- Hot Sauce (Bucket)
- Garlic Mayonnaise (Sachet)
- Garlic Mayonnaise (Bucket)



Innovations for Needs of Consumers

Proceeding to offer products in line with consumer habits and needs in the domestic and global markets, Pinar Süt developed many innovations to dominate the industry in 2016.

In 2016, the company released Pinar Go series for snack consumption and Pinar Açıtır Kashkaval and Cheddar 60g products for single use consumption in line with consumer demands and food trends.

As part of its efforts to grow and create opportunities in the Away From Home Consumption (AFH) Channel, Sour Cream 650g product, which was released especially for chef cooks and use of restaurants and cafes, attracted great attention as the first and only product in this category.

The lactose-free product range was expanded due to consumers' increased knowledge and demand for lactose-free products. Lactose-Free White Cheese was also added to the portfolio after milk and yoghurt. Being the first and only product of its category in the market, Lactose-Free Cheese sets an important example for Pinar Süt's innovative approach and increasing health trends.

In order to differentiate Pinar's products and improve visual perception, the company developed new visuals for product packages in 2016. Packages of ayran in cup, bottled ayran and triangle cheese products with "emoji" design were introduced for consumers, bucket packages of yoghurt and labaneh products were decorated with flowerpot



NEW PRODUCTS FOR EXPORT WITH SPECIAL BRAND

In order to make a difference in its export channel, Pinar Süt released its labaneh product with 100g packaging. 1.5 liter bottled ayran and 200ml and 300ml ayran were added to the category of special-branded products. Also, production of yoghurts of 500g and 1.500g started in 2016.

Some New Products and Packages Introduced in 2016:

RETAIL

- Pinar Açı Bitir Sliced Kashkaval 60g and Cheddar 60g
- Pinar Go Fresh Kashkaval 20g, Stringy Cheese 20g, Cheddar 20g
- Lactose-free Brined White Cheese 400g
- Triangular Cheese 24x12.5 g
- Kahvaltı Keyfi Triangular Cheese 16x12.5 g

AFH & EXPORT PRODUCTS

- Cream Cheese 100g
- Labaneh 100g
- Sour Cream 650g

INNOVATION TARGETS FOR FUTURE

Pinar Süt aims to develop different products for the "Canteen Profile" under the legislation of Ministry of Health, focusing on health and functionality for 2017. The company also plans to assess nutritional deficiencies determined in Turkey upon the updating of "Dietary Guidelines for Turkey" which was most recently issued in 2010, and to design products for these deficiencies.

As part of innovation which is the basis of competition, Pinar Süt will continue to offer new products and develop new products and packages both in Turkish market and foreign markets by focusing on its R&D activities. It is among the most important targets of Pinar Süt to create a difference in the market with its high value-added innovative products.

Pinar Süt's main targets include developing TÜBİTAK / TEYDEB project with the cooperation of more industry-universities and having a R&D Center structure by increasing its R&D team and business volume in order to carry out its activities in the light of scientific and technological developments.

R&D Activities

Based on its decision to establish R&D Center in 2016, Pınar Süt fulfilled necessary qualifications and opened its R&D Center in January, 2017.



Pınar Süt plans to increase the qualified workforce with the strengthen its technical infrastructure and equipment with the R&D Center.

Pınar Süt's R&D activities are focused on new product/ packaging development and current product/ packaging improvement. Accordingly, the company is engaged in activities in areas of new product and packaging development, product reformulation, cost optimization, product and process improvement, laboratory trials and product prototype works, adaptation of laboratory trials to production line, packaging prototype work, packaging production trials, benchmark reports, preparation of trend and concept presentations, training programs, alternative material and supplier development and TÜBİTAK projects.

Pınar Süt obtained preliminary approval by making its project application to the "Support Programme for Research, Technological Development and Innovation Projects in Priority Areas (TÜBİTAK-1511).

Aiming to reach further points in the sales channel, the company realized its projects to decrease quantities of parcels in many products in 2016. As part of R&D efforts, the company completed its adoption of polypropylene packaging in traditional butters to improve consumer perception.

Within the framework of all these efforts, Pınar Süt has introduced 13 new products and 59 new product packages to the market in 2016.

Non-Compromising Quality Approach

Pınar Süt continues to offer its customers the products it produces with its superior quality understanding at the facilities equipped with the latest technology in compliance with international standards.



Adopting the principle of adding value to human health and life with top quality products, Pınar Süt pursues quality starting from the supply of raw materials. In 2016, Pınar Süt also conducted company visits and audits to existing and potential suppliers as part of its annual plans. Based on annual plans, the company organized HACCP, food safety and hygiene trainings for its employees and explained the importance of producing healthy and safe products. Under the project "Future of Milk in Conscious Hands", awareness trainings were organized for 5,800 raw milk producers in areas of animal nutrition, quality and hygiene.

Also, as a reflection of the importance the company attaches to sustainability, internal instructors provided sustainability trainings for all employees.

Also, Pınar Süt continues serving in the activities of Specialized Sub-Committee of Ministry of Food, Agriculture and Livestock.

High Technology for High Quality

Pinar Süt continues to follow technology trends by transferring all kinds of technology that can be applied in fields such as production method, machinery, equipment, marketing, product and quality development, packaging, information systems, logistics and product usage.



Leading the Turkish dairy industry with the activities jointly performed with Ministry of Food, Agriculture and Livestock since 2000 to export to European Union, Pinar Süt has become one of the first companies to receive approval for export of UHT milk to European Union thanks to its successful results from the audits of FVO Mission and Ministry in 2013. Pinar Süt continues to expand its EU approved product list with EU approval audits conducted by the Ministry based on process lines.

With its permission of export to Russia as granted by the Russian Federal Service for Veterinary and Phytosanitary Surveillance, Pinar Süt continues to export with different product varieties.

SENSE OF BENEFICIAL EFFICIENCY TO THE CORPORATION AND SOCIETY

As part of its activities for efficiency, Pinar Süt increases production and decreases costs by using the economy of scale model. Pinar Süt is decreasing its costs while increasing its production with scale economy model within the scope of activities carried out on the basis of productivity.

The company obtains significant cost advantages with Operational Cost Improvement (OCI) models implemented in 1999. With its common objective to improve the costs, employees presents their ideas as projects to solve the problems they identify in their functions and costs are improved by means of projects that are implemented after the approval of directors. The projects are rewarded by management with an encouraging approach.

Yaşar Group continues to organize Operational Efficiency Competitions among its companies. In this context, “Yaşar Group Sustainability Competition” was organized in 2016 as a demonstration of the importance that Yaşar Group attaches to sustainability in its economic, environmental and social dimensions. In this competition, Pinar Süt won the Jury’s Special Award with the project “Cheese Packaging Unit Air Conditioning and Line Re-Design” and the campaign “Pinar Flowerpot”.

The company always pursues the aim to realize projects for corporate sustainability, keeping corporate values alive, effective and productive use of resources as well as socially beneficial projects, perform activities to meet the needs of future generations and ensure that these activities serve as an example in the society, and cause the employees to adopt social and environmental sustainability.

Line Productivities

Pinar Süt performs productivity measurements on its daily production line at all factories and regularly records and analyzes their results.



While performing daily production line productivity measurements at production centers, Pinar Süt consolidates and records these measurements on a weekly, monthly and yearly basis, and periodically evaluates them with tests and analyses. Line efficiencies are assessed from a perspective of continuous improvement during periodical meetings of relevant technical departments with regard to performance and expenditure.

The company prioritizes automation and advanced robot technology while doing line investments, and makes

continuous improvements for operational costs. Accordingly, operational improvements were made at Eskişehir Pinar Süt Factory with the automatic parcel transfer and parcel packaging investment project in 2016.

Developing instant and long-term action plans in order to eliminate factors that cause loss in productivity and improve existing values, Pinar Süt continues organizing trainings with a view to raise the awareness of employees to prevent wastage and increase operational efficiency.

Productivity-Oriented Investments

Also, Pınar Süt's Şanlıurfa Plant, which is the largest food investment in the Southeastern Anatolia Region and started its operations in 2015, continued producing in 2016. Pınar Süt kept making renovation investments in İzmir and Eskişehir factories.



In 2016, in line with "innovation" and "change", which are integral parts of its corporate culture, Pınar Süt followed an investment program in compliance with changing industrial conditions to further the use of technology and knowledge. Accordingly, Pınar Süt made an investment of 38,351,633.56 TL in 2016. 61.9% of this investment was in İzmir Factory, 37.5% in Eskişehir Factory and 0.6% in Şanlıurfa Factory.

The investments we made in 2016 consists of capacity increase with 65.8%, renovation with 25.5%, and other investments with 8.7%.

In 2016, the company made Cottage Cheese and Bottle Ayran filling investments and initiated product conveyor renovation investment at Eskişehir Plant. Also, there are activities ongoing for investments on various production, filling and packaging lines as planned to be realized at Eskişehir Plant in 2017.

In 2016, the company made investment to increase Fresh Cheese production capacity and continued its efforts for renovation and modernization of Central Cooling System at İzmir Plant. The company is working on to invest in the Cream Pasteurization system in 2017.

With its capability to use and adapt high technology in its systems, the company prioritizes its investments in a way to adapt to Industry 4.0, one of the most current industrial trends. In the strategy of Industry 4.0, which aims at bringing the industry together with digitalization, automation and information technology, the purpose is to perform the same work or more with minimum workforce as a result of adaptation of technology-oriented processes to operation.

In order to reduce consumption of natural resources, labor and amount of direct and/or indirect waste, the company aims to use its information systems and automation infrastructure throughout main and ancillary processes, and plans to make investments in areas such as line operation and control automation systems and robotic applications in 2017.

INFORMATION TECHNOLOGY ACTIVITIES

In 2016, Pınar Süt made important changes in its information technology infrastructure and achieved progress in areas of business continuity, data security and cost improvement.

Projects in 2016

- Carbon footprint application is in place.
- Quality Document Management System (QDMS) is in place.
- Activities were performed for monitoring of milk sampling storage and milk tank automation.

Pınar Süt invested 1 million 38 thousand 190 TL in land, underground and land improvements and buildings, 33 million 466 thousand TL in machinery and facilities, 2 million 586 thousand TL in fixtures, 916 thousand 593 TL in rights, and 345 thousand 244 TL in vehicles.

The Sector in 2016

Today's rapidly changing lifestyles and dietary habits enable the development of practical products that provide ease of use. There's an increasing interest in products that provide additional benefits to consumers in line with the understanding of healthy living and healthy nutrition.

2.1

BILLION TL
SIZE OF TURKISH PACKAGED
CHEESE MARKET
AS OF 2016

18.5

MILLION
TONS RAW MILK
PRODUCTION IN
TURKEY

The Turkish packaged dairy sector maintained its growth trend in quantity, and UHT milk growth, which accounts for 93.4% of the market, was around 3.7%.

In recent years, urban and young population have started to lead a "mobile life" all over the world, which resulted in emergence of different trends in dietary habits. Busy and active lifestyle brings together concepts like "staying healthy" and "being fit" along with practical mobile products. Accordingly, it is observed that value added foods and beverages, which offer additional benefits to consumers, such as "vitamin-mineral assisted, disease-preventing and heart-friendly, digestive products", are demanded more. On the contrary, "taste" continues to maintain its importance to consumers at all times.

While innovative products are being developed in line with these trends in the global dairy and milk products market, raw milk production, which is at the core of production, is expected to reach 816 million tons worldwide by 2016 with

a growth of 1.6% compared to 2015. While milk production is expected to increase in Pakistan, Turkey, China, Iran and Saudi Arabia, North America is estimated to have grown by 2% to 96.3 million tons in raw milk production. Raw milk production is projected to grow in European Union by 1.3% to 165.7 million tons (FAO).

According to TURKSTAT figures, Turkey produced 18.5 million tons of raw milk in 2016. By the end of 2016, India is expected to reach 155 million tons with 4.8% growth. When it comes to packaged plain milk, total plain drinking milk is projected to grow by 2% in 2016. UHT is projected to grow by 2.1% to 50 billion liters, while pasteurized poultry is expected to grow by 2.1% to reach 86 billion liters (Euromonitor).

While the raw milk base price determined by the National Milk Council in Turkey was 1.15 TL/L in 2016, it is expected to be 1.21 TL/L in 2017.



In the consumption category, the total milk market amounted to 2.02 million tons in 2016. The packaged milk market maintained its size compared to the previous year in 2016 with a share of 43.7%. (Ipsos).

On the other hand, functional milk market also shows rapid growth in Turkey in parallel with global trends. In 2016, this market came to the forefront with the increasing consumer awareness, especially about the consumption of lactose-free milk. Similarly, as the number of working mothers increases day by day, value-added children's milk segment also gains importance.

The packaged cheese segment, which has the highest share of turnover and grows regularly in the dairy products market, has reached a size of 2.1 billion in 2016, maintaining its growth trend. (Nielsen)

The packaged plain yogurt market grew by 4% in quantity compared to last year, while the functional yoghurt market

was one of the most growing yogurt categories with a 9% growth in quantity. (Nielsen)

The ketchup market, one of Pinar Süt's areas of activity, reached a volume of approximately 15 thousand tons in 2016 with 5% growth in volume. In terms of turnover, it reached a size of 94 million TL with 10% growth in ketchup market. (Nielsen)

In 2016, the mayonnaise market grew by 6.6% in quantity and reached 8 thousand tons. The market reached a size of 88 million TL with a growth of 11% growth in turnover. (Nielsen)

Total fruit juice market shrank by 4.7% to 480 thousand tons in 2016. In terms of turnover, it grew by 1% and reached 1.4 billion TL. (Nielsen)

Pınar Süt in the Industry

Achieving 1.07 billion TL of net sales revenue in 2016, Pınar Süt maintained its leadership in the main categories it operates.



Continuing its stable and strong financial performance, Pınar Süt recorded a net sales revenue of 1.07 billion TL in 2016, increasing by 5.6% compared to the previous year. Gross profit of Pınar Süt, which realized 323,790 tons of sales in 2016, reached 171.7 million TL in 2016 with an increase of 17.7% compared to last year. Its operating profit* increased

by 20.6% to 65.1 million TL. Pınar Süt strengthened its leading position in main categories by increasing brand power with new product launches, campaigns and effective communication efforts towards the needs of consumers.

*Excluding other income and expenses

Milk Group

PRODUCT	REVENUE SHARE	POSITION
Plain Milk	28.1%	Leader
Kido Milk	21.6%	Leader
Light Milk	67.4%	Leader
Kid's Milk	77.5%	Leader
Lactose-free Milk	72.9%	Leader
Organic Milk	100%	Leader

Yoghurt-Ayran Group

PRODUCT	REVENUE SHARE	POSITION
Plain Yoghurt	8.9%	Third
Light Yoghurt	14.2%	Second
Ayran	8.6%	Second

Cheese Group

PRODUCT	REVENUE SHARE	POSITION
Total Spreadable Cheese	33.8%	Leader
Labaneh Cheese	46.8%	Leader
Cottage Cheese	11.3%	Third
Sliced Cheese	34.2%	Leader
Fresh Cheese	57.7%	Leader
Triangle Cheese	18.5%	Second
Cream Cheese	14.6%	Third

Butter Group

PRODUCT	REVENUE SHARE	POSITION
Butter	14%	Third



AIMING TO BE A REGIONAL FORCE

While Turkey exported milk and dairy products amounted 370 million USD in 2016, the cheese category had the biggest share in exports with a turnover of 52% (TÜİK). Pınar Süt's in total exports (excluding milk powder) was 20%.

Pınar Süt, one of the first companies to receive export permit to Europe in its industry, reaches various regions of the world with its products, especially the Gulf Region. Exporting to more than 25 countries, Pınar Süt is rapidly moving towards becoming a regional power especially in its nearby geography. Exports to Iraq from the Şanlıurfa Factory also support this performance.

Pınar Süt exports to Saudi Arabia, the United Arab Emirates (BAE) and Kuwait in the Gulf Region, as well as Iraq, the Northern Cyprus and Azerbaijan, and Germany and the UK in Europe. The company makes 65% of its exports to the Gulf Region.

In 2016, Pınar Süt participated in Anufood, Gulfood, Fancy Food and Sial exhibitions in order to enter new markets and increase its brand awareness. The company will continue its efforts work in this area in 2017.

Increasing Overseas Recognition Level

- Since 2000, total Labaneh exports have increased by 2.5 times.
- According to the 2016 AC Nielsen Market research, Pınar Süt's Labaneh is the market leader with 43.7% in Kuwait, 24.3% in UAE and 25.2% in Saudi Arabia.
- The inventor of Turkish-style labaneh, Pınar won the Gulf "Product of the Year" Award in the labaneh category for the second time as an award that is given to leading companies every year in the field of fast moving consumer goods.
- Pınar Süt is one of the first 6 companies to receive permission from the Ministry of Food, Agriculture and Livestock to export milk and dairy products to European Union countries.
- Pınar is the first brand to export cheese from Turkey to the UK.
- Pınar is one of the first three brands to receive approval from Russia for export from Turkey.
- Started to export to Vietnam and Panama in 2016, Pınar Süt continues to take steps to reach wider geography in the world market.

Consumers and Customers of Pinar Süt

Pinar Süt manages to keep its consumer and customer satisfaction at high level thanks to non-compromising quality approach, widespread and effective distribution power. It continues to increase its brand power with campaign activities and product launches that respond to consumer needs.



Reaching all consumer segments young and old alike with a large product range, Pinar Süt defines its main target group as “mothers who want the best for their child and family” with milk and dairy products and aims to reach different target groups with its sub-brands.

Operating with an approach to add value to human life with a wide product range consisting of milk, yoghurt, cheese, butter, ayran, juices, flavoring and desserts, Pinar Süt processes top quality raw materials with most advanced production technologies and offers products through a powerful distribution network. Pinar Süt knows its consumers closely and develops innovations to accurately meet the needs in its areas of activity. The company aims to deliver these activities to a wider audience through marketing activities.

Brand Communication

Keeping on investments in its main product categories, Pinar Süt performed various activities in product and communication areas considering the competition and consumer needs in 2016 in order to grow stronger in its potential fields of growth. To this end, the company focused primarily on consumer needs and defined prominent products and concepts in its existing product portfolio and new product development activities. The release of Pinar Go Cheese series, which can be consumed in one go with a practical packaging, suitable for fast and dynamic

lifestyles of consumers, sets a good example for such efforts. In 2016, Pinar Süt also featured its lactose-free product portfolio, which is growing with the increased consumer awareness. The portfolio, which consists of milk and yoghurt products, was enriched with lactose-free white cheese. Moreover, the company accelerated new product projects considering the trends that will be on the rise in Turkey in the future.

In 2016, Pinar Süt focused on alternative communication channels in order to use its resources effectively. Besides using the mass media, Pinar Süt improved its presence in the digital media considering that they are used more heavily and actively by the consumers, and realized activities to interact with the consumers closely.

Under today's conditions where the competition is fierce, options are abounding and consumers are exposed to too many messages, Pinar Süt attaches great importance to act with a strategy of meeting the right product with the target group using the right medium, and thus established closer relationship with its consumers by using resources more efficiently. The company continued its strategy to increase its share in the cheese category. In line with this strategy, Pinar Süt, in its communication activities, focused on cheese category in 2016, with Cottage Cheese, Labaneh, and Pinar GO products that were launched in 2016. In the milk category,

the company gave prominence to its value-added products, namely Pinar Çocuk and Pinar Denge Lactose-Free.

In recent years, Pinar Süt targets lifestyles instead of adopting traditional demographic approach when defining its target groups and prioritizes understanding consumers thoroughly, identifying their needs and expectations and designing suitable new products. On the other hand, Pinar Süt decided to increase the share of digital media in brand communication budget in order to deliver its different products to different target groups.

COMMUNICATION CAMPAIGNS

Milk Group

- Throughout the year, Pinar Süt continued to communicate with consumers at pinarsutum.com and its social media accounts.
- To celebrate Mother's Day and World Milk Day, blogger activity was organized for consumers at pinarsutum.com and its social media accounts.
- For Pinar Kido milk, communication activities were conducted on TV, digital media and outdoor media in January, February and November. Moreover, "Just Like me" application was developed in the same concept as the campaign to strengthen the emotional bond with consumers.
- A yearlong communication campaign was performed for the Kido brand. The company had an active year on its social media accounts, besides TV, digital media and cinema media. 3 different campaigns were performed related to the website www.kido.com.tr which has more than 4 million users. In the campaign "back to the school", the company organized "augmented reality" event for the first time in this category in Turkey. Children scanned Kido milk packages on their smart phones and tablets and played entertaining games.

Lactose-free Product Group

In line with the increasing interest in lactose-free products, white cheese was added to the Pinar Denge Lactose-Free range after milk and yoghurt. The company conducted awareness activities with dietitians for the Pinar Denge Lactose-Free range. Dietitians were visited, benefits of the products and their nutritional importance were explained, and brochures and promotional kits were distributed. In the last quarter, communication campaign was organized on radio and digital media for the Pinar Denge Lactose-Free range.

Cheese Group

- In 2016, the company was active in different media with Pinar Labaneh's campaign named "It Adds Flavor To Whatever It Touches". The company also sponsored Sahrıp Soysal's cooking shows. Printed media, outdoor media, radio and digital media were used besides TV.
- The company performed promotional activities in 2016 for Pinar GO cheese products designed for individuals who want to eat healthily in a busy lifestyle. The campaign was mainly supported by TV, cinema, newspaper and open air campaigns, mainly using digital media to reach young target groups. Also, samples were distributed at universities, plazas and popular outdoor venues with populated target group and

consumers tired the product during these events.

- An advertising campaign was organized on TV, radio, press and outdoor venues for Pinar Cottage Cheese with the motto "Pinar Makes the Best".
- "Emoji" icons were used on triangle cheese packaging to increase interaction with consumers and draw attention at the shelves and a promotional campaign was organized on digital media.
- Distribution and sale of Açıtır Kashkaval, a new sliced cheese product, was increased and the cheddar variety was introduced to consumers.
- White cheese product was added to Pinar's lactose-free product portfolio.

Yoghurt-Ayran Group

- Based on the idea that consumers pay value to yoghurt buckets and use them for various purposes after consumption, one side of yoghurt buckets was designed as flowerpot and toy box. Designed to contribute to preservation of environment with the thought of creating a better world for the future, these packages have won the appreciation of consumers. The design change was announced by organizing ads and contents on social media. Thanks to Pinar Yoghurt Flowerpot campaign, the company won 2 Bronze Crystal Apple Awards in the categories of Digital Campaign - Fast Consumption and Social Media at the 28th Crystal Apple Awards Ceremony.
- Packaging of Pinar's liter ayran and ayran in cup were decorated with "emoji" designs. Change of packaging was announced to consumers with an advertising and contest on social media.

Sauce Group

- Pinar switched to leakproof, non-flowing 'clean lids' in ketchup and mayonnaise products and offered hygienic and pleasant use to consumers in every use.
- A communication activity was organized for Pinar's glass bottled mayonnaise on new year's day. In this activity, newspapers and digital media were used and recipes of meals prepared on new year's day were targeted to get in the shopping lists with the concept "Delicious Recipes with Pinar Mayonnaise".

Ramadan Campaign

The company reached consumers with a new campaign that underlines the importance of sharing and unity during the Ramadan month.

Pinar Professional in Away From Home Consumption Channel

The increase in number of working women and single person households shape consumption habits. Accordingly, consumption of out-of-home food is also showing an upward trend. These changes cause the AFH (Away From Home) channel to gain value and importance every passing day. Reaching the AFH channel with "Pinar Professional" brand, Pinar Süt offers service for a wide customer portfolio, including hotels, restaurants and catering companies. The company also interacts with chef cooks as "Opinion Leaders" and learns the core of business, understands consumer



needs well, and keeps developing innovative and practical products with a view to present healthy foods that make lives easier.

Promotional Activities in Away From Home Consumption Channel

Pinar participated in the 4th EDT EXPO, which was organized at CNR Expo on March 24-27, 2016. The tastes created by different consultant chefs using Pinar's products were shared with participants for 4 days. In particular, Researcher Yazar Şef Ömür Akkor's exhibition themed "1000 Years of Anatolia" attracted great attention. As part of EDT EXPO, the contest "Gelenekten Geleceğe Lezzet Pinar'ı" (Taste of Pinar from Tradition to Future) was held. Local tested modernized by 10 university teams using Pinar's products were evaluated by a jury of cooks. Pinar gave presents to members of top three teams to support their career. Three teams received "Leadership Training for Taste Hunters" organized on May 18-20 at Altın Yunus Hotel.

Pinar Professional sponsored İTÜ Gastronomy Club's Kitchen Summit organized on April 6-7, 2016. Pinar GO products were introduced to the students of İstanbul Technical University. The 2nd National Cookery Camp was organized in Mengen, Bolu, by AŞOMDER (Association of Graduates of Bolu Mengen Cookery School) for 4-year Gastronomy Departments and

2-year Vocational Culinary Schools. Supported by the Pinar brand, correct practices of Pinar Cream was conveyed by professional chefs to student chefs.

Upon completion of R&D Activities, Pinar White 2,750 gr and Pinar Sour Cream products were released in the late October. The products were introduced to representatives from the sector at the Pinar's stand equipped with Pinar Sour Cream concept at Sirha İstanbul Fair, which was organized at İstanbul Congress Center on November 24-26. Pinar Sour Cream gained appreciation at the exhibition. The company also attended Gastromasa 2016 with the Pinar Sour Cream stand at CVK Bosphorus Hotel on December 10, 2016. Many world famous Michelin starred chefs attended the organization as speakers and Pinar shared the tastes made of Pinar Sour Cream.

DISTRIBUTION

Adopting its approach of quality product presentation in its service standards as well, Pinar Süt performs 85% of its sales service through Yaşar Birleşik Pazarlama (YBP), a sales and distribution company operating under the Food Group of Yaşar Holding. Making a great contribution for Pinar's products to become a market leader with its widespread and effective distribution force, Yaşar Birleşik Pazarlama distributes products



to customers and consumers quickly and in a healthy and fresh way by means of 9 regional directorates, over 100 dealers and 150,000 sales points.

Yaşar Birleşik Pazarlama, the largest and most important sales and distribution entity of Turkey, services with over 500 product varieties in 17 different categories in 3 different air-conditioning ratings. It sales and distributes products with a specialized, customer-oriented, experienced and powerful team and over 1,200 distribution vehicles.

Building its entire business system on efficiency and reporting, Yaşar Birleşik Pazarlama monitors its operations and reports their results through high-tech software products. Thanks to this system, YBP organizes training programs for its own personnel as well as for the employees of its business partners to increase sales skills.

Exhibitions Attended by Pinar Süt in 2016

- Dubai GULF FOOD 2016 Exhibition/ February 21-25, 2016 •
- 3rd Şanlıurfa Food, Agriculture and Livestock Fair / March 3-6, 2016 •
- Seafood Expo North America 2016 / March 6-8, 2016
- EDT EXPO 2016 / March 23-26, 2016 •
- Anufood Fair / April 14-16, 2016 •
- Turkey Natural Nutrition and Healthy Life Days 2016 Fair / April 14-17, 2016 •
- 7th Organic Products Fair / April

- 27-30, 2016 •
- Future Fish Eurasia 2016 / June 2-4, 2016 •
- İzmir International Fair / 26 August - September 4, 2016

Pinar Communication Centre

Acting in line with the principle of “consumers and customers first”, Pinar Su, with its customer-oriented understanding, reviews and considers all requests and suggestions.

Accessible from anywhere in Turkey on 444 76 27, without the need to dial an area code, the Pinar Communication Center (PIM) is staffed by operators who are on duty, responding to incoming calls from 07:00 to 23:00, seven days a week. PIM's answering rate is 92% and 87% of calls are answered within the first 15 seconds.

The 2016 satisfaction survey conducted among consumers revealed that the level of satisfaction with the Pinar Communication Center is 91%. The Twitter account, “twitter.com/InfoPinar”, is also used to review requests and recommendations and resolve problems through social media.

Suppliers of Pinar Süt

Pinar Süt builds long-term partnerships with its suppliers, who are selected by the Purchasing, R&D and Total Quality Directorates in accordance with the “Pinar Quality Criteria”.



Developing mutually beneficial cooperation with over 18,000 raw milk producers, Pinar Süt is meticulously approaching the issue of sustainable and quality supply. Pinar Süt works with raw milk suppliers and approved suppliers for other raw materials, food additives and packaging are selected through the Purchasing Department. Pinar Süt works in coordination with Purchasing, R&D and Total Quality Departments as per of the Alternative Creation and Supplier List Entry Procedure.

The companies that can supply materials according to the Pinar Quality Criteria are determined as suppliers and included in the system if the extensive trial work is positive. Suppliers are also assessed every year in terms of price, term, quality, service and quantity according to the criteria set out in the Supplier Evaluation Procedure. As a result of evaluation, it is aimed to improve procurement activities with corrective and preventive activities.

STRONG COOPERATION WITH SUPPLIERS

In order to have the quality milk raw material, Pinar Süt procures milk from 301 different points, of which 11 have “Disease Free Enterprise” and 6 have “AB Certified Enterprise” certificate, with a manufacturing at European Union standards and adopting quality approach of Pinar Süt. Procuring 83% of its total organic raw milk supply from Çamlı Yem Besicilik, a subsidiary of Yaşar Group, Pinar Süt shares quality of milks procured from farms with producers on a “daily” basis and ensures that producers are informed about their products.

Pinar Süt also conducts training programs on topics such as milk quality, herd health, animal nutrition and preventive medicine in order to inform the producers and raise awareness for producing healthy milks.

Pinar Süt Family

Pinar Süt takes its power of being one of the most trusted and established brands of Turkey from its employees, who are considered as the foundation of company's growth and development. The company active implements internationally recognized modern human resources practices.

1.163

AVERAGE NUMBER OF
EMPLOYEES
IN 2016

1.045

TOTAL HOURS OF
SUSTAINABILITY TRAININGS
PROVIDED FOR EMPLOYEES



The fair human resources policy, which is shaped and implemented by Pinar Süt based on Yaşar Group's corporate culture, adopts the principle of "People First". The company's employees include individuals who are educated, experienced, have a high sense of belonging and ownership, open to all science-based developments, valuing information sharing and unity spirit, and adopting participatory management understanding and success oriented work. Accordingly, Pinar Süt continues its activities for employees in 2016.

- Using the e-learning methodology under the "Yaşar Akademi" brand, Pinar Süt diversified its trainings in 2016 and made improvements in the quality of contents and number of user employees. As a result, a total of 18.332 hours of training was provided to the employees, with average of 15.7 hours per person.
- In 2016, Pinar Süt provided a total of 1,045.5 hours of

Sustainability Training to employees working in İzmir-Eskişehir-Şanlıurfa factories.

- In 2016, Pinar Süt continued to provide trainings on food, water waste and general wastage in İzmir-Eskişehir-Şanlıurfa factories.
- Pinar Süt provided internship to 166 university students and 49 high school students whom it regards as employees of the future.
- Believing that workplace peace is very important for social peace, Pinar Süt renewed its Collective Labour Agreement to cover the period from January 1, 2016 to December 31, 2017.

Environment and Sustainability

Adopting Yaşar Group's approach of responsibility towards stakeholders, society and nature, Pınar Süt invests in environment and society and uses natural resources most effectively.

Carbon and Water Footprint Calculation

With a team formed by Carbon Leader, Yaşar Holding defined 2011 as its basis and started measurement operations. Accordingly, the Holding continued calculation and reporting of "Corporate Carbon Footprint" in 2016. Accordingly, Pınar Süt aims to reduce its carbon emissions by 15% by 2020.

Following the carbon footprint activities, Yaşar Holding intends to perform water footprint calculation and reporting in specific pilot regions in order to monitor consumption of natural resources and increase its environmental awareness, and thus continues to work at Pınar Süt Eskişehir Plant to ensure that water consumption is controlled during production. In 2016, water consumption per raw milk processed at the Eskişehir Plant was at the lowest level in the last 5 years.

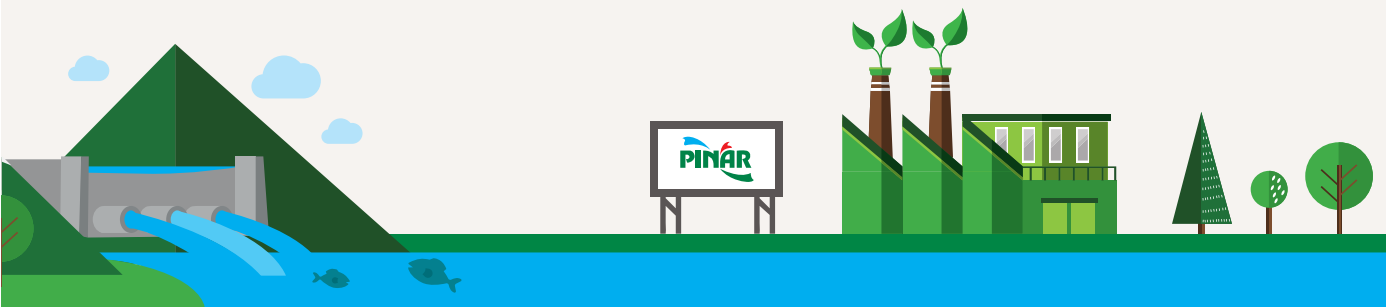
Pınar Su strives to leave a legacy of a healthier physical and social environment so that generations to come can enjoy a better life in a more livable world, working in line with the United Nations Global Compact (UNGC) signed by Yaşar Holding in 2007. Accordingly, the "Corporate Reputation" project initiated in 2010 aims to maintain the existing efforts in a more systematic way to balance economy, environment and social life.

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

ENVIRONMENTAL POLICY APPROACH

While Pınar Süt observes all relevant laws and regulations on energy and occupational health and safety, it applies methods that do not harm environment and human health and reduce resource consumption. The company remains sensitive to the protection of the environment and the reduction of environmental pollution and thus acts in line with its established environmental, energy and occupational health and safety policies.

Besides its employees, Pınar Süt makes its customers and suppliers aware of environmental, energy, occupational health and safety issues and performs its activities based on the principles of waste reduction, recycling and reuse. Consistently developing its maintenance programs, the company aims to reduce energy consumption through its new investments.





Passing the OHSAS 18001 audit conducted by TSE in 2016, Pınar Süt renewed its certificate as a result. The activities to put an end to the use of ammonia gas in cooling systems of İzmir Factory production units were completed.

Developing a project to include all suppliers in a registry system based on sustainability, Pınar Süt evaluates environmental management system of its suppliers and operation of these systems by means of such registry system.

IMPROVEMENT - ENERGY CONSUMPTION ACTIVITIES

Pınar Süt successfully passed the TS ISO 50001-2011 Energy Management System audit and renewed its certificate in 2016. The company creates environmental action plans and programs at the beginning of every year and makes improvements to decrease resource and energy consumption throughout the year.

Activities in 2016:

- The company switched to iced water system instead of the ammonia system in cold storage rooms.

- The company increased the use of lighting panels and high-efficiency lighting fixtures in the units.
- The Company continued the conversion of lighting systems in İzmir Factory workshops and outdoor areas to LED illumination.
- The company continued to expand the use of EFF3 electric motors with high energy efficiency, instead of motors with high electricity consumption.
- The company implemented VAP Projects in İzmir Factory.
- The Company continued to switch to glycol water cooling system instead of using ammonia gas in cooling systems of İzmir Factory.
- The company organized "Operational Cost Improvement Proposal Week" with the awareness of wastage prevention.
- The company conducted steam surveys as it is one of the energy cost items of İzmir Factory.
- The company changed lighting system of boiler room, refrigerator, kitchen and battery charging room of Eskişehir Plant with "exproof" lighting system within the scope of environment and occupational health and safety.
- Monitoring energy sources used in production with counters, Pınar Süt compares the amount of energy used per production and prepares energy survey programs. The company observes predetermined energy efficiency criteria



when purchasing new machinery and equipments.

- Pınar Süt's Eskişehir Plant switched to dry belt slider system in cardboard packed conveyor lines. As a result, the company saved both its use of chemicals and water.
- Eskişehir Plant revised the wastewater treatment plant. The factory increased the biological treatment capacity by disabling the chemical treatment system and reduced chemical use to the lowest level.
- The Pınar Dairy Plant analyzed purchasing costs of used packaging materials. The factory created sub-committees under the leadership of master black belt in order to identify potential areas of improvement.

PACKAGING WASTE MANAGEMENT

To Pınar Süt, environmental awareness is one of the issues of primary importance. The company continues to search for alternatives and solutions to identify possible situations that may negatively affect the environment due to production and utilization activities and reduce the most of them.

Accordingly, Pınar Süt develops Industrial Waste Management Plan, which includes information such as waste types, quantities, codes, and name of the company shipped. Moreover, internal audits conducted by environmental officer/consultant are recorded and continuous improvements are made for environment. Starting from last year, these audits are now entered in online system launched by the Turkish Ministry of Environment and

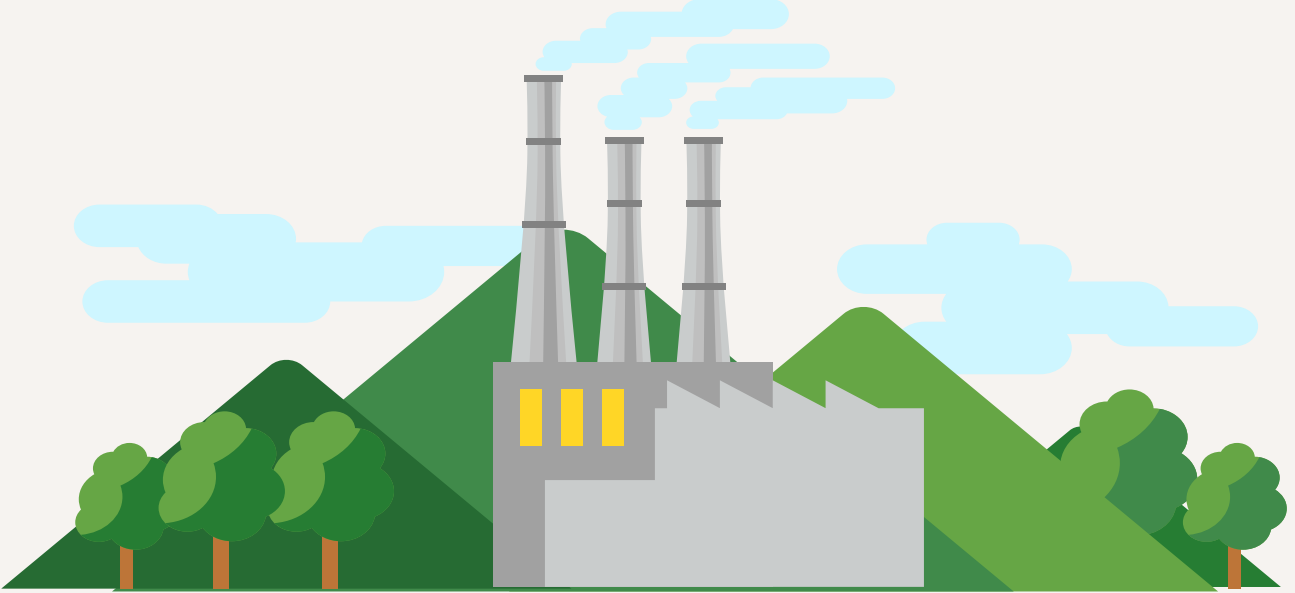
Urbanization.

Organic and domestic wastes are kept in storage areas inside the facility in accordance with legal conditions and sent to storage areas of metropolitan municipality for disposal. The wastes generated as a result of production and utilization activities are sent to licensed waste disposal plants and recyclable wastes are sent to licensed recycling companies.

For annual wastes and packaging wastes, Turkish Ministry of Environment and Urbanization is notified. Also, "Hazardous Waste Financial Liability Insurance" is maintained in accordance with the "Regulation on General Principles of Waste Management". On the other hand, with the Seveso Notification made to the Ministry of Environment and Urbanization in accordance with the "Regulation on Major Industrial Accidents", the Ministry assesses possible environmental and human effects of chemical substances in Pınar Süt and determines the establishment level.

The company also continues to work on reusability and recycling for packaging of the products sold. Through the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO), Pınar Süt organizes training for consumers and municipal authorities on the collection of wastes at source, recovery and recycling.

In addition to trainings related to raising environmental awareness of employees, the company organizes trainings



as part of the ISO 14001 Environmental Management System. In addition, annual Environmental Management System audits are carried out by the Turkish Standards Institute (TSE).

Having the “Environmental Permit Certificate” in İzmir, Eskişehir and Şanlıurfa Factories as granted by the Turkish Ministry of Environment and Urbanization, Pınar Süt is subjected to regular inspections and controls by competent authorities within the scope of compliance with environmental legislation.

Developing “Greenhouse Gas Monitoring Plan” pursuant to the Communiqué on Monitoring and Reporting of Greenhouse Gas Emissions, the company notified the Ministry of Environment and Urbanization and completed its software for the Greenhouse Gas Inventory Management System.

Keeping on working with minimum impact on the environment, Pınar Süt continues its activities in line with its management systems policy as a company that invests in its environment, uses natural resources in the most efficient way, and operates in compliance with the environmental legislation.

IMPROVEMENTS IN LOGISTICS MANAGEMENT

Pınar Süt aims at productivity in its logistics processes supporting the Green Logistics concept, and adopts an approach focusing on customer satisfaction in this field as well. The 2016 Dealer (Customer) Logistical Services Satisfaction Survey shows that satisfaction level of about 100 dealers from logistics operations and services is 95%. The Company increased the efficiency of its intercity land transportation operations with a new route optimization model and created a logistics model based on higher transported volume and shorter distance as part of its environmental sustainability vision.

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

Service quality and performance of firms to which the Company outsources its logistical services are also analyzed on a monthly basis within the framework of the Lean Six Sigma philosophy and performance values are regularly reported to these firms.

Corporate Social Responsibility

Pınar Süt continues to perform social responsibility activities in art, sports, health, education, environment, sustainability and so on to build a conscious and healthy society together with “Pınar” brand.

Pınar Süt keeps on contributing to the public welfare and the quality of life of individuals with its social responsibility projects. In social aspect of sustainability, the company makes efforts in areas of education, sports and art and implements projects for different segments of society.

PINAR KIDS THEATER

Pınar Kids Theater aims to foster a love of theater among children and contribute to their cultural and personal development. Over the course of 30 years, the Pınar Kids Theater has reached more than three million children, and performed a new play called “Game Train” in the school year of 2015-2016. Pınar Kids Theater went on a tour covering İzmir, Tire, Ödemiş and Milas and reached thousands of children thanks to this game which was designed professionally in terms of stage, music, decoration and costumes. Pınar Kids Theater has also functioned as a school for many famous actors in Turkish theater. At the start of 2015, it began staging a play called the “Game Train” free-of-charge.

PINAR KIDS ART COMPETITION

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

Out of 46,992 entries submitted from every part of Turkey, the Turkish Republic of Northern Cyprus, Germany, Qatar, United Arab Emirates, Kuwait and Saudi Arabia, the works of 27 children were selected by a jury of education professionals and professional artists under the coordination of the respected painter Zahit Büyükişleyen. The successful children were awarded with a 1-week Art Camp in Büyükkada, İstanbul as well as tablet PCs

PINAR KIDS PAINTING WORKSHOP

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

SUPPORT FOR SPORTS

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

PINAR KSK

Pınar contributes to education, sports and protection of cultural properties as part of its sports communication activities with the concept of “social citizenship”. With this corporate culture approach, Pınar Karşıyaka Sports Club has been supported for about 60 years under the leadership of Selçuk Yaşar, Founder and Honorary President. Since 1998, Pınar supports Pınar Karşıyaka Basketball Team and thousands of young athletes as the main sponsor. Pınar supports Pınar Karşıyaka to unite people, youngsters and children of İzmir around sports to make İzmir a city of basketball, and its recent achievements include Turkish Cup Championship, Presidential Cup Championship and Turkish Basketball League Championship. Besides its support for Pınar Karşıyaka Basketball Team, which represents Turkey successfully in EuroChallenge and Euroleague, Pınar Karşıyaka Basketball Branch provided about 25,000 children with the opportunity of sports in young teams and sports schools.

Turkish Basketball Federation

As part of its continuous support for sports, Pınar is also the Official Drink Supplier of Turkish Basketball Federation and National Basketball Team.





PINAR INSTITUTE



Pınar Institute continues to operate since 2013 to contribute to healthy development of the society. As part of its activities, the Institute develops projects to raise awareness of the society, create quality life awareness in areas of food, health and nutrition, and conducts literature researches on healthy nutrition and food issues.

As part of the project "Future of Milk in Conscious Hands", Pınar Süt continues to provide "Animal Health", "Animal Nutrition" and "Hygiene-Sanitation" trainings for milk producers in order to ensure that animals are fed properly and healthy, raise the awareness of producers about hygiene and sanitation and use all benefits of the milk. The Institute reached 5,800 producers since the beginning of project as a result of training programs organized in Tire, Ödemiş, Eskişehir, Kütahya, Denizli and Uşak in 2016. The project was given the Sustainability Award as it was ranked among the top 3 projects in the Yaşar Group Sustainability Contest.



The project "Let's Move with Joy and Diet Healthy" was realized in 2013 by Pınar Institute in order to create nutritional awareness in young ages and raise healthy individuals. With its completely renewed

content and new educational materials, the project held its first pilot organizations in 2016 as part of the protocol signed with İzmir Provincial Directorate of National Education. The training program, which was initiated with the event "Training of Trainer" between November 17-18, 2016, is held at 20 independent kindergartens in İzmir for children aged 36-66 months.

Awarded as a result of the "Game and Educational Equipment Project for Healthy and Balanced Nutrition", 4 games and educational tool designs are now used in the Scientific Research Project (SRP), which was initiated as student's project and developed with the cooperation of Pınar Institute and Industrial Design Department of Faculty of Arts and Design of Yaşar University. The new design, which was developed by Instructors of Faculty of Arts and Design of

Yaşar University based on such 4 designs, is now in the stage of development of first prototypes.

This new design is reinterpretation of woven felt food pyramid in a way to cover different areas of use. The aim here is to use final product as the educational material of the project "Let's Move with Joy and Diet Healthy".

With its aim to reveal the perceptions of consumers on milk and dairy products, the "Consumer Perception Survey on Milk and Dairy Products" is a research project that is supported under the TÜBİTAK (Scientific And Technological Research Council of Turkey) 3001 - Starting R&D Projects Funding Program and run by Prof. Dr. Gülseren Atabek, Faculty Member of New Media Department of Faculty of Communications of Yaşar University.

PUBLICATIONS

My Life Spring Magazine

Firstly published in 2004, My Life Spring is a magazine that seeks to maintain bonds between the Company, its consumers and business partners, as well as links with academic and governmental circles. The quarterly magazine is distributed free-of-charge and has been sent out to consumers as an e-bulletin since 2013. It reaches an audience of more than 10,000 every month.

Pınar Newspaper

Pınar Newspaper, an important reference source for farmers who are engaged in dairy and meat farming, features topics such as stockbreeding, dairy technology, and animal health. The quarterly newspaper is issued for 4,000 producers who supply milk to Pınar.

SPONSORSHIPS

In 2016, Pınar Süt sponsored 5 congresses, 3 symposiums and 33 events. Attending and supporting many congresses organized in the fields of quality, food, R&D and marketing for the development of sectors it has been operating since its foundation, Pınar sponsors the activities for development of culinary, gastronomy and cuisine culture in Turkey and creates opportunities to meet with sector leaders and scientists.

Awards and Certificates

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

Pinar Süt Awarded by İzmir Chamber of Commerce

Gold Medal Winner in Providing Foreign Currency:

Pinar Süt Mamulleri San. A.Ş.

Gold Medal Winner in Tax Payment:

Pinar Süt Mamulleri San. A.Ş.

World Dairy Innovation Award 2016

In 2016, Pinar Pistachio Breakfast Cream was awarded the "Category Champion" at the 10th World Dairy Innovation Awards, which is organized every year and rewards excellence and innovations in global dairy products industry as well as recognized brands, assertive new firms, products and innovations. In the contest, 18 awards were given in different categories and Pinar Pistachio Breakfast Cream won the award by surpassing all finalists in the category of "Best Butter / Dairy Spread". Also, Pinar GO Cheese series made it to the finals in the category of "Best New Cheese".

ITQI- Superior Taste Awards 2016

Pinar 100% Apple Juice, Pinar Labaneh and Pinar Spread White Cheese were given 2016 Superior Taste Award with 2 Golden Stars, 2016 Superior Taste Award with 2 Golden Stars, and 2016 Superior Taste Award with 2 Golden Stars, respectively.

Silver Award from International Stevie Business Awards

With its "Pinar International Children's Painting Contest", Pinar won the Stevie award in the category "Social Responsibility Project of the Year in Europe" at Stevie Business Awards for which over 3,800 entries were submitted from over 60 countries in 2016.

Bronze Medal by Crescents and Stars for Packaging 2016

Pinar GO Cheese series was awarded the "Bronze Metal" in food category by Crescents and Stars for Packaging 2016. With this achievement, Pinar GO Cheese Series deserved to participate in WorldStar of World Packaging Organization and AsiaStar of Asia Packaging Federation.

28th Crystal Apple

Thanks to Pinar Yoghurt Flowerpot campaign, the company won 2 Bronze Crystal Apple Awards in the categories of Digital Campaign - Fast Consumption and Social Media at the 28th Crystal Apple Awards Ceremony.

Award of Businesses that Add Value to the City

Pinar and Yaşar Holding were top two businesses and given the award of businesses that add value to the city in the "Survey on Businesses that Add Value to the City", which was conducted by Marketing Turkey with Akademetre Survey Firm.

2 Awards by Carbon Disclosure Project (CDP)

Pinar Süt was awarded the "CDP Turkey Climate Leaders Award" among the firms with high performance in combating climate change, and "CDP Turkey Water Leaders Award" among the firms with a leading position in water management, according to results of "2016 Climate Change Report" and "2016 Water Program Report" of Carbon Disclosure Project (CDP) Turkey.

According to the new Global Water Report, entitled

"Thirsty Business: Why Water Is Vital to Climate Action?" which includes the 2016 Global Results of the CDP Water Program, a total of 24 companies in the world qualified to enter the CDP's Water A List by proving its leadership because of its approach to water management. Pinar Süt was one of three companies as the leader of water management by getting the score "A".

Integrated Marketing Awards, The Most Successful Brand of the Year in Food Sector

Pinar won the Most Successful Brand of 2016 Award in the Food Sector at the Integrated Marketing Awards organized by Marketing Turkey Magazine and Akademetre Research Firm according to a sectoral survey in the category of "Reputation and Brand Value Performance Measurement" from among 43 categories.

Pinar Süt's Milestones

Pinar Süt continues to lead the sector in the area of packaged milk and dairy products with many healthy and innovative products. The company continues to add new successes with every business it does.

An Industry-Leader With Firsts

1973 Pinar Süt is established as the Middle East's biggest dairy processing complex. **1975** Turkey's first UHT 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 cream cheese are introduced to consumers. **1980** Pinar Cheddar Cheese is produced. **1982** The Company begins exporting milk, cheese, butter, yoghurt and strawberry milk to Central Europe, the Turkish Republic of Northern Cyprus and the Middle East. **1983** Pinar Yem is founded to provide high quality feed for the livestock of Pinar Süt's raw milk suppliers. • Pinar Mayonnaise, Turkey's first domestically-manufactured mayonnaise goes on sale. • Pinar Beyaz, Turkey's first pasteurized cheese, and the powdered product, Chantilly Cream, go into production. • Triangular Cheese goes into production. **1984** Pinar Süt begins exporting Pinar Labne cheese to Kuwait. **1985** Pinar Labne is introduced to the Turkish market. **1990** Pinar begins producing fruit juices. **1991** Turkey's first pasteurized milk goes on sale. **1992** Pinar Süt is awarded with the TSE's Golden Packaging award for the introduction of the country's first foil-sealed yoghurt cap. • Turkey's first low-fat milk and Chocolate Milk made with real 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. • After successfully demonstrating its compliance with European standards on production, sales and after-sales services, Pinar Süt becomes the first dairy products company to receive TS ISO 9001 Quality Management System certification. **1995** Pinar's long-life fruit yoghurts and ready-to-serve desserts go into production. • Light, Extra Light Yoghurt and Light Triangle Cheese are introduced to Turkish consumers. **1997** Pinar Süt opens its Eskişehir Plant. **1998** 100%-Pure Pinar fruit juices go on sale. **1999** Pinar Süt introduces the Denge line of milks (lactose-free, high-calcium, enriched with A, D, E vitamins). **2000** Following investment at the Eskişehir plant, Pinar Süt launches the world's first continuous-process production of cream-top yoghurt. **2001** UHT milk in aseptic bottles goes into production. **2004** Pinar introduces its Kafela and Çikola milk product line in packaging specially designed to appeal to young people. • TS 13001 HACCP Food Safety Management System Certification is awarded. **2005** Pinar Organik Süt, Turkey's first organic milk, is introduced to the market. **2008** Lean Six Sigma starts at the Company as a first in Turkey's food industry. • Pinar Milk for Kids is introduced to the market. **2010** Honey Flavored Pinar Kid's Milk, and Pinar Breakfast White Cheese products go on sale. **2011** Consumers are introduced to Pinar's Gourmet series including cheddar cheese spread, thyme & olive-cheese spread, triangular cheese and Pinar organic yoghurt. **2012** Süt krem, Turkey's first creamy tasting clotted-cream with 50% less calories goes on sale. • Pinar Professional is established to cater for the away-from-home channel. **2013** Work begins on the Pinar Süt Şanlıurfa Plant. • Pinar Süt is awarded with TS 18001 Occupational Health and Safety Management System and TS EN ISO 50001 Energy Management System certification. • Pinar Süt becomes licensed to export milk and dairy products to EU Countries. **2014** • The product portfolio was extended by the launch of Braided, String and Halloumi Cheeses and Strained Yoghurt. The organic products portfolio was also expanded with the addition of Organic Butter. **2015** Pinar Süt Şanlıurfa Plant goes into operation **2016** Pinar Go Cheese series and Pinar Aç-Bitir Sliced-Cheese are presented to consumers taste.



CORPORATE GOVERNANCE PRACTICES AND FINANCIAL INFORMATION

BOARD OF DIRECTORS

İdil Yiğitbaşı – Chairperson

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

Emine Feyhan Yaşar - Vice Chairperson

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

Mustafa Selim Yaşar - Member

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

Ali Yiğit Tavas - Independent Member

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

Yılmaz Attila - Independent Member

Yılmaz Attila, born in 1951, graduated from Ege University Faculty of Agriculture Department of Agricultural Equipment and Machinery in 1976. Attila served as Research Assistant at Çukurova and Ege Universities between 1977 and 1981 and worked in Göktepe Plastik A.Ş. and Beşikçioğlu Ltd. between 1981 and 1985 as project engineer. Attila joined Pınar Entegre Et ve Yem Sanayi A.Ş. in 1985 as Manager of Feed Factory and worked as Deputy General Manager between 1988 and 1990. Between 1990 and 1994, Attila worked as General Manager in Cevher Jant ve Motor Ticaret A.Ş. and Abaloğlu Yem Sanayi A.Ş. respectively. Between 1994 and 2010, Attila worked in Kipa Kitle Pazarlama Ticaret ve Gıda Sanayi A.Ş. and Tesco Kipa Kitle Pazarlama Ticaret ve Gıda Sanayi A.Ş. in various positions including General Manager and Member of Board of Directors and Executives.

BOARD OF DIRECTORS

Cengiz Erol – Member

Cengiz Erol had his bachelor's degree in Business Administration from Ege University in 1974, his master's degree in finance and accounting from the State University of New York (SUNY) in 1979 and his doctorate degree in International Trade and Finance from State of New York University in 1983. Erol worked as an Assistant Professor of Finance at Çukurova University from 1983 to 1985, as Associate Professor of Finance at Yarmouk University in Jordan from 1985 to 1990 and in the Department of Business Administration at the Middle East Technical University (METU) from 1990 to 1993, and as Professor of Finance in Middle East Technical University from 1993 to 2010. He was an Advisor to the CEO of Ereğli Demir Çelik Fabrikaları A.Ş. between 1991 and 1994, Board Member at Ankara Sigorta and Chairperson at Ankara Emeklilik Sigorta between 2000 and 2003, advisor to the Board of Directors at İnterfarma Tibb. Mal. A.Ş. from 2002 to 2004, Board Member at İnterfarma Tibb. Mal. A.Ş. from 2004 to 2008, Head of the Department of Business Administration at METU from 2008 to 2010 and worked as Assistant to President of METU and Member of Executive Board of Student Assessment, Selection and Placement Center (ÖSYM). After holding the position of the Head of the Department of International Trade and Finance at Izmir University of Economics from 2011 to 2013, Erol served as faculty member in the same department and the Manager of the Institute of Social Sciences from 2010 to 2015. Erol serves as Board Member for a number of Yaşar Group companies since March 2014.

Yılmaz Gökoğlu - Member

Yılmaz Gökoğlu has a bachelor's degree from Ankara University Faculty of Political Sciences Economics-Finance Department in 1977, served as an Account Expert at the Ministry of Finance from 1978 to 1982 and joined Yaşar Group in 1983. Working in various senior management positions in the group especially in financial operations and inspection fields, Gökoğlu was elected as a member of Yaşar Holding Board of Directors in April 2007. Acting as General Secretary of Board of Directors in Yaşar Holding, Gökoğlu also serves as Member of Board of Directors in companies included in the Group.

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

SENIOR MANAGEMENT

Levent Dağhan - Deputy CEO – Head of Food Group

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

Gürkan Hekimoğlu – General Manager

Completed his undergraduate study at Ege University, Faculty of Agriculture, Department of Agricultural Engineering and Technologies in 1986 and his graduate study in the Department of Dairy Technology at Ege University Graduate School of Natural and Applied Sciences in 1989. Mr. Hekimoğlu started his career as Production Manager at Ömür Yoghurt in 1980, after having worked as Operating Engineer at the Bolu Factory of the Turkey Dairy Industry Corporation in 1990. He then worked as Operating Engineer and Production Manager at the Development Foundation of Turkey and Koytur Holding in 1992. Mr. Hekimoğlu started as Chief of Production at Pinar Süt in 1994, and also held offices as Project Chief and Production Manager. After his tenure as Eskişehir Factory Director from 1999 to 2012, Mr. Hekimoğlu has been General Manager of Pinar Süt since June 2012.

Mustafa Şahin Dal – Financial Affairs and Budget Control Analysis Director

Having completed his undergraduate study at Dokuz Eylül University Faculty of Economics and Administrative Sciences, Department of Money Economics and Banking in 1984, Mr. Mustafa Şahin Dal started his career in the Department of Financial Affairs at Yaşar Holding in 1987. Mr. Dal served as Chief Accountant, Deputy Manager, Head of Department of Budget, Accountant and Financial Affairs at Food Group Companies from 1993 to 2010, and has been working as Director of Financial Affairs and Budget Control Analysis at Food Group Companies since 2010.

RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

RISK MANAGEMENT

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

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

Risk Management Policy of the Company

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

Works of Early Detection of Risk Committee

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

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

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

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

Along the line;

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

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

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

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

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

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

LEGAL DISCLOSURES

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

The decisions adopted in the Ordinary General Assembly Meeting held on March 30, 2016 have been implemented. An Extraordinary General Assembly Meeting was not convened during 2016.

Affiliated Companies Report

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

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

Necessary disclosures on the transactions our company carried out with the associated parties are covered in the present report. In this report, the Company's Board of Directors concluded that in all transactions the Company carried out during 2016 with its controlling company or with its affiliates, an appropriate counter-performance was provided in each transaction according to the conditions and state known to us at the time the transaction and/or the action was realized/taken or avoided; that there were no actions taken or avoided which might potentially cause loss to the Company, and that there are no transactions or actions that would require equalization within this scope.

Donations and Grants

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

During 2016, the Company's donations and grants to various organizations and institutions amounted to TL 919,980.

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

The related disclosure is presented in note 26 to financial statements for the period 01 January 2016 - 31 December 2016.

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

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

Changes in the Articles of Incorporation during the Reporting Period

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

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

Financial rights provided to the Chairperson, Members of the Board of Directors and senior executives are determined within the frame of the remuneration policy posted on our website. In the twelve months that ended on December 31, 2016, remuneration and other benefits to the members of the Board of Directors and senior executives amounted to TL 6,445,426.

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

During 2016, regular audits have been performed by various public agencies, after which no material notices have been served on our party.

The Company's Shareholders' Equity

The shareholders' equity worth TL 593,338,364 as at December 31, 2016 indicates that the issued capital of TL 44,951,051 has been very well maintained.

AGENDA

AGENDA FOR 2016 ORDINARY GENERAL ASSEMBLY OF PINAR SÜT MAMULLERİ SANAYİİ A.Ş. DUE ON MARCH 30, 2017

1. Opening and election of Presiding Committee,
2. Authorizing the Chairmanship Committee to sign the minutes of the General Assembly Meeting,
3. Reading, deliberating and approving the Annual Report 2016 prepared by the Board of Directors,
4. Reading and deliberating the Independent Auditor's Report for 2016 fiscal year,
5. Reading, discussion and approval of 2016 Financial Statements,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2016 operations,
7. Negotiation and resolution on amendment of article 4 titled "Head Office and Branches of the Company" of Articles of Incorporation in order to adopt Company's head office address to MERSIS (Central Registry System) where Central Address System and trade registry transactions are carried out electronically,
8. Under the Registered Capital System Communiqué of Capital Markets Board numbered II-18.1, 5 years validity period for registered capital cap in amount of 80.000.000,00 TL will be at the end of 2017, negotiation and resolution about amendment of Article 6 titled "Registered Capital" of the Articles of Incorporation in order to extend the validity period of our Company's registered capital cap to cover years 2017-2021,
9. Laying down the Independent Audit Firm designated by the Board of Directors for the approval of the General Assembly pursuant to the Turkish Commercial Code and the Capital Markets Board requirements,
10. Determining the number of Board directors and their terms of office; making elections in accordance with the number of Board directors so determined; designating independent Board members,
11. Determining the rights provided to the Board directors such as compensation and attendance fees, bonuses and premiums pursuant to Article 408 of the Turkish Commercial Code,
12. Informing shareholders, pursuant to Article 12 of the Corporate Governance Communiqué no. II-17.1 issued by the Capital Markets Board, about guarantees, pledges, mortgages and sureties that have been granted by the Company in favor of third parties and about any income and benefits that may have been derived,
13. Submittal of the Donations Policy generated as per the Capital Markets Legislation to the approval of the general assembly,
14. Deliberating and voting on matters pertaining to the year's profits,
15. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,
16. Wishes and opinions.

ARTICLES OF ASSOCIATION AMENDMENT DRAFT

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

PREVIOUS TEXT THE HEAD OFFICE AND BRANCHES OF THE COMPANY: Article 4 -	NEW TEXT THE HEAD OFFICE AND BRANCHES OF THE COMPANY: Article 4 -
<p>The head office of the company is in Izmir. Its address is Şehit Fethi Bey Cad. No. 120. In case of any changes in the address, the new address shall be registered in the trade registry and announced in Turkish Trade Registry Gazette.</p> <p>The notifications made to the registered and announced address shall be deemed to have been made to the cCompany. In case the company does not register its new address in the registry term, this will constitute a reason for termination although the company moves from the registered and announced address.</p> <p>The company may open branches within and outside the country pursuant to Turkish Commercial Code, Capital Market Law and other legislative provisions. In case the company opens or closes branches, such actions shall be registered in the Trade Registry and announced in the Turkish Trade Registry Gazette.</p>	<p>The head office of the company is in Izmir. Its address is Akdeniz Mahallesi Şehit Fethi Bey Caddesi No.120/101 Konak/İZMİR. In case of any changes in the address, the new address shall be registered in the trade registry and announced in Turkish Trade Registry Gazette. The notifications made to the registered and announced address shall be deemed to have been made to the Company. In case the company does not register its new address in the registry term, this will constitute a reason for termination although the company moves from the registered and announced address.</p> <p>The company may open branches within and outside the country pursuant to Turkish Commercial Code, Capital Market Law and other legislative provisions. In case the company opens or closes branches, such actions shall be registered in the Trade Registry and announced in the Turkish Trade Registry Gazette.</p>
PREVIOUS TEXT REGISTERED CAPITAL Article 6 -	NEW TEXT REGISTERED CAPITAL Article 6 -
<p>The company accepted Registered Capital System pursuant to the provisions of Capital Market Law and the decision of Capital Market Board dated 20.11.1987 and numbered 684, and started this system.</p> <p>The Registered Capital of the Company: TRY 80,000,000. (EIGHTYMILLION TURKISH LIRA).</p> <p>Par value of each share: 1 Kr.</p> <p>Authorized capital stock permission granted by the Capital Market Board is valid for 5 (five) years between 2013-2017. Even if the authorized capital stock is not reached by the end of 2017, for the board of directors to decide for capital increase after 2017, an authorization from the general assembly shall be sought by obtaining permission from the Capital Market Board for the previously permitted authorized stock or a new authorized stock. In case such authorization is not obtained, the company shall be deemed to have exited the registered capital system.</p> <p>Issued Capital of the Company:</p> <p>TRY 1,728 for 172.800 shares registered to A Group shareholders. TRY 1,260 for 126.000 shares registered to B Group shareholders. TRY 44,948,063.25 for 4.494.806.325 shares C Group Bearer.</p> <p>The Capital is composed of 4.495.105.125 in all, and the capital is TRY 44.951.051,25.</p> <p>Shares representing the capital are monitored pursuant to principles of dematerialising.</p>	<p>The company accepted Registered Capital System pursuant to the provisions of Capital Market Law and the decision of Capital Market Board dated 20.11.1987 and numbered 684, and started this system.</p> <p>The Registered Capital of the Company: TRY 80,000,000. (EIGHTYMILLION TURKISH LIRA).</p> <p>Par value of each share: 1 Kr.</p> <p>Authorized capital stock permission granted by the Capital Market Board is valid for 5 (five) years between 2017-2021. Even if the authorized capital stock is not reached by the end of 2021, for the board of directors to decide for capital increase after 2021, an authorization from the general assembly shall be sought by obtaining permission from the Capital Market Board for the previously permitted authorized stock or a new authorized stock. In case such authorization is not obtained, the capital can not be increased based on the Board of Directors' decision.</p> <p>Issued Capital of the Company:</p> <p>TRY 1,728 for 172.800 shares registered to A Group shareholders. TRY 1,260 for 126.000 shares registered to B Group shareholders. TRY 44,948,063.25 for 4.494.806.325 shares C Group Bearer.</p> <p>The Capital is composed of 4.495.105.125 in all, and the capital is TRY 44.951.051,25.</p> <p>Shares representing the capital are monitored pursuant to principles of dematerialising.</p>

TRY 43.923.626,25 of the issued capital is met from the internal resources and registered to the capital as bonus, and TRY 1.027.425 is paid in cash and in lump sum.

The Board of Directors is authorized to increase the capital by issuing shares to the bearer/as registered up to the registered authorized stock in compliance with the provisions of the Capital Market Law and the regulations of Capital Market Board between 2013-2017 when deemed necessary.

The Board of Directors is authorized to organize the new capital needs as different groups as registered or to the bearer, to issue privileged shares in their above or below par value, to limit the rights of shareholders to buy new shares, or to make decisions restricting the rights of the privileged shareholders pursuant to the provisions of the Capital Market Law.

At the end of the capital increase from the Internal Resources, bonus shares will be granted to the current shareholders.

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At the end of the capital increase from the Internal Resources, bonus shares will be granted to the current shareholders.

STATEMENT OF INDEPENDENCE

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

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

Best regards,
Ali Yiğit TAVAS



STATEMENT OF INDEPENDENCE

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

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

Best regards,
Yılmaz Attila



PROFIT DISTRIBUTION PROPOSAL

At the Board meeting of our Company dated 03.03.2017;

When the net distributable profit is calculated for 2016; considering Turkish Commercial Code, Capital Markets Regulation, Corporate Tax, Income Tax and other legal regulation provisions, articles of our articles of association regarding profit distribution and our Profit Distribution Policy, according to the financial statements of our Company audited independently and prepared based on Turkish Accounting Standards and in accordance with Communiqué II-14.1 of Capital Markets Board, net distributable period profit is calculated as 60,019,544 TL and no General Legal Reserves were kept as legal limit is reached being 60.019.544 TL which is the net period profit of 2016.

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

- to distribute First Dividend to Shareholders in amount of 12.187.905 TL equal to 20% of distributable profit, a considering donations in amount of 919.980 TL made within the year parallel to CMB regulations,
- to reserve Board Allocation not exceeding 5% stipulated in the articles of incorporation over the remaining amount,
- to distribute Second Dividend to Shareholders in amount of 28.717.552 TL equal to 77.35% of our nominal issued capital (44.951.051 TL) together with First Dividend amount over the remaining amount (Total net amount of First and Second Dividend is 34.769.638 TL),
- to keep Legal Reserves in amount of 4.104.790 TL,
- to keep the entire remaining amount as Extraordinary Reserves.

Cash dividend shall be paid in net amount of 0.7735 TL for each share traded in exchange market with a nominal value of 1 TL.

Sincerely,

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. 2016 PROFIT DISTRIBUTION TABLE (TL)

1.	Paid-in/Issued Capital		44.951.051
2.	General Legal Reserves (According to Legal Records)		54.548.713
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	63.675.950	51.638.934
4.	Taxes (-)	(3.656.406)	(4.161.275)
5.	Net Profit for the Period (=)	60.019.544	47.477.659
6.	Losses in Prior Years (-)	0	0
7.	General Legal Reserves (-)	0	0
8.	NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)	60.019.544	47.477.659
9.	Donations during the Year (+)	919.980	
10.	Net Distributable Profit for the Period Including Donations	60.939.524	
11.	First Dividend to Shareholders		
	- Cash	12.187.905	
	- Bonus Share		
	- Total	12.187.905	
12.	Dividends Distributed to Owners of Privileged Shares		
13.	Dividends Distributed to Others		
	- Members of the Board of Directors	2.390.000	
	- Employees		
	- Outside of Shareholders		
14.	Dividends Distributed to Owners of Redeemed Shares		
15.	Second Dividend to Shareholders	28.717.552	
16.	General Legal Reserves	4.104.790	
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	12.619.297	77.412
20.	Other Resources to be Distributed		
21.	General Legal Reserve Fund for Other Sources to be Distributed		

RATIO OF DIVIDENDS TABLE

	CLASS	TOTAL DIVIDENDS DISTRIBUTED		TOTAL DIVIDENDS DISTRIBUTED/ NET DISTRIBUTABLE PROFIT FOR THE PERIOD	DIVIDENDS PER SHARE WITH A PAR VALUE OF TL 1 TL EACH	
		CASH (TL)	"BONUS	ORANI (%)	TUTARI (TL)	ORANI (%)
NET	No share classes enjoy privileges for profit distribution.	34.769.638		57,93%	0,7735	77,35
	TOTAL	34.769.638		57,93%	0,773500	77,35

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART I - Statement of Compliance with Corporate Governance Principles

a) During the operating period ended 31 December 2016, PINAR 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 herein below, and it is considered that the said matters do not lead to any major conflicts of interest under the current circumstances. It maintains its position for the principle numbered 1.3.11 as their implementation is non-compulsory.

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

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

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

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

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

PART II - SHAREHOLDERS

2.1. Investor Relations Department

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

Contact information for Investor Relations Department is presented below:

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

Investor Relations Department Officer: Aslı Kahyaoğlu

Phone: 0 232 495 00 00

Fax: 0 232 484 17 89

E-mail: 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 50 investors, and responded to more than 100 queries by phone or e-mail. Shareholders requested information about situation of their dematerialized shares and regarding changes of share values. In addition, upon disclosure of the Company's financial results, two webcast meetings were organized, which were open to analysts and addressed the Company's activities and financial results for 2015 full year and for 2016 first half. "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. Use of Shareholders' Rights to Obtain Information

The fundamental principle in shareholders exercising their right to obtain information is that there should be no discrimination among shareholders. All information and documents that shareholders may need to exercise their shareholders' rights in a sound manner are made equally available to all shareholders on the Company's corporate website. During 2016, utmost care was paid, under the supervision of the "Investor Relations Department", to respond to requests for information received from shareholders within the framework of the requirements of capital market laws and regulations and without delay.

Such requests for information are generally about such issues as general assembly meeting dates, information on financial statements that are disclosed, developments in the sector and profit distribution. All requests for information, except in the case of information that was in the nature of a trade secret and information that it was deemed to be in the Company's interest to keep confidential, were responded to without making any distinctions among shareholders and in line with any statements that may previously have been made within the framework of capital market laws and regulations. Information and disclosures that might affect the exercise of shareholders' rights are announced in the "Investor Relations" section on the Company website, and there have been no information or disclosures during the reporting period, other than those disclosed under the Capital Market legislation. While the request to have a special auditor appointed is not an individual right provided for under the Company's articles of incorporation, no such request was received during 2016.

2.4. General Assembly

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 2015 Annual General Assembly meeting took place on March 30, 2016 at the Company's plant during the reporting period. At the 2015 ordinary general assembly meeting, 83.39% of the Company's capital was represented. During the meeting, shareholders electronically or physically attending the meeting or their proxies expressed their comments and wishes. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

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

The Company's General Assembly meeting announcements were promulgated under "Article 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 minimum 21 days (excluding the dates of the meeting and announcement) in advance. The meeting announcement was also published on the corporate website and local newspapers, and shareholders whose addresses were on record with the Company were sent letters in which they were informed about the meeting date, location, and agenda. Prior to the general assembly meeting, the meeting date, place and agenda, the information that the Informational Document regarding the agenda is posted on the website, and the profit distribution proposal to be submitted by the Board of Directors to the general assembly were publicly disclosed in material event disclosures. The Informational Document drawn up for 2015 Ordinary General Assembly meeting covered detailed descriptions about each general meeting agenda item, as well as all the explanations, information and documents required by the legislation.

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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

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

At the Company's General Assembly meetings, information was presented to the shareholders on the amount and recipients of the donations and grants made during the reporting period. This matter was addressed as a separate agenda item. An upper limit was set for the donations to be made during 2016 at the meeting. The Company has also generated a Donations Policy to be submitted to the approval of 2015 Ordinary General Assembly and issued it on its web site.

2.5. 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.

Managing member(s) can be selected if decided accordingly by the Board of Directors. However, Board Chairperson and managing member(s) are selected among the candidates nominated by Group A shareholders."

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.

2.6. Dividend Rights

Company decisions on profit distribution are based on the Turkish Commercial Code, Capital Markets Regulations, Tax Regulations and other applicable legislation as well as the profit distribution clause of the articles of association and a consistent policy balanced between the benefits of the shareholders and the Company in line with the CMB Corporate Governance Principles is applied.

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

Unless decided otherwise on profit distribution in the relevant general assembly meeting, the profit distribution is intended

to be realized in May of the year of the relevant general assembly meeting, the latest, and the date of profit distribution is decided by the General Assembly. General Assembly or Board of Directors (if authorized) may decide on distribution of dividends in installments in accordance with the Capital Market Regulations.

The Company's Articles of Incorporation permit distribution of advances on dividends, and the Board of Directors may decide to distribute advances on dividends restricted to the relevant fiscal year, provided that it is authorized by the General Assembly of Shareholders and in accordance with the Capital Markets Regulations.

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

The Company's 2015 profit distribution was completed on May 31, 2016.

PART III - PUBLIC DISCLOSURES AND TRANSPARENCY

3.1. Corporate Web Site and Its Content

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

3.2. Annual Report

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

PART IV - STAKEHOLDERS

4.1. Informing Stakeholders

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

Stakeholders are able to convey any transaction they consider to be illegitimate or unethical to the Corporate Governance Committee or the Audit Committee via Yaşar Group Ethics Committee. The Audit Committee reviews the complains received regarding the Company's accounting and internal control system and independent audit, and handles the notifications of company employees in relation to the Company's accounting and independent audit, observing the confidentiality principle. Furthermore, the communication mechanism is established with the Corporate Governance Committee and the Audit Committee also via the processes that provide stakeholder participation in management as discussed under Article 4.2 herein below.

4.2. Stakeholders' Participation in the Company's Management

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. Customer audits are successfully carried out, as are chain store audits.

Customer requests and complaints received by Pınar Communication Center (PIM) through 444 76 27 are responded to, and information is provided to consumers on the topics conveyed as soon as possible. PIM Twitter account serves to review the requests and suggestions received via the social media, upon which the team gets back to the consumers. PIM service quality and the satisfaction of consumers with which PIM interacts are measured at regular intervals by means of polls. 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.

Existing and potential suppliers are visited and inspected in line with the annual schedule. Class A suppliers are identified and certified.

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 to provide guidance on how to satisfy customer needs and expectations in a technical sense. The Company assesses the feedbacks received from these meetings.

Aware that high levels of employee motivation and loyalty create a significant advantage in achieving success more quickly, Pinar Süt has been soliciting feedback from its personnel through employee opinion surveys that have been conducted regularly every other year since 1998. In 2015, 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.

Average training time per employee at Pinar Süt in 2016 was 15.7 hours, with total training time amounting to 18,332 hours.

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 of 2016.

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

Basic policies:

- 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 Pinar Süt (three at Pınarbaşı plant and two at Eskişehir plant).

At Izmir Plant: Günay Aslan - Milk Powder Manufacturing Foreman, Cumhuriyet Aşkın – Process Machines Foreman, Arzu Pehlivan – Cheese Packager

At Eskişehir Plant: Erdoğan Yörüksoy - Tetrapak Operator, Tuncay Özdemir - 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) Are mindful of workers' rights and interests; assist in the implementation of the working conditions which are provided for in labor laws and in collective bargaining agreements.

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

4.4. Rules of Ethics and Social Responsibility

In order to fulfill its responsibilities related to public health and the nature, the Company 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 Pinar art competitions, Pinar children's theater, sponsorship of Pinar Karşıyaka basketball team, farmer training programs, its newspaper Pinar, and its magazine Yaşam Pınarım.

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

Headquartered at the campus of Yaşar University, Pinar 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.

"Consumer Perceptions Of Milk And Dairy Products: The Impact Of Media Misinformation" is a project being conducted jointly by Pinar Institute and Yaşar University Faculty of Communication. The project, which is being carried out under TÜBİTAK 3001 Initial R&D Projects Support Program, is looking into consumers' notions about milk and dairy products.

"The Future Of Our Milk Is In Good Hands" project developed to educate raw milk producers on animal health, nourishment, hygiene, and sanitation was launched in Tire, Ödemiş, Eskişehir, Kütahya, Denizli and Uşak in 2016. The Project reached to total 5,800 producers since start-up and deserved to receive Sustainability Award among the first 3 projects at Yaşar Community Sustainability Competition in 2016.

"Let's Move with Joy and Diet Healthy" project was conducted the first pilot program in 2016 in line with the protocol signed with Izmir Provincial Directorate of Education with entirely renewed content and new education materials, as realized by Pinar Institute to grow healthy individuals and raise awareness for nourishment from young ages. The education program started with "Training of Trainer" is applied to 20 independent kindergartens in Izmir city giving education to children from 36 to 66 months.

After "Play and Education Tools for Healthy and Balanced Dieting Project" conducted with collaboration of Pinar Institute and Yaşar University Industrial Design Department, 4 play and education tool designs are sustained as Scientific Research Project (BAP). The new design as different from the said designs is to re-interpretation of Food Pyramid made of woven felt to have different areas of use. The end product is aimed to be used as education material under "Let's Move with Joy and Diet Healthy" project.

Pinar Institutes Bulletins are issued since last year to create awareness on food, health and nutrition. The quarterly bulletin reaches all Yaşar Group employees. The bulletin published quarterly, is sent to all employees within Yaşar Group.

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART V - BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

Members of the Company's Board of Directors:

Name Surname	Title	Whether or Not Independent Member	Whether or Not Executive Member	Term
İdil Yiğitbaşı	Chairman	Not Independent Member	Not Executive	1 Year
Emine Feyhan Yaşar	Vice Chairman	Not Independent Member	Not Executive	1 Year
Mustafa Selim Yaşar	Member	Not Independent Member	Not Executive	1 Year
Ali Yiğit Tavas	Independent Member	Independent Member	Not Executive	1 Year
Yılmaz Attila	Independent Member	Independent Member	Not Executive	1 Year
Cengiz Erol	Member	Not Independent Member	Not Executive	1 Year
Yılmaz Gökoğlu	Member	Not Independent Member	Not 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 Yaşar Group, may hold seats on the boards of directors of other Group companies, and there may be various transactions by and between these companies that may be considered under the scope of Article 395/1 of the Turkish Commercial Code. However, the parties to such transactions are Group companies only, and necessary permissions are obtained at the general assembly meeting of each relevant company.

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

Two independent member candidates were presented for 2016 to the Corporate Governance Committee that acts as the Nomination Committee. The declarations of independence and resumes of these individuals have been discussed in the Corporate Governance Committee meeting of March 29, 2016 and in the meetings of the Board of Directors, and it has been decided to nominate all of them as independent members. No situations arose that prejudiced independence as of 2016 operating period. There are 2 women members on the board of directors. Hence, the Company has secured a ratio of not less than 25% with respect to the number of women members on the board of directors.

5.2. Operating Principles of Activity of the Board of Directors

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

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

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

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

The details of the 2016 activities of the Board of Directors are provided below:

During the reporting period, the Board of Directors convened 53 times. The Board of Directors shall convene upon a summons in the form of a written request made by its chairperson or by any director. The agenda of the meeting is sent to the members minimum two weeks prior to the date of the meeting. Usually, all members attend the meetings. There were no unresolved disputes over issues during the 2016 reporting period. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights. An insurance coverage has been obtained

for losses that the Company may sustain by reason of the faults committed by the Board of Directors members during the performance of their duties.

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

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

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

The Committee reports on the fairness and accuracy of annual and interim financial statements that will be publicly disclosed to the Board of Directors.

Corporate Governance Committee Chairperson is non-executive independent board member Yılmaz Attila, Committee Members are nonexecutive board members Cengiz Erol and Yılmaz Gökoğlu and Investor Relations Department Manager is Gökhan Kavur. 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 and independent board member, and its members are Cengiz Erol and Yılmaz Gökoğlu, non-executive board members.

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

Upon assessment held by Company's Board of Directors, it was determined that all committees of the company are created in accordance with the legislation, activities were effectively conducted in line with working principles created before and published in the Company's web site, periodically enough number of meetings was held during the year and as a result

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

of such meetings; the Audit Committee provided efficiency of auditing company's accounting system and financial details and disclosing them to public and submitted their views, suggestions about this matter to board of directors regularly, that Corporate Audit Committee concluded determinations on strengthening the compliance to Corporate Management Principles and submitted to board of directors with their recommendations, that Early Detection of Risk Committee reviewed early warning systems and models for risks and determined risks.

5.4. Risk Management and Internal Control Mechanism

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

5.5. Strategic Targets of the Company

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

5.6. Financial Benefits

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

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



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

INDEPENDENT AUDITOR'S REPORT

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

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

1. We have audited the annual report of Pinar Süt Mamülleri Sanayii A.Ş. ("Company") for the period ended 31 December 2016.

Board of Directors' responsibility for the Annual Report

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

Independent Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's annual report based on the independent audit conducted pursuant to Article 397 of TCC and the Communiqué, whether or not the financial information included in this annual report is consistent with the Company's financial statements that are subject to independent auditor's report dated 1 March 2017 and presented fairly.

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

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

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

Opinion

4. Based on our opinion, the financial information in the annual report of Board of Directors of Pinar 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 Pinar Süt Mamülleri Sanayii A.Ş. to continue its operations for the foreseeable future.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.



İstanbul, 1 Mart 2017

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

INDEPENDENT AUDITOR'S REPORT



To the Board of Directors of

Pınar Süt Mamülleri Sanayii A.Ş.

Report on the Financial Statements

1. We have audited the accompanying financial statements (balance sheet) of Pınar Süt Mamülleri Sanayii A.Ş. ("the Company") as at 31 December 2016 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

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

Independent auditor's responsibility

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

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/ or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matter

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

Other Responsibilities Arising From Regulatory Requirements

6. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 1 March 2017.
7. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
8. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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



İstanbul, 1 Mart 2017

ORIGINAL COPY ACCEPTED AND SIGNED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

FINANCIAL STATEMENTS

AT 1 JANUARY - 31 DECEMBER 2016

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

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CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)

AT 31 DECEMBER 2016 AND 2015

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

	Notes	31 December 2016	31 December 2015
ASSETS			
CURRENT ASSETS			
Cash and Cash Equivalents	6	502.652	298.719
Trade Receivables		184.074.763	138.210.610
- Trade Receivables from Related Parties	7	173.044.085	127.333.558
- Trade Receivables from Third Parties	8	11.030.678	10.877.052
Other Receivables		3.995.102	2.401.289
- Other Receivables from Related Parties	7	18.029	44.327
- Other Receivables from Third Parties	10	3.977.073	2.356.962
Inventories	11	103.894.123	112.008.255
Prepaid Expenses	13	4.676.913	5.067.388
- Prepaid Expenses to Third Parties		4.676.913	5.067.388
Other Current Assets	30	20.593.514	19.933.178
- Other Current Assets from Third Parties		20.593.514	19.933.178
TOTAL CURRENT ASSETS		317.737.067	277.919.439
NON-CURRENT ASSETS			
Financial Investments		76.912.081	79.423.446
- Available-for-sale Financial Investments	45	76.912.081	79.423.446
Other Receivables		13.359	13.359
- Other Receivables from Third Parties	10	13.359	13.359
Investments in Associates Accounted for Using Equity Method	4	68.474.264	67.506.066
Property, plant and equipment	15	467.910.244	455.028.148
- Land		136.679.902	136.679.902
- Land Improvements		13.146.798	14.790.648
- Buildings		75.171.942	76.197.460
- Machinery, Plant And Equipment		222.693.884	210.082.619
- Vehicles		490.747	324.713
- Furniture and Fixtures		12.726.292	13.211.689
- Construction in Progress		7.000.679	3.741.117
Intangible Assets	18	1.285.725	904.976
- Other Intangible Assets		1.285.725	904.976
Prepaid Expenses	13	1.260.407	2.962.521
- Prepaid Expenses to Third Parties		1.260.407	2.962.521
TOTAL NON-CURRENT ASSETS		615.856.080	605.838.516
TOTAL ASSETS		933.593.147	883.757.955

The financial statements at 31 December 2016 and for the year then ended have been approved for issue by Board of Directors of Pinar Süt Mamülleri Sanayii A.Ş. on 1 March 2017.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)

AT 31 DECEMBER 2016 AND 2015

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

	Notes	31 December 2016	31 December 2015
LIABILITIES			
CURRENT LIABILITIES			
Short-Term Borrowings	25	28.067.744	15.274.043
- Short-Term Borrowings From Third Parties		28.067.744	15.274.043
- Bank Borrowings		28.067.744	15.274.043
Short-Term Portion of Long-Term Borrowings	25	8.097.564	4.021.656
- Short-Term Portion of Long-Term Borrowings From Third Parties		8.097.564	4.021.656
- Bank Borrowings		8.097.564	4.021.656
Other Financial Liabilities		3.510.364	5.470.820
- Other Miscellaneous Financial Liabilities	25	3.510.364	5.470.820
Trade Payables		184.764.984	178.211.654
- Trade Payables to Related Parties	7	15.042.960	20.462.562
- Trade Payables to Third Parties	8	169.722.024	157.749.092
Payables Related to Employee Benefits	28	2.508.357	1.426.748
Other Payables		28.904.622	32.859.058
- Other Payables to Related Parties	7	26.940.123	31.122.993
- Other Payables to Third Parties	10	1.964.499	1.736.065
Deferred Income		53.947	185.820
- Deferred Income From Third Parties	13	53.947	185.820
Current Income Tax Liabilities	39	272.538	1.342.179
Short-Term Provisions		1.162.925	1.320.071
- Short-Term Provisions for Employee Benefits	28	1.162.925	1.320.071
Other Current Liabilities	30	136.031	139.467
- Other Current Liabilities to Third Parties		136.031	139.467
TOTAL CURRENT LIABILITIES		257.479.076	240.251.516
NON-CURRENT LIABILITIES			
Long-Term Borrowings	25	31.111.111	2.000.000
- Long-Term Borrowings From Third Parties		31.111.111	2.000.000
- Bank Borrowings		31.111.111	2.000.000
Trade Payables		23.197.010	26.813.819
- Trade Payables to Third Parties	8	23.197.010	26.813.819
Long-Term Provisions		17.029.559	15.011.944
- Long-Term Provisions for Employee Termination Benefits	28	17.029.559	15.011.944
Deferred Income Tax Liabilities	39	11.438.027	12.530.714
TOTAL NON-CURRENT LIABILITIES		82.775.707	56.356.477
TOTAL LIABILITIES		340.254.783	296.607.993

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)

AT 31 DECEMBER 2016 AND 2015

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

	Notes	31 December 2016	31 December 2015
EQUITY			
Equity Attributable to			
Owners of the Parent Company			
		593.338.364	587.149.962
Share Capital	31	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		163.129.312	169.339.572
- Gain/ (Loss) on Revaluation and Remeasurement		163.695.910	169.435.676
- Increase/ (Decrease) on Revaluation of			
Property, Plant and Equipment	15	172.665.882	176.218.583
- Actuarial Gain/ (Loss) Arising from			
Defined Benefit Plans		(8.969.972)	(6.782.907)
- Share of Other Comprehensive Income			
of Investment-in-Associates Accounted for			
Using Equity Method that will not be Reclassified to			
Profit or Loss		(566.598)	(96.104)
Other Comprehensive Income/ (Expense) to be			
Reclassified to Profit or Loss		57.832.637	62.387.413
- Gain/ (Loss) on Revaluation and Classification		48.091.944	53.130.359
- Gain/ (Loss) on Revaluation or Reclassification			
of Available-for-Sale Financial Investments	45	48.091.944	53.130.359
- Share of Other Comprehensive Income			
of Investment-in-Associates Accounted for			
Using Equity Method that will be Reclassified to			
Profit or Loss		9.740.693	9.257.054
Reserves on Retained Earnings		55.024.248	50.558.849
- Legal Reserves	31	55.024.248	50.558.849
Distribution to shareholders		(5.537.877)	(5.537.877)
Retained Earnings		201.405.899	186.701.497
Net Profit for the Year		60.019.544	62.235.907
TOTAL EQUITY		593.338.364	587.149.962
TOTAL LIABILITIES		933.593.147	883.757.955

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015

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

	Notes	1 January - 31 December 2016	1 January - 31 December 2015
PROFIT OR LOSS			
Revenue	32	1.067.776.692	1.011.204.645
Cost of Sales	32	(876.662.891)	(848.781.037)
Gross Profit from Trading Operations		191.113.801	162.423.608
GROSS PROFIT		191.113.801	162.423.608
General Administrative Expenses	34	(37.768.974)	(33.891.694)
Marketing Expenses	34	(77.320.871)	(65.410.091)
Research and Development Expenses	34	(10.965.769)	(9.177.915)
Other Income from Operating Activities	35	11.644.364	11.154.343
Other Expense from Operating Activities	35	(14.047.114)	(12.280.916)
OPERATING PROFIT		62.655.437	52.817.335
Income From Investing Activities	36	5.383.488	3.192.060
Expense From Investing Activities	36	(269.506)	(1.040.641)
Share of Results of Investment-in-Associates	4	8.390.164	17.198.919
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		76.159.583	72.167.673
Financial Income	37	2.011.419	2.640.462
Financial Expenses	37	(14.495.052)	(7.219.162)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		63.675.950	67.588.973
Tax Expense from Continuing Operations		(3.656.406)	(5.353.066)
- Current Tax Expense	39	(4.161.275)	(2.772.271)
- Deferred Tax Income/ (Expense)	39	504.869	(2.580.795)
PROFIT FOR THE YEAR CONTINUING OPERATIONS		60.019.544	62.235.907
PROFIT FOR THE YEAR		60.019.544	62.235.907
Earnings Per Share		1,3352	1,3845
- Earnings per 1 Kr number of 100 shares from continuing operations	40	1,3352	1,3845

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015

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

Notes	1 January - 31 December 2016	1 January - 31 December 2015
OTHER COMPREHENSIVE INCOME		
Items not to be Reclassified to Profit or Loss	(2.374.825)	58.610.313
Increase in Revaluation of Property, Plant and Equipment	-	62.699.527
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	(187.760)	627.725
- Gains (Losses) on Remeasurements of Defined Benefit Plans of Associates Accounted for Using Equity Method	4 (187.760)	(292.589)
- Revaluation Increases (Decreases) of Property, Plant and Equipments of Associates Accounted for Using Equity Method	4 -	920.314
Actuarial Gain/ Loss Arising from Defined Benefit Plans	28 (2.733.831)	(2.054.188)
Taxes Relating to Other Comprehensive Income that will not be Reclassified to Profit or Loss	546.766	(2.662.751)
- Gains (Losses) on Revaluation of Property, Plant and Equipment, Tax Effect	39 -	(3.073.589)
- Actuarial Gain/ (Loss) Arising from Defined Benefit Plans, Tax Effect	39 546.766	410.838
Items to be Reclassified to Profit or Loss	(4.554.776)	13.185.992
Gains (Losses) on Remeasuring or Reclassification Adjustments on Available-for-sale Financial Assets	(5.316.740)	11.902.358
- Gains (losses) on Remeasuring Available-for-sale Financial Assets	45 (5.316.740)	11.902.358
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss	483.639	1.880.769
- Gains (Losses) on Revaluation and/or Reclassification of Available-for-sale Financial Assets	4 (617.547)	1.219.692
- Gains (losses) on Foreign Currency Translation Differences of Associates Accounted for Using Equity Method	4 1.101.186	661.077
Taxes Relating to Other Comprehensive Income that will be Reclassified to Profit or Loss	278.325	(597.135)
- Gains (Losses) on Revaluation and/or Reclassification of Available-for-sale Financial Assets, Tax Effect	39 278.325	(597.135)
OTHER COMPREHENSIVE (EXPENSE)/ INCOME	(6.929.601)	71.796.305
TOTAL COMPREHENSIVE INCOME	53.089.943	134.032.212

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2016 AND 2015

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

	Previous Period		Current Period		Previous Period		Current Period		Net profit for the year	Total equity
	1 January - 31 December 2015	1 January - 31 December 2016	1 January - 31 December 2015	1 January - 31 December 2016	1 January - 31 December 2015	1 January - 31 December 2016	1 January - 31 December 2015	1 January - 31 December 2016		
	Share capital	Adjustment to share capital	Increase/ (decrease) on revaluation of property, plant and equipment	Actuarial gain/ (loss) arising from defined benefit plans	Share of other comprehensive income of investments accounted for using equity method that will not be reclassified to profit and loss	Gain/ (Loss) on revaluation or reclassification of available-for-sale financial assets	Share of other comprehensive income of investments accounted for using equity method that will be reclassified to profit and loss	Reserves of retained earnings	Retained earnings	
	44.951.051	16.513.550	120.120.092	(5.139.557)	(689.165)	41.825.136	7.376.285	43.161.534	179.681.182	529.338.453
Transfers	-	-	(3.527.447)	-	(34.664)	-	-	-	90.638.333	(87.076.222)
Total Comprehensive Income - Profit for The Year	-	-	59.625.938	(1.643.350)	627.725	11.305.223	1.880.769	-	-	62.235.907
- Other Comprehensive Income / (Expense)	-	-	-	-	-	-	-	-	-	62.235.907
Dividends	-	-	59.625.938	(1.643.350)	627.725	11.305.223	1.880.769	7.397.315	(83.618.018)	71.796.305
	44.951.051	16.513.550	176.218.583	(6.782.907)	(96.104)	53.130.359	9.257.054	50.558.849	186.701.497	587.149.962
	44.951.051	16.513.550	176.218.583	(6.782.907)	(96.104)	53.130.359	9.257.054	50.558.849	186.701.497	587.149.962
Transfers	-	-	(3.552.701)	-	(282.734)	-	-	-	66.071.342	(62.235.907)
Total Comprehensive Income - Profit for The Year	-	-	-	(2.187.065)	(187.760)	(5.038.415)	483.639	-	-	60.019.544
- Other Comprehensive Income / (Expense)	-	-	-	-	-	-	-	-	-	60.019.544
Dividends	-	-	-	(2.187.065)	(187.760)	(5.038.415)	483.639	4.465.399	(51.366.940)	(6.929.601)
	44.951.051	16.513.550	172.665.882	(8.969.972)	(566.598)	48.091.944	9.740.693	55.024.248	201.405.899	593.338.364

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

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

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

	Notes	31 December 2016	31 December 2015
CASH FLOWS FROM OPERATING ACTIVITIES		40.750.530	78.606.905
Net Profit (Loss) for the Year		60.019.544	62.235.907
Profit for the Year from Continuing Activities		60.019.544	62.235.907
Adjustments Related to Reconciliation of Net Profit (Loss) for the Year:		14.889.258	11.454.131
Adjustments for Depreciation and Amortization	15	24.499.319	21.489.272
Adjustments for Impairments/ Reversals		16.730	47.381
- Adjustments for Decrease in Fair Value of Inventories	4	16.730	47.381
Adjustments for Provisions		3.358.632	2.549.037
- Adjustments Provision for Employment Termination Benefits	28	3.358.632	2.549.037
Adjustments for Dividend Income	36	(5.299.938)	(3.167.071)
Adjustments for Interest Income/ (Expense)		9.573.117	4.981.616
- Adjustments for Interest Income		(357.449)	(57.902)
- Adjustments for Interest Expense		9.930.566	5.039.518
Adjustments for Unrealized Foreign Currency Translation Differences		8.296.178	4.097.547
Adjustments for Undistributed Profits of Investments			
Accounted for Using Equity Method		(8.390.164)	(17.198.919)
- Adjustments for Undistributed Profits of Associates	4	(8.390.164)	(17.198.919)
Adjustments for Tax Income/ Losses	39	3.656.406	5.353.066
Adjustments for Gain/ Losses on Sale of Tangible Assets		185.956	1.015.652
Adjustments for Other Adjustments Related to Profit/Loss Reconciliation		(21.006.978)	(7.713.450)
Changes in Working Capital:		(42.969.324)	(1.083.098)
Adjustments for Increases/decreases in trade receivables		(45.864.153)	18.301.670
- Increases/decreases in trade receivables from related parties		(45.710.527)	19.784.708
- Increases/decreases in trade receivables from third parties		(153.626)	(1.483.038)
Adjustments for Increases/decreases in other receivables		(1.620.111)	596.585
- Increases/decreases in other receivables from third parties		(1.620.111)	596.585
Adjustments for Increases/decreases in inventory		8.114.132	(15.585.592)
Increases/decreases in prepaid expenses		390.475	(1.093.442)
Adjustments for Increases/decreases in trade payables		(5.390.408)	369.127
- Increases/decreases in trade receivables to related parties		(5.419.602)	(7.445.330)
- Increases/decreases in trade receivables to third parties		29.194	7.814.457
Increases/Decreases in debts from Employment Termination Benefits		1.243.382	505.337
Adjustments for Increases/decreases in other payable		228.434	22.536
- Increases/decreases in other payable from third parties		228.434	22.536
Adjustments for Increases/decreases in deferred income		(131.873)	30.268
Adjustments for Increases/decreases in other			
liabilities of working capital		60.798	(4.229.587)
- Increases/decreases in other liabilities		60.798	(4.229.587)
Cash Flows From Operating Activities:		31.939.478	72.606.940
Employee termination benefits paid		(6.477.767)	(2.120.269)
Income taxes refund/ (paid)		(4.993.642)	(562.388)
Cash in flows due to government promotion		20.282.461	8.682.622

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

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

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

	Notes	31 December 2016	31 December 2015
CASH FLOWS FROM INVESTING ACTIVITIES:		(25.666.576)	(29.930.821)
Cash out flows due to changes in ownership rate of subsidiaries that do not result in control cease		(2.805.375)	-
Proceeds from sale of tangible and intangible assets		403.514	35.400
- Proceeds from sale of tangible and intangible assets		403.514	35.400
Cash outflows due to purchases of tangible and intangible assets		(38.351.634)	(36.484.626)
- Cash outflows due to purchases of tangible assets		(37.435.040)	(35.952.781)
- Cash outflows due to purchases of intangible assets		(916.594)	(531.845)
Cash Payments of Advances and Loans		1.728.412	(1.857.815)
- Cash Advances and Loans Made to Related Parties		26.298	101.109
- Other Cash Advances and Loans Made to Other Parties		1.702.114	(1.958.924)
Dividends received	7	13.001.053	8.318.318
Interest received		357.454	57.902
NET FLOWS FROM FINANCING ACTIVITIES:		(14.910.772)	(50.776.339)
Cash in flow Proceeds from borrowings		70.275.061	27.068.046
- Cash in flow from borrowings		65.023.718	13.554.399
- Cash in flow from other financial borrowings		5.251.343	13.513.647
Cash out flow payments of borrowings		(26.254.799)	(14.305.560)
- Repayments of borrowings		(19.043.000)	(4.000.000)
- Cash out flow from Other financial payments of borrowings		(7.211.799)	(10.305.560)
Increase/ (Decrease) in Other Payables to Related Parties		(9.176.590)	14.497.896
Dividends paid	7	(44.501.541)	(72.997.203)
Interest paid		(5.252.903)	(5.039.518)
Net increase / (Decrease) in cash and cash equivalents before foreign currency translation differences		173.182	(2.100.255)
EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		30.751	5.346
Net Increase / (Decrease) In Cash And Cash Equivalents		203.933	(2.094.909)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		298.719	2.393.628
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		502.652	298.719

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2016

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

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 and Şanlıurfa Organized Industry Zone and Şanlıurfa facility has started production in 2015. The Company sells its products under "Pınar" brand, which is one of the leading brands in food and beverages business in Turkey.

97% (2015: 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% (2015: 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 (2015: 61,41%) (Note 31).

The average number of employees are 1.163 in the period. (31 December 2015: 1.172).

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

Akdeniz Mah. Şehit Fethi Bey Caddesi No: 120/101
Konak/ 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 the Communiqué Serial II, No: 14.1, "Principals of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards/ Turkish Financial Reporting Standards ("TAS"/ "TFRS") and its addendum and interpretations ("IFRIC") issued by the Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Board.

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.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards.

The Company maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. Subsidiary operating in foreign country has prepared their financial statements in accordance with the laws and regulations of the country in which it operates. Financial statements have been prepared under the historical cost convention as modified by the revaluation of land, land improvements and buildings, machinery and equipment, derivative financial instruments, which are measured at fair values. These financial statements are based on the functional currency of the company, Turkish Lira ("TL").

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2016

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

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

2.2 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2016:

- 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.
- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- Amendment to TAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.

b) **New standards, amendments and interpretations issued and effective as of 31 December 2016 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.**

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

- Amendments to TAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments TAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2016

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

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

- 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.
- 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.
- Amendment to TFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- TFRS 16 'Leases', effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
- TFRS 1, 'First-time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
- TFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
- TAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

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

The Company will determine the effects of these amendments above on the operations of the Company 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 and amendments effective after 1 January 2016 which are not related with operations of the Company, are not listed above.

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. Dividends to be received or receivable from associates are accounted for as a reduction of the carrying amount of the investment.

The accounting policies of the investment in associate which is accounted for using equity method changed to ensure the consistency with the policies adopted by the Company.

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 carrying value of the investment in associate which is accounted for using equity method is tested for impairment according to the policy described in Note 2.6.5.

The table below sets out the associates and the proportion of ownership interest as of 31 December 2016 and 2015 (Note 4):

	Share/Voting Right (%)	
	2016	2015
Investments-in-associates		
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

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In addition, the Company made an agreement at 11 November 2016 with Dimes Gıda Sanayii Ticaret A.Ş. ("Dimes") regarding the milk production and distribution to schools in Turkey. According to this agreement, an ordinary partnership was established namely as "Dimes - Pınar Adi Ortaklığı" ("Dimes - Pınar") with the contribution of 45% of Pınar Süt and 55% of Dimes. The operations of Dimes-Pınar will start in 2017.

Foreign currency translation

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.

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 2016, equivalent of 1 Euro is TL3,7099 (2015: TL3,1776) and for the year then ended the average equivalent of 1 Euro TL3,3413 (2015: TL3,0183). 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.

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are measured and presented in TL which is the parent Company's functional and the Company's presentation currency.

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 Companyed 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.

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

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

2.6 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.

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. (Note 32).

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

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

Rental income- recognized evenly on an accrual basis.

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

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

2.6.2 Inventories

The Company's raw material inventory mainly consist of cheddar cheese, lactic butter 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, labaneh, 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 acquired 1 January 2005 are carried at cost less accumulated depreciation, all tangible assets are stated at cost in the purchasing power of 31 December 2004. After 1 January 2005 to obtain the pen obtained which is reflected in the financial statements at cost less accumulated depreciation up to the balance sheet date. Land and land improvements and buildings and machinery and equipment are stated at fair value as of 31.12.2015, based on valuations by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş. (Note 15). Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount is restated to the revalued amount of the asset.

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

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.

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

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:

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

The useful lives of assets are reviewed and adjusted if necessary as of the balance sheet date.

Subsequent costs are included in the asset's carrying value recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, plant and equipment are reviewed for impairment losses, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, property plant and equipment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

If the property, plant and equipments that are impaired, are revalued, the impairment is charged to the revaluation reserves to the extent that the amount offsetting previous increases of the same asset charged in the revaluation reserves and all other decreases are recognised in the statement of comprehensive income.

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. The Company derecognizes the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Major overhauls are depreciated over shorter of their useful lives or the remaining useful life of the related assets. Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate (Note 36). On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

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

2.6.4 Intangible assets

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

2.6.5 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;

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- 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.

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.

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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.

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.

According to the TAS 23 "Borrowing and borrowing costs (revised)" qualifying assets, general and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2.6.7 Financial assets

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

i. Classification

a) 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.

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- Available-for-sale financial assets

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

ii. Recognition and measurement

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

Change in fair value of available-for-sale investments is calculated as the difference between the discounted acquisition cost and the current fair value. Dividends on available-for-sale equity instruments are recognized in the consolidated statement of comprehensive income as part of other income when the Company's right to receive payments is established.

When securities classified as available-for-sale are derecognized, the accumulated fair value adjustments in equity are recognized in the consolidated statement of comprehensive 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. 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.

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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.

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 the statements of 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.

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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.

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.

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(2) *The Company as the lesser*

Operating leases

Assets leased out under operating leases are included in property, plant and equipment in the consolidated balance sheet. Rental income is recognized in the statement of comprehensive income on a straight-line basis over the lease term.

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 (Note 39).

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 equipments and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash in hand accounts, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months.

2.6.18 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.

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.

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

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. In this respect, the Company recognised deferred income tax assets arising from tax losses carried forward and other deductible differences as their future utilisation is virtually certain. 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 39).

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

The generally accepted valuation techniques used in fair value determination of available-for-sale investments for which there is no quoted market price exists, consist of several assumptions, which are based on the management's best estimates (Note 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 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. 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 with only insignificant changes in fair value frequent revaluations and fair value measurements are considered unnecessary.

The revaluation techniques used in fair value determinations of land and land improvements, buildings, machinery and equipment consist of several assumptions, which are based on the management's best estimates.

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

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

- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for 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.
- Whenever a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment. Such machinery and equipment were reviewed and assessed by their line.

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

As of initial recognition and as of balance sheet date, the Company performs impairment assessment for buildings, land improvements and machinery and equipment of which valuations are based on cost approach, 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 (2015: None).

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NOTE 4 - INTERESTS IN OTHER ENTITIES

Investments-in-associates:

	31 December 2016		31 December 2015	
	TL	%	TL	%
YBP	47.258.500	31,82	50.112.244	31,82
Desa Enerji	13.261.935	30,52	11.357.242	30,52
Pinar Foods	7.953.829	44,94	6.036.580	44,94
	68.474.264		67.506.066	

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

	2016	2015
1 January	67.506.066	52.997.281
Share of profit before taxation of investments-in-associates - net	8.390.164	17.198.919
Increase in fair value reserves of investments-in-associates - net	(617.547)	1.219.692
Dividend income from investments-in-associates (Note 7.ii.d)	(7.701.115)	(5.151.247)
Currency translation reserve	1.101.186	661.077
Increase in revaluation reserve of investments-in-associates	-	920.314
Actuarial loss arising from defined benefit plans of investments-in associates	(187.760)	(292.589)
Elimination of net effect of unrealized profits on inventory	(16.730)	(47.381)
31 December	68.474.264	67.506.066

Condensed financial statements of investments-in-associates are as follows;

	31 December 2016				
	Assets	Liabilities	Net Sales	Net Profit	Other Comprehensive Income/ (Expense)
- YBP	454.542.466	304.953.442	1.633.551.020	17.817.119	(2.595.831)
- Desa Enerji	50.694.926	7.241.666	50.217.035	6.240.801	-
- Pinar Foods	18.540.603	841.827	55.556.297	1.815.896	2.450.156
	31 December 2015				
- YBP	414.182.842	255.608.000	1.567.514.196	48.441.679	4.056.000
- Desa Enerji	42.882.815	5.670.358	36.548.331	4.356.629	1.822.385
- Pinar Foods	14.714.235	1.281.702	47.917.893	1.012.756	1.470.907

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NOTE 4 - INTERESTS IN OTHER ENTITIES (Continued)

Details of significant investment in associates of the Company as at 31 December 2016 and 2015 are as follows:

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

NOTE 5 - SEGMENT REPORTING

None (2015: None).

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash in hand	69.423	54.979
Banks	433.229	243.740
- Demand deposits	333.229	243.740
- TL	39.151	243.740
- Foreign currency	294.078	-
- Time deposits	100.000	-
- TL	100.000	-
	502.652	298.719

As of 31 December 2016, the Company has time deposits amounting to TL100.000 with an effective interest rate of 6,75% per annum ("p.a.") (31 December 2015: None).

As of 31 December 2016, the Company has foreign currency denominated demand deposits amounting to USD83.558 and EUR6, equivalent of TL294.078 (31 December 2015: None).

As at 31 December 2016 the Company has cash in hands amounting to USD4.628 and EUR7.005, equivalent of TL42.276 (31 December 2015: USD3.948 and EUR2.670, equivalent of TL19.963).

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 2016 and 2015 are as follows:

i) Balances with related parties:

	31 December 2016	31 December 2015
a) Short-term trade receivables from related parties:		
YBP	148.408.031	114.266.138
YDT	25.819.038	14.310.242
	174.227.069	128.576.380
Less: Unearned finance income	(1.182.984)	(1.242.822)
	173.044.085	127.333.558

The effective weighted average interest rates applied to trade receivables from related parties are 9,04% p.a. as of 31 December 2016 and mature within 2 months (31 December 2015: 11,36% p.a. and mature within 2 months).

As of 31 December 2016, trade receivables from related parties amounting to TL 10.836.538 (2015: TL 3.919.492), over which no provision for impairment is provided of overdue receivables and aging is shown Note 46.a.

b) Other short-term receivables from related parties:

	31 December 2016	31 December 2015
DYO Boya Fab. San. ve Tic. A.Ş. ("DYO Boya")	17.032	29.889
Viking Kağıt ve Selüloz A.Ş. ("Viking")	-	14.438
Other	997	-
	18.029	44.327

As of 31 December 2016, other receivables of the Company from related parties consist of receivables related with bail commission charges.

c) Short-term trade payables to related parties:

	31 December 2016	31 December 2015
Çamlı Yem Besicilik Sanayi ve Tic. A.Ş. ("Çamlı Yem")	7.152.251	4.569.567
Yaşar Holding	3.271.633	2.890.262
HDF FZCO	2.003.912	-
Desa Enerji	1.475.387	2.486.475
Yadex International GmbH ("Yadex")	571.537	9.183.773
Other	636.864	1.412.023
	15.111.584	20.542.100
Less: Unincurred finance cost	(68.624)	(79.538)
	15.042.960	20.462.562

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

TL 571.537 (2015: TL 9.183.773) 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 2016, the effective weighted average interest rate applied to those payables is 9,06% (2015: 11,40%) and maturity is 2 months (2015: 2 months).

d) Other short-term payables to related parties:

	31 December 2016	31 December 2015
Yaşar Holding (*)	23.373.508	-
YBP (**)	-	18.480.994
Pınar Entegre Et ve Un San. A.Ş. ("Pınar Et") (**)	-	9.418.107
Other (***)	3.566.615	3.223.892
	26.940.123	31.122.993

(*) As of 31 December 2016, the Company has non-trade payables to Yaşar Holding amounting to TL 23.373.508 and the effective weighted average interest rate applied to those receivables is 11%. Company management expects to collect other receivables from Yaşar Holding between three to twelve months.

(**) As of 31 December 2015 the Company has non-trade payables to YBP and Pınar Et and the effective weighted average interest rate applied to those payables is 12%.

(***) Majority of other short term payables to related parties consist of bonus payments to board of directors according to the decision taken at the General Assembly Meetings held at 30 March 2016 and 26 March 2015 (31 December 2015: bonus payments according to the decision taken at General Assembly Meetings held at 26 March 2015).

ij) Transaction with related parties:

	1 January - 31 December 2016	1 January - 31 December 2015
a) Product sales:		
YBP	893.010.139	862.889.474
YDT	126.800.976	123.953.781
Pınar Et	669.497	760.255
Other	484.883	149.570
	1.020.965.495	987.753.080

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.

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

	1 January - 31 December 2016	1 January - 31 December 2015
b) Service sales:		
YDT	2.588.381	3.290.626
YBP	662.339	571.266
Pınar Et	372.347	410.265
Çamlı Yem	384.599	389.939
Other	396.880	299.691
	4.404.546	4.961.787
c) Other income from operating activities:		
YDT	8.458.065	7.111.452
YBP	969.669	835.471
Çamlı Yem	987.345	916.940
Other	3.317	3.712
	10.418.396	8.867.575
Other income from operating activities mostly consist of foreign exchange income from export receivables and rent income from YBP and Çamlı Yem.		
d) Dividends received:		
YBP (*)	7.701.115	5.151.247
Pınar Et	5.288.200	3.162.016
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	11.738	5.055
	13.001.053	8.318.318
(*) Investment-in-associate (Note 4).		
e) Other expenses from operating activities:		
YDT	743.489	964.581
Çamlı Yem	543.051	259.872
Yaşar Holding	186.895	94.014
Other	285.826	329.660
	1.759.261	1.648.127
Other expenses from operating activities are mostly consist of unearned financial expenses, interest expenses and foreign exchange expenses related with trade payables of the Company.		

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

	1 January - 31 December 2016	1 January - 31 December 2015
f) Product purchases:		
Yadex	18.708.547	23.540.139
Desa Enerji	14.212.525	14.624.937
Çamlı Yem	10.406.116	10.059.742
Hedef Ziraat Ticaret A.Ş.	3.713.381	3.507.233
Other	195.754	161.956
	47.236.323	51.894.007

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

g) Service purchases:

Yaşar Holding	12.671.518	11.820.820
YBP	5.891.031	5.201.803
YDT	5.059.784	4.633.065
HDF FZCO	2.597.344	679.091
Bintur	672.653	704.315
Other	1.789.165	415.705
	28.681.495	23.454.799

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

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

Yaşar Holding	538.255	149.014
Other	166.742	17.099
	704.997	166.113

i) Financial income from related parties:

Yaşar Holding	1.530.263	1.405.925
Other	66.227	110.041
	1.596.490	1.515.966

The majority of finance income consists of bail commission charges amounting to TL 1.596.490 (2015: TL1.515.966), for the borrowings obtained by the Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company (Note 37.a). The commission rates of bail and financing used in the associated intercompany charges is 0,50% p.a. (2015: 0,50% p.a.).

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

	1 January - 31 December 2016	1 January - 31 December 2015
j) Dividends to related parties:		
Yaşar Holding	27.327.863	44.718.321
Other	2.417.753	3.429.051
	29.745.616	48.147.372

On the Ordinary Meeting of the General Assembly for the year 2015 as of 30 March 2016, it has been decided to distribute dividend amounting to TL46.901.541 (2015: TL76.220.703). TL17.155.925 portion of this dividend (2015: 28.073.331 TL) was paid to other shareholders.

k) Donations:

Yaşar Eğitim Vakfı	596.730	336.275
Yaşar Üniversitesi	300.000	350.000
	896.730	686.275

l) Financial expenses from related parties:

Yaşar Holding	2.139.943	113.828
YBP	1.357.640	1.365.451
Other	804.581	799.551
	4.302.164	2.278.830

A significant portion of the financial expenses consist of interest expense on other trade payables to the Company's related parties.

m) Key management compensation:

Key management includes members of Board of Directors and directors. The compensation paid or payable to key management is shown below:

	1 January - 31 December 2016	1 January - 31 December 2015
Total short-term employee benefits	6.128.441	7.776.407
Severance benefit	178.495	7.019
Other long-term benefits	138.490	95.856
	6.445.426	7.879.282

The portion of total short-term benefits amounting to TL2.400.000 (31 December 2015: TL3.400.000) consists of Board of Directors appropriation according to the decision taken at the Ordinary Meeting of the General Assembly.

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

n) Bails given to related parties:

As of 31 December 2016 Pinar Et, YBP, Çamlı Yem and DYO Boya have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets at 6 November 2014, amounting to USD 250.000.000 equivalent of TL 879.800.000 (31 December 2015: USD 250.000.000 equivalent of TL 726.900.000) due 6 May 2020. An Indemnity Agreement was signed between Yaşar Holding and the above mentioned guarantors on 3 November 2014, which states that in an occurrence of an event where a guarantor makes a payment related with the guarantee provided; Yaşar Holding will indemnify the paying guarantor. If Yaşar Holding fails to indemnify the paying guarantor, each of the guarantors will indemnify the paying guarantor by 1/5 of the payment amount.

The Company jointly guarantees the repayment of loans obtained by Yaşar Group companies from a financial institution amounting to EUR 11.111.111, equivalent of TL 41.221.111 (31 December 2015: EUR 22.222.222, equivalent of TL 70.613.333) (Note 26).

o) Bails received from related parties:

Received bails are related with guarantee letter amounting to TL 35.000.000 guarantees provided by YBP (31 December 2015: guarantees provided by YBP related with guarantee letters amounting to TL 10.080.901).

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	31 December 2016	31 December 2015
a) Short-term trade receivables from third parties:		
Customer current accounts	3.648.761	3.286.474
Cheques and notes receivable	8.079.417	8.279.786
	11.728.178	11.566.260
Less: Provision for impairment of receivables	(594.894)	(489.856)
Unearned finance income	(102.606)	(199.352)
	11.030.678	10.877.052

The effective weighted average interest rate on TL denominated trade receivables is 9,22% p.a. as of 31 December 2016 (2015: 11,32% p.a.).

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

The agings of trade receivables as of 31 December 2016 and 2015 are as follows;

	31 December 2016	31 December 2015
Overdue	1.141.852	510.922
0 - 30 days	3.976.259	4.302.142
31 - 60 days	4.388.017	2.817.251
61 - 90 days	524.550	-
91 days and over	1.000.000	3.246.737
	11.030.678	10.877.052

The Company management does not expect any collection risk regarding its trade receivables overdue but not impaired amounting to TL1.141.852 as of 31 December 2016 (31 December 2015: TL510.922) considering its past experience and subsequent collections (Note 46.a).

The aging of overdue receivables as of 31 December 2016 and 2015 are as follows:

0 - 3 months overdue	1.141.852	510.922
----------------------	------------------	----------------

Movements in the provision for impairment of receivables can be analyzed as follows:

	2016	2015
1 January	489.856	464.722
Collection	(21.600)	-
Charged to consolidated statement of comprehensive income (Note 35.b)	126.638	25.134
31 December	594.894	489.856

b) Short-term trade payables to third parties:

	31 December 2016	31 December 2015
Supplier current accounts	169.047.626	156.113.174
Cheques	1.708.258	2.922.295
	170.755.884	159.035.469
Less: Unincurred finance cost	(1.033.860)	(1.286.377)
	169.722.024	157.749.092

As of 31 December 2016 and 2015, 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:

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

	31 December 2016	31 December 2015
TL trade payable	9,26%	11,32%
USD trade payable	2,32%	2,36%
EUR trade payable	2,27%	2,50%

Trade payables mature within two months (2015: two months).

c) Long-term trade payables to third parties:

Supplier current accounts	23.197.010	26.813.819
	23.197.010	26.813.819

Long-term trade payables to third parties are comprised of payables regarding property, plant and equipment purchases that are amounting to EUR6.252.732 as of 31 December 2016 (31 December 2015: EUR8.438.387). The effective weighted average interest rate for trade payables is 2,29% p.a. (2015: 2,33% p.a.).

The redemption schedules of long-term trade payables at 31 December 2016 and 2015 are as follows:

2017	-	11.324.069
2018	10.437.624	7.966.929
2019	9.560.203	7.215.400
2020	1.495.025	307.421
2021	1.136.105	-
2022	568.053	-
	23.197.010	26.813.819

NOTE 9 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2015: None).

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2016	31 December 2015
a) Other short-term receivables from third parties:		
Value Added Tax ("VAT") receivable	2.925.948	1.563.737
Deposits and guarantees given	20.723	419.885
Other	1.030.402	373.340
	3.977.073	2.356.962

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NOTE 10 - OTHER RECEIVABLES AND PAYABLES (Continued)

b) Other long-term receivables from third parties:

	31 December 2016	31 December 2015
Deposits and guarantees given	13.359	13.359
	13.359	13.359

c) Other short-term payables to third parties:

Taxes and funds payable	1.798.888	1.567.455
Other	165.611	168.610
	1.964.499	1.736.065

NOTE 11 - INVENTORIES

	31 December 2016	31 December 2015
Raw materials	34.095.294	31.657.651
- Raw materials	33.206.727	28.808.380
- Raw materials in transit	888.567	2.849.271
Work-in-progress	27.888.422	31.390.257
Finished goods	33.851.499	42.160.283
Spare parts and palettes	8.058.908	6.800.064
	103.894.123	112.008.255

The costs of inventories recognized as expense and included in cost of sales amounted to TL742.261.706 (2015: TL729.550.934) (Note 29). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell as of 31 December 2016.

NOTE 12 - BIOLOGICAL ASSETS

None (2015: None).

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1 OCAK - 31 ARALIK 2016 HESAP DÖNEMİNE AİT

FİNANSAL TABLOLARA İLİŞKİN AÇIKLAYICI DİPNOTLAR

(Tutarlar aksi belirtilmedikçe Türk Lirası ("TL") olarak ifade edilmiştir.)

NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2016	31 December 2015
a) Short-term prepaid expenses to third parties:		
Prepaid expenses	4.491.868	4.977.685
Advances given	185.045	89.703
	4.676.913	5.067.388
b) Long-term prepaid expenses to third parties:		
Advances given	1.260.407	2.962.521
	1.260.407	2.962.521
c) Short-term deferred income from third parties:		
Advances received	53.947	185.820
	53.947	185.820

NOTE 14 - INVESTMENT PROPERTY

None (2015: None).

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and accumulated depreciation between 1 January and 31 December 2016 were as follows:

	1 January 2016	Additions	Disposals	Transfers	31 December 2016
Cost or valuation:					
Land	136.679.902	-	-	-	136.679.902
Land improvements and buildings	90.988.108	718.500	-	764.381	92.470.989
Machinery, plant and equipment	210.082.619	11.268.449	(1.049.014)	18.461.432	238.763.486
Motor vehicles	6.639.387	345.244	-	-	6.984.631
Furniture and fixtures	52.630.934	2.582.370	(327.780)	35.102	54.920.626
Construction in progress	3.741.117	22.520.477	-	(19.260.915)	7.000.679
	500.762.067	37.435.040	(1.376.794)	-	536.820.313
Accumulated depreciation:					
Land improvements and buildings	-	(4.152.249)	-	-	(4.152.249)
Machinery, plant and equipment	-	(16.529.146)	459.544	-	(16.069.602)
Motor vehicles	(6.314.674)	(179.210)	-	-	(6.493.884)
Furniture and fixtures	(39.419.245)	(3.102.869)	327.780	-	(42.194.334)
	(45.733.919)	(23.963.474)	787.324	-	(68.910.069)
Net book value	455.028.148				467.910.244

As of 31 December 2016, main additions to property, plant and equipment are comprised of investments related to production lines of the Company.

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	1 January 2015 Opening	Additions	Disposals	Transfers	Accumulated Depreciation Netting Before Valuation	Revaluation Increasing/ (Decreasing)	31 December 2015 Closing
Cost or valuation:							
Land	73.580.424	-	(9.300)	-	-	63.108.778	136.679.902
Land improvements and buildings	93.373.554	206.656	(117.960)	5.818.503	(7.762.051)	(530.594)	90.988.108
Machinery, plant and equipment	175.171.588	18.895.362	(1.884.872)	53.494.660	(35.715.462)	121.343	210.082.619
Motor vehicles	6.556.886	114.177	(31.676)	-	-	-	6.639.387
Furniture and fixtures	48.113.571	3.594.255	(327.424)	1.250.532	-	-	52.630.934
Construction in progress	51.162.481	13.142.331	-	(60.563.695)	-	-	3.741.117
	447.958.504	35.952.781	(2.371.232)	-	(43.477.513)	62.699.527	500.762.067
Accumulated depreciation:							
Land improvements and buildings	(3.861.463)	(3.971.351)	70.763	-	7.762.051	-	-
Machinery, plant and equipment	(22.623.757)	(13.983.134)	891.429	-	35.715.462	-	-
Motor vehicles	(6.136.668)	(208.988)	30.982	-	-	-	(6.314.674)
Furniture and fixtures	(36.813.726)	(2.932.478)	326.959	-	-	-	(39.419.245)
	(69.435.614)	(21.095.951)	1.320.133	-	43.477.513	-	(45.733.919)
Net book value	378.522.890						455.028.148

As of 31 December 2015, main additions to property, plant and equipment are comprised of investments related to productions lines of the Company.

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

There are no mortgages or other collaterals placed on property, plant and equipment as of 31 December 2016 (2015: None)

Current year's depreciation and amortization charges were allocated to cost of goods sold by TL 18.760.035 (2015: TL 16.180.953), to the cost of inventories by TL 831.249 (2015: TL817.068), to selling and marketing expenses by TL1.995.902 (2015: TL 1.857.492) (Note 34.a), to general administrative expenses by TL 2.371.298 (2015: TL 2.119.600) (Note 34.b), to research and development expenses by TL 540.835 (2015: TL 514.159) (Note: 34.c).

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

	2016	2015
1 January	176.218.583	120.120.092
Disposal of revaluation funds due to sale of property, plant and equipment -net	(130.241)	(156.495)
Increase in revaluation reserve arising from revaluation of land,buildings and land improvements	-	59.625.938
Depreciation transfer upon revaluation reserve - net	(3.422.460)	(3.370.952)
31 December	172.665.882	176.218.583

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 2016 and 2015 are as follows:

	Land	Land improvements and buildings	Machinery and equipment
31 December 2016:			
Cost	9.059.482	72.481.194	303.854.743
Less: Accumulated depreciation	-	(18.166.418)	(84.394.224)
Net book value	9.059.482	54.314.776	219.460.519
31 December 2015:			
Cost	9.059.482	70.998.313	275.173.876
Less: Accumulated depreciation	-	(20.176.633)	(98.787.307)
Net book value	9.059.482	50.821.680	176.386.569

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

None (2015: None).

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

None (2015: None).

NOTE 18 - INTANGIBLE ASSETS

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

	1 January 2016	Additions		31 December 2016
Costs:				
Rights	11.315.185	916.594		12.231.779
Accumulated amortization	(10.410.209)	(535.845)		(10.946.054)
Net book value	904.976	380.749		1.285.725
	1 January 2015	Additions	Disposals	31 December 2015
Costs:				
Rights	10.784.116	531.845	(776)	11.315.185
Accumulated amortization	(10.017.664)	(393.321)	776	(10.410.209)
Net book value	766.452	138.524	-	904.976

NOTE 19 - GOODWILL

None (2015: None).

NOTE 20 - EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

None (2015: None).

NOTE 21 - LEASING

None (2015: None).

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NOTE 22 - SERVICE CONCESSION AGREEMENTS

None (2015: None).

NOTE 23 - IMPAIRMENT IN ASSETS

None (2015: None).

NOTE 24 - GOVERNMENT GRANTS AND INCENTIVES

During 2016, in accordance with bulletin of Ministry of Agriculture and Rural Affairs, numbered 2011/40, regarding the utilization of milk powder within export goods, the Company was provided TL 5.097.400 government incentive. The relevant incentive amount was reflected to the statement of comprehensive income by netting off against the cost of sales (2015 : TL 4.909.770).

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 TL 1.700.078 (2015: TL 1.163.580) government incentive. The incentive amount is deducted from selling and marketing expenses.

Also the Company had benefit from the incentives of Agriculture and Livestock Ministry related to increasing the export of milk powder in 2016 and TL11.440.813 was recorded as government grant (2015: TL 1.640.100).

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 2016	31 December 2015
From third parties:		
Short-term borrowings	28.067.744	15.274.043
Short-term portion of long-term borrowings	8.097.564	4.021.656
Short-term borrowings	36.165.308	19.295.699
Long-term borrowings	31.111.111	2.000.000
Long-term borrowings	31.111.111	2.000.000
	67.276.419	21.295.699

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NOTE 25 - BORROWINGS AND BORROWING COSTS (Continued)

a) Borrowings:

	Effective weighted		Original currency		TL equivalent	
	average interest rate p.a. %					
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Short-term borrowings:						
TL borrowings (*)	11,35	-	6.019.864	736.043	6.019.864	736.043
USD borrowings (*)	1,71	1,28	5.000.000	5.000.000	17.596.000	14.538.000
EUR borrowings (*)	-	-	1.200.000	-	4.451.880	-
Short-term portion of long-term bank borrowings:						
Short-term portion of long term						
TL borrowings (**)	13,94	14,44	8.097.564	4.021.656	8.097.564	4.021.656
Total short-term borrowings					36.165.308	19.295.699
Long-term bank borrowings:						
TL borrowings (**)	13,69	14,44	31.111.111	2.000.000	31.111.111	2.000.000
Total long-term bank borrowings					31.111.111	2.000.000

(*) As of 31 December 2016 short-term financial liabilities consist of spot and rotative loans. There are not any interest payments for spot loans while interest rate for rotative loan is 11,35% p.a. (31 December 2015: TL denominated bank loans consist of spot loans and there are not any interest payments). As of 31 December 2016 and 2015 USD short-term loans consist of export credits with interest rate of 1,71% p.a.

(**) As of 31 December 2016, TL denominated long-term borrowings consist of loans with a fixed interest rate of 13,60% and 13,81%. (31 December 2015: 14,44%)

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NOTE 25 - BORROWINGS AND BORROWING COSTS (Continued)

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

The redemption schedule of long-term borrowings at 31 December 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
2017	-	2.000.000
2018	7.777.777	-
2019	7.777.777	-
2020	7.777.777	-
2021	7.777.780	-
	31.111.111	2.000.000

31 December 2016 and 2015 are prepared in accordance with the Company's variable interest rate and the fixed rate renewal date net financial debt maturity breakdown is as follows:

	Total
31 December 2016:	
Borrowings with fixed rates	62.824.539
Borrowings without interest	4.451.880
Total	67.276.419
31 December 2015:	
Borrowings with fixed rates	20.559.656
Borrowings without interest	736.043
Total	21.295.699

There is no floating interest rate borrowing as of 31 December 2016 (31 December 2015: None).

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

	Carrying Amounts		Fair Values	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Bank borrowings	67.276.419	21.295.699	67.624.511	21.381.048

The fair values are based on cash flows discounted using the rates based on the borrowing rates of 10,77% p.a. and 2,24% p.a for TL and USD denominated bank borrowings, respectively (31 December 2015: 11,08% p.a. and 1,73% p.a for TL and USD denominated bank borrowings, respectively).

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NOTE 25 - BORROWINGS AND BORROWING COSTS (Continued)

b) Other financial liabilities:

In 2016, the Company had other financial liabilities amounting to TL 3.510.364 mainly obtained by way of letter against documents and bill of exchanges with respect to purchase of trading purpose merchandise goods (31 December 2015: TL 5.470.820). Letter against documents mature within one year and the effective weighted average commission rate applied to such liabilities is 1% p.a. (31 December 2015: 1% p.a.).

NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
a) Guarantees Given:		
Bails	921.021.111	797.513.333
Letters of guarantee	45.641.896	49.761.625
	966.663.007	847.274.958

As of 31 December 2016 Pinar Et, YBP, Çamlı Yem and DYO Boya have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets at 6 November 2014, amounting to USD 250.000.000 equivalent of TL 879.800.000 (31 December 2015: USD 250.000.000 equivalent of TL 726.900.000) due 6 May 2020. An Indemnity Agreement was signed between Yaşar Holding and the above mentioned guarantors on 3 November 2014, which states that in an occurrence of an event where a guarantor makes a payment related with the guarantee provided; Yaşar Holding will indemnify the paying guarantor. If Yaşar Holding fails to indemnify the paying guarantor, each of the guarantors will indemnify the paying guarantor by 1/5 of the payment amount.

The Company jointly guarantees the repayment of loans obtained by Yaşar Group companies from a financial institution amounting to EUR 11.111.111, equivalent of TL 41.221.111 (31 December 2015: EUR 22.222.222, equivalent of TL 70.613.333).

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

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2016 and 2015 were as follows:

	31 December 2016			31 December 2015		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
The CPMs given by the Company:						
A. Total amount of CPM given for the Company's own legal personality			45.641.896			49.761.625
	TL	28.021.896	28.021.896	TL	35.223.625	35.223.625
	USD	5.006.820	17.620.001	USD	5.000.000	14.538.000
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			921.021.111			797.513.333
i. Total amount of CPM given on behalf of the majority shareholder			879.800.000			726.900.000
	USD	250.000.000	879.800.000	USD	250.000.000	726.900.000
ii. Total amount of CPM given to behalf of other the Company companies which are not in scope of B and C			41.221.111			70.613.333
	EUR	11.111.111	41.221.111	EUR	22.222.222	70.613.333
iii. Total amount of CPM given on behalf of third parties which are not in scope of C		-	-		-	-
TOTAL			966.663.007			847.274.958
The ratio of total amount of other CPM to Equity			155%			136%

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

	31 December 2016	31 December 2015
b) Guarantees received:		
Bails	35.000.000	10.080.901
Guarantee notes	6.040.289	5.282.455
Letters of guarantee	4.949.245	7.601.856
Guarantee cheques	4.743	823.743
Mortgages	-	75.000
	45.994.277	23.863.955

Received bails are related with guarantee letter amounting to TL 35.000.000 guarantees provided by YBP (31 December 2015: TL 10.080.901).

Foreign currency denominated guarantees given as of 31 December 2016 is as follows:

Guarantees received	EUR	725.404
	USD	433.717

Foreign currency denominated guarantees given as of 31 December 2015 is as follows:

Guarantees received	EUR	1.346.200
	USD	465.017

c) Major litigations

Ministry of Finance has carried out a tax inspection against the Company and charged tax penalties amounting to total of TL3.835.663 comprising of TL1.723.468 VAT penalties and TL2.112.195 tax loss penalties for the transactions in fiscal years between 2006 and 2011. The Company applied to Izmir 2nd Tax Court for cancellation of those tax penalties and except for the lawsuit regarding inconsistency, however they were lost. The Company appealed to a higher court to suspend the execution within the legal time and Supreme Court granted a motion for stay of execution in favor of the Company. It was subsequently decided by the Supreme Court that the decision of the court be dismissed in favor of the Company as well. The defendant administration requested to Supreme Court for correction of the decision on dismissal. In this context, the legal counselor of the Company believe that the likelihood of the rejection of the correction request by the Supreme Court is highly probable and the local court is expected to re-examine the file and decide accordingly. On the other hand, the previous suspension decree delivered by the court was removed and the penalty was annulled in the lawsuit filed in the Izmir 3rd Tax Court by the Company against the penalty subsequently given as a result of the tax assessment made in 2011. The Company management and legal counselor of the Company 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 as of 31 December 2016.

NOTE 27 - COMMITMENTS

As of 31 December 2016, the Company has purchase commitments of 476 tons of concentrated fruit juice equivalent of TL2.239.564, packaging materials amounting to USD356.358 equivalent of TL1.254.095 (2015: 713 tons of concentrated fruit juice equivalent of TL3.439.243, packaging materials amounting to and USD503.499 equivalent of TL1.463.975).

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NOTE 28 - EMPLOYEE BENEFITS

a) Payables related to employee benefits

	31 December 2016	31 December 2015
Social security premiums payable	2.421.318	1.319.445
Payables to personnel	87.039	107.303
	2.508.357	1.426.748

b) Short-term provisions for employee benefits:

Bonus provisions to top management	622.040	910.040
Provision for seniority incentive bonus	540.885	410.031
	1.162.925	1.320.071

Movement of bonus provision to top management for the year ended at 2016 and 2015 are as follow:

	2016	2015
1 January	910.040	910.040
Bonus payment	(288.000)	-
31 December	622.040	910.040

c) Long-term provisions for employee benefits:

Provision for employment termination benefits	16.309.234	14.322.537
Provision for seniority incentive bonus	720.325	689.407
	17.029.559	15.011.944

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 TL4.297,21 for each year of service as of 31 December 2016 (31 December 2015: TL3.828,37). The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions.

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NOTE 28 - EMPLOYEE BENEFITS (Continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL4.426,16 which is effective from 1 January 2017 (1 January 2016: TL4.092,53) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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

	31 December 2016	31 December 2015
Discount rate (%)	3,95	3,95
Probability of retirement (%)	97,51	97,33

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

	2016	2015
1 January	14.322.537	11.839.581
Interest costs	1.831.499	1.310.512
Actuarial losses	2.733.831	2.054.188
Paid during the year	(4.105.766)	(2.120.269)
Annual charge	1.527.133	1.238.525
31 December	16.309.234	14.322.537

The total of interest cost, actuarial losses and increase during the year amounting to TL6.092.463 (2015: TL4.603.225) was included in general administrative costs (Note 34.b) amounting to TL3.358.632 (2015: TL2.549.037) and other comprehensive income amounting to TL2.733.831 (2015: TL2.054.188).

NOTE 29 - EXPENSES BY NATURE

	1 January - 31 December 2016	1 January - 31 December 2015
Direct material costs	742.261.706	729.550.934
Staff costs	70.319.528	58.464.177
Advertisement	34.638.678	31.055.663
Energy	33.691.944	32.450.734
Repair and maintenance	32.654.880	29.619.417
Depreciation and amortization	24.485.138	21.410.468
Consultancy charges	12.975.678	12.324.166
Other	51.690.953	42.385.178
	1.002.718.505	957.260.737

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NOTE 30 - OTHER ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
a) Other current assets from third parties:		
Deferred Value Added Tax	14.685.482	12.981.090
Income accrual	5.903.920	6.948.001
Other	4.112	4.087
	20.593.514	19.933.178

Income accruals are comprised of government subsidy to be received for brand developments and related marketing activities, and for usage of milk powder in products sold abroad.

b) Other current liabilities to third parties:

Expense accruals	136.031	139.467
	136.031	139.467

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 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
Registered share capital (historical values)	80.000.000	80.000.000
Authorized registered share capital with a nominal	44.951.051	44.951.051

The compositions of the Company's share capital at 31 December 2016 and 2015 were as follows:

Shareholder	31 December 2016		31 December 2015	
	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	100,00	44.951.051
Adjustment to share capital		16.513.550		16.513.550
Total paid-in capital		61.464.601		61.464.601

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

Adjustment to share capital amounting to TL16.513.550 (2015: 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 2016, there are 4.495.105.125 (2015: 4.495.105.125) units of shares each with a face value of Kr1 (2015: Kr1) each.

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 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 Turkish Financial Reporting Standards ("TFRS"). At 31 December 2016, the restricted reserves of the Company amount to TL55.024.248 (2015: TL50.558.849). The unrestricted reserves of the Company, amounting to TL68.227.511 (2015: TL57.358.544), is classified in the retained earnings.

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

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 III-19.1 settled 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.

Within the framework of Article 28 of the Articles of Association, after the loss from the previous year (if any) is deducted from the net profit for the period, the legal reserve and first dividend are set aside from the balance within the framework of the Capital Markets Regulation. Later, an amount up to 3% of the remaining amount can be allocated for facilities established in the company as per Article 522 of the Turkish Commercial Code, within the framework of the General Assembly decision. An amount up to 5% can be allocated to members of a board of directors as an allocation provision, based on the parameters the board of directors sets and thinks necessary. An amount up to 5% can be allocated for social aid, premiums (profits), bonuses, etc. as per board of directors decisions.

Unless the general reserves that has to be appropriated in accordance with TCC or the dividend to shareholders as determined in the articles of association or dividend policy are set aside; no decision can be taken to set aside other reserves, to transfer reserves to the subsequent year or to distribute dividends to holders of usufruct right certificates, to board of directors members or to employees; and no dividend can be distributed to those unless the determined dividend to shareholders is paid in cash.

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 30 March 2016, the Company has decided to distribute TL46.901.541 of the distributable net profit for the year ended as dividend and payments to boards. In context of this dividend distribution decision, the Company separated TL4.465.399 as "Restricted Reserve". There is not any profit distribution decision for 2016 since General Assembly Meeting has not been conducted yet.

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NOTE 32 - REVENUE AND COST OF SALES

	1 January - 31 December 2016	1 January - 31 December 2015
Domestic sales	1.286.531.319	1.219.474.081
Export sales	126.800.976	123.953.781
Merchandise goods sales	4.127.103	1.641.934
Gross Sales	1.417.459.398	1.345.069.796
Less: Discounts	(322.048.686)	(303.554.377)
Returns	(27.634.020)	(30.310.774)
Net sales	1.067.776.692	1.011.204.645
Cost of merchandise goods sold	(4.002.138)	(1.620.352)
Cost of goods sold	(872.660.753)	(847.160.685)
Cost of sales	(876.662.891)	(848.781.037)
Gross Profit	191.113.801	162.423.608

NOTE 33 - CONSTRUCTIONS CONTRACTS

None (2015: None).

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

	1 January - 31 December 2016	1 January - 31 December 2015
a) Marketing expenses:		
Advertisement	34.638.678	31.055.663
Staff costs	7.488.872	7.149.038
Consultancy	5.743.914	5.295.847
Repair and maintenance	5.705.981	4.671.193
Outsourced services	5.530.289	5.026.423
Transportation	4.814.280	1.374.797
Depreciation and amortization	1.995.902	1.857.492
Rent	1.909.625	1.153.511
Other	9.493.330	7.826.127
	77.320.871	65.410.091

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NOTE 34 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES (Continued)

	1 January - 31 December 2016	1 January - 31 December 2015
b) General administrative expenses:		
Staff costs	11.056.983	11.583.065
Consultancy charges	7.231.764	7.028.319
Outsourced services	4.505.304	3.217.292
Employment termination benefits	3.358.632	2.549.037
Taxes (Corporate Tax excluded)	3.135.873	1.891.384
Depreciation and amortization	2.371.298	2.119.600
Repair and maintenance	1.523.899	1.506.692
Energy	981.195	972.839
Other	3.604.026	3.023.466
	37.768.974	33.891.694

c) Research and development expenses:

Staff costs	4.671.567	3.772.729
Repair and maintenance	2.937.378	2.501.630
Outsourced services	1.710.178	1.454.589
Depreciation and amortization	540.835	514.159
Other	1.105.811	934.808
	10.965.769	9.177.915

NOTE 35 - OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
a) Other income from operating activities:		
Foreign exchange gain	8.458.065	7.111.452
Rent income	1.864.856	1.739.145
Income from sales of scrap	834.651	1.355.167
Unearned financial income on term purchases	71.722	332.981
Other	415.070	615.598
	11.644.364	11.154.343

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NOTE 35 - OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES (Continued)

	1 January - 31 December 2016	1 January - 31 December 2015
b) Other expense from operating activities:		
Foreign exchange loss	(9.795.657)	(7.080.247)
Interest expense	(1.828.258)	(1.870.635)
Donations	(919.980)	(696.107)
Unearned financial expense on term sales	(178.570)	(387.270)
Provision for doubtful receivables	(126.638)	(25.134)
Other	(1.198.011)	(2.221.523)
	(14.047.114)	(12.280.916)

NOTE 36 - INCOME/ EXPENSES FROM INVESTING ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
a) Income from investing activities:		
Dividend income (*)	5.299.938	3.167.071
Income from sales of property, plant and equipment	83.550	24.989
	5.383.488	3.192.060

(*) Note 7.ii.d.

b) Expense from investing activities:

Loss from sales of property, plant and equipment	(269.506)	(1.040.641)
	(269.506)	(1.040.641)

NOTE 37 - FINANCIAL INCOME/ EXPENSES

	1 January - 31 December 2016	1 January - 31 December 2015
a) Financial income:		
Bail income from related parties	1.596.490	1.515.966
Foreign exchange gain	318.817	1.066.594
Interest income	96.112	57.902
	2.011.419	2.640.462

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NOTE 37 - FINANCIAL INCOME/ EXPENSES (Continued)

	1 January - 31 December 2016	1 January - 31 December 2015
b) Financial expense:		
Foreign exchange loss	(5.961.252)	(3.855.534)
Late interest expense	(4.170.929)	(2.262.662)
Interest expense	(3.931.379)	(906.221)
Bail expense	(183.746)	(16.567)
Other	(247.746)	(178.178)
	(14.495.052)	(7.219.162)

NOTE 38 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2015: None).

NOTE 39 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

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

	31 December 2016	31 December 2015
Corporation taxes currently payable	4.161.275	2.772.271
Less: Prepaid corporate tax	(3.888.737)	(1.430.092)
Current income tax liabilities	272.538	1.342.179

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

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

NOTE 39 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

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Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2015: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2015: 17th) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite 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 10 th article of Corporate Tax Law, have been taken into consideration in calculation of the Company's corporate tax.

Transfer Pricing

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

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NOTE 39 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

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 2016 and 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Current corporation tax expense	(4.161.275)	(2.772.271)
Deferred tax income	504.869	(2.580.795)
Taxation on income	(3.656.406)	(5.353.066)

The reconciliation of tax expense is as follows:

Profit before tax	63.675.950	67.588.973
Tax calculated at tax rates applicable to the profit	(12.735.190)	(13.517.795)
Expenses not deductible for tax purposes	(44.008)	(195.161)
Tax effect upon the results of investments-in-associates	1.678.033	3.439.784
Income tax due to dividends received from available-for-sale investments	1.057.640	632.403
Utilized investment incentive during period	4.935.489	6.895.900
Recognition of deferred income tax asset / (liability) on investment incentive	1.225.452	(2.634.084)
Other	226.178	25.887
Total taxation on income	(3.656.406)	(5.353.066)

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% (2015: 20%).

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NOTE 39 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

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

	31 December 2016		31 December 2015	
	Cumulative temporary differences	Deferred income tax assets/ (liabilities)	Cumulative temporary differences	Deferred income tax assets/ (liabilities)
Revaluation of property, plant and equipment	191.891.201	(19.225.319)	196.346.148	(20.127.565)
Difference between carrying values (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	67.362.098	(13.659.928)	59.854.644	(12.158.437)
Difference between carrying value and tax bases of available-for-sale investments	51.953.496	(2.336.066)	57.270.227	(2.614.391)
Unused tax credits (*)	(69.553.957)	21.109.990	(59.782.773)	19.884.538
Provision for employment termination benefits	(16.309.234)	3.261.847	(14.322.537)	2.864.507
Other	2.942.755	(588.551)	1.896.830	(379.366)
Deferred tax assets		24.371.837		22.749.045
Deferred tax liabilities		(35.809.864)		(35.279.759)
Deferred tax liabilities - net		(11.438.027)		(12.530.714)

(*) The Company has investment incentive certificate relating with modernization investment at Şanlıurfa, Eskişehir and İzmir facilities. As of 31 December 2016, 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 TL 21.109.990 (2015: TL19.884.538).

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

	2016	2015
1 January	(12.530.714)	(4.258.001)
Credited to statement of comprehensive income	504.869	(2.580.795)
Charged to actuarial gain/loss arising from defined benefit plans	546.766	410.838
Charged to fair value reserve of available-for-sale investments	278.325	(597.135)
Calculated on revaluation fund	-	(3.073.589)
Cash refunds of taxes paid in past years (*)	(237.273)	(2.432.032)
31 December	(11.438.027)	(12.530.714)

(*) The Company has not benefited from the investment incentive related with the investment in Şanlıurfa for 2015 and paid the related corporate tax. During 2016, objection by the Company was concluded and TL 237.273 was received by cash. (31 December 2015: The Company has not benefited from the investment incentive related with the investment in Şanlıurfa for 2013 and paid the related corporate tax. In 2015 the appeal of the Company has accepted and TL 2.432.032 received by cash.)

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NOTE 40 - EARNINGS PER SHARE

		1 January - 31 December 2016	1 January - 31 December 2015
Profit for the year	A	60.019.544	62.235.907
Weighted average number of shares with a Kr1 face value (Note 31)	B	4.495.105.125	4.495.105.125
Earnings per share with a Kr 1 face value	A/B	1,3352	1,3845

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

NOTE 41 - SHARE BASED PAYMENTS

None (2015: None).

NOTE 42 - INSURANCE CONTRACTS

None (2015: None).

NOTE 43 - REPORTING IN HYPERINFLATIONARY ECONOMIES

Please see Note 2.

NOTE 44 - DERIVATIVE FINANCIAL INSTRUMENTS

None (2015: None).

NOTE 45 - FINANCIAL INSTRUMENTS

Available-for-sale investments:

	31 December 2016		31 December 2015	
	TL	(%)	TL	(%)
Pınar Et	56.686.829	12,58	61.484.371	12,58
Çamlı Yem	12.577.226	5,47	13.365.502	5,47
Pınar Su	6.951.719	8,77	3.871.418	8,77
YDT	580.036	1,76	581.039	1,76
Bintur	96.910	1,33	101.755	1,33
Other	19.361	-	19.361	-
	76.912.081		79.423.446	

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NOTE 45 - FINANCIAL INSTRUMENTS (Continued)

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 2016 and 2015 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 2016 and 2015 are as follows:

	Discount rate(%)		Growth Rate (%)	
	2016	2015	2016	2015
Bintur	19,00	11,24	1	1
YDT	17,80	11,24	1	0
Çamlı Yem	15,64	8,11	2	2

The movements of available-for-sale investments in 2016 and 2015 were as follows:

	2016	2015
1 January	79.423.446	67.521.088
Contribution to capital increase of available-for-sale investment:		
Pınar Su	2.805.375	-
Fair value gain/ (loss)		
Pınar Et	(4.797.542)	11.764.391
Pınar Su	274.926	(729.397)
YDT	(1.002)	40.593
Bintur	(4.847)	13.448
Çamlı Yem	(788.275)	813.323
31 December	76.912.081	79.423.446

The movements of available-for-sale investments in 2016 and 2015 were as follows:

	2016	2015
1 January	53.130.359	41.825.136
Fair value (loss)/ gain	(5.316.740)	11.902.358
Deferred income tax on fair value reserve of available-for-sale investments (Note 39)	278.325	(597.135)
31 December	48.091.944	53.130.359

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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.

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

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

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

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risks arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Majority of the Company's sales in domestic market are made to its investments in associate, YBP, and its exports are made to YDT which are both Yaşar Group Companies. In line with past experiences and current condition trade receivables are monitored by the Company Management and necessary provisions for impairment is 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. The credit risk analysis of the Company as of 31 December 2016 and 2015 are as follows:

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NOTE 46 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016

	Receivables				
	Trade Receivables (1)		Other Receivables		Bank Deposits
	Related Parties	Third Parties	Related Parties	Third Parties	
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	173.044.085	11.030.678	18.029	3.977.073	433.229
- The part of maximum credit risk covered with guarantees	-	948.387	-	-	-
A. Net book value of financial assets not due or not impaired	162.207.547	9.888.826	18.029	3.977.073	433.229
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)	10.836.538	1.141.852	-	-	-
- The part covered by guarantees	-	152.229	-	-	-
D. Net book value of assets impaired	-	-	-	-	-
- Past due amount (gross book value)	-	594.894	-	-	-
- Impairment amount (-)	-	(594.894)	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) Notes 7 and 8.

(2) Unearned credit finance income and secured portions of due and overdue receivables are taken into consideration while determining aforementioned amounts.

(3) Considering the past experiences the Company management believes that no additional credit risk for the collection of these receivables.

(4) Considering the past experiences and collections subsequent to the balance sheet date, the Company management does not foresee any collection problem for the overdue receivables (Notes 7 and 8).

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NOTE 46 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2015

	Receivables				Bank Deposits
	Trade Receivables (1)		Other Receivables		
	Related Parties	Third Parties	Related Parties	Third Parties	
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	127.333.558	10.877.052	44.327	2.356.962	243.740
- The part of maximum credit risk covered with guarantees	-	238.080	-	-	-
A. Net book value of financial assets not due or not impaired	123.414.066	10.366.130	44.327	2.356.962	243.740
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)	3.919.492	510.922	-	-	-
- The part covered by guarantees	-	77.749	-	-	-
D. Net book value of assets impaired	-	-	-	-	-
- Past due amount (gross book value)	-	489.856	-	-	-
- Impairment amount (-)	-	(489.856)	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) Notes 7 and 8.

(2) Unearned credit finance income and secured portions of due and overdue receivables are taken into consideration while determining aforementioned amounts.

(3) Considering the past experiences the Company management believes that no additional credit risk for the collection of these receivables.

(4) Considering the past experiences and collections subsequent to the balance sheet date, the Company management does not foresee any collection problem for the overdue receivables (Notes 7 and 8).

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NOTE 46 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016

	Receivables		
	Related Parties	Third Parties	Total
Past due 1 - 30 days	7.213.983	1.096.509	8.310.492
Past due 1 - 3 months	3.613.956	45.343	3.659.299
Past due 1 - 12 months	8.599	-	8.599
<i>The part of credit risk covered with guarantees</i>	-	152.229	152.229
	10.836.538	1.141.852	11.978.390

31 December 2015

	Receivables		
	Related Parties	Third Parties	Total
Past due 1 - 30 days	3.098.933	112.525	3.211.458
Past due 1 - 3 months	559.658	398.397	958.055
Past due 1 - 12 months	260.901	-	260.901
<i>The part of credit risk covered with guarantees</i>	-	77.749	77.749
	3.919.492	510.922	4.430.414

b) Liquidity risk:

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

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

31 December 2016

	Carrying Value	Total Cash outflows			
		per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contractual maturity dates:					
Financial Liabilities					
Financial liabilities	70.786.783	82.824.897	32.562.155	8.573.455	41.689.287
Trade payables	207.961.994	208.995.855	181.294.877	11.698.736	16.002.242
Other payables	28.904.622	31.166.884	3.009.304	28.157.580	-
	307.653.399	322.987.636	216.866.336	48.429.771	57.691.529

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NOTE 46 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2015				
	Carrying Value	Total Cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contractual maturity dates:					
Financial Liabilities					
Financial liabilities	26.766.519	27.457.457	2.801.815	22.297.111	2.358.531
Trade payables	205.025.473	207.016.150	179.577.569	11.587.920	15.850.661
Other payables	31.122.993	33.385.255	3.223.498	30.161.757	-
	262.914.985	267.858.862	185.602.882	64.046.788	18.209.192

c) **Market risk:**

i) **Foreign exchange risk**

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

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NOTE 46 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	Foreign Currency Position							
	31 December 2016				31 December 2015			
	TL Equivalent	USD	EUR	Other (TL Equivalent)	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Receivables	26.228.105	7.441.870	10.425	-	12.990.525	4.423.385	31.819	27.983
2a. Monetary Financial Assets (Cash, Bank accounts included)	336.354	88.186	7.011	-	19.963	3.948	2.670	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current Asset (1+2+3)	26.564.459	7.530.056	17.436	-	13.010.488	4.427.333	34.489	27.983
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)	26.564.459	7.530.056	17.436	-	13.010.488	4.427.333	34.489	27.983
10. Trade Payables	22.145.095	930.094	5.086.905	-	24.728.728	3.175.190	4.876.808	-
11. Financial Liabilities	25.558.244	5.997.489	1.200.000	-	19.269.537	6.627.300	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities 10+11+12	47.703.339	6.927.583	6.286.905	-	43.998.265	9.802.490	4.876.808	-
14. Trade Payables	23.197.012	-	6.252.732	-	26.813.819	-	8.438.387	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities 14+15+16	23.197.012	-	6.252.732	-	26.813.819	-	8.438.387	-
18. Total Liabilities 13+17	70.900.351	6.927.583	12.539.637	-	70.812.084	9.802.490	13.315.195	-
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)	(44.335.892)	602.473	(12.522.201)	-	(57.801.596)	(5.375.157)	(13.280.706)	27.983
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (TFRS 7.B23)								
(=1+2a+3+5+6a-10-11-12a-14-15-16a)	(44.335.892)	602.473	(12.522.201)	-	(57.801.596)	(5.375.157)	(13.280.706)	27.983
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	126.800.976	39.264.196	860.041	5.388.024	123.953.781	42.793.555	349.395	6.799.898
26. Import	51.864.880	-	15.523.323	-	47.090.512	-	15.371.931	-

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NOTE 46 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016

Sensitivity Analysis for Foreign Currency Risk

	Profit/ Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD – net	212.022	(212.022)	212.022	(212.022)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	212.022	(212.022)	212.022	(212.022)
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR - net	(4.645.611)	4.645.611	(4.645.611)	4.645.611
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	(4.645.611)	4.645.611	(4.645.611)	4.645.611
Change of Other Currencies by average 10% against TL:				
7- Assets/ Liabilities denominated in other foreign currencies - net	-	-	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	-	-	-	-
TOTAL (3+6+9)	(4.433.589)	4.433.589	(4.433.589)	4.433.589

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NOTE 46 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2015

	Sensitivity Analysis for Foreign Currency Risk			
	Profit/ Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by average 10% against TL:				
1- Asset/ Liability denominated in USD - net	(1.562.881)	1.562.881	(1.562.881)	1.562.881
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	(1.562.881)	1.562.881	(1.562.881)	1.562.881
Change of EUR by average 10% against TL:				
4- Asset/ Liability denominated in EUR - net	(4.220.077)	4.220.077	(4.220.077)	4.220.077
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	(4.220.077)	4.220.077	(4.220.077)	4.220.077
Change of Other Currencies by average 10% against TL:				
7- Assets/ Liabilities denominated in other foreign currencies - net	2.798	(2.798)	2.798	(2.798)
8- The part hedged for other foreign currency risk	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	2.798	(2.798)	2.798	(2.798)
TOTAL (3+6+9)	(5.780.160)	5.780.160	(5.780.160)	5.780.160

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NOTE 46 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

ii) Interest rate risk

As of 31 December 2016 and 2015, 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 2016	31 December 2015
Financial liabilities	70.786.783	26.766.519
Other payables to related parties	26.940.123	31.122.993
Less: Cash and cash equivalents (Note 6)	(502.652)	(298.719)
Net debt	97.224.254	57.590.793
Total equity	593.338.364	587.149.962
Net debt/ equity ratio	16,39%	9,81%

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) 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 4. Financial liabilities (Note 25), other financial liabilities (Note 8), trade payables (Note 8) and other payables (Notes 7) 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2016

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

NOTE 47 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

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).

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

31 December 2016

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	63.638.548	-	13.273.533	76.912.081
Total assets	63.638.548	-	13.273.533	76.912.081

31 December 2015

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	65.355.789	-	14.067.657	79.423.446
Total assets	65.355.789	-	14.067.657	79.423.446

(*) As of 31 December 2016 and 2015, there is no transfer between the levels 1 and 2. Please see Note 45 for the movement of Level 3 financial instruments.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2016

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

NOTE 47 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

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

31 December 2016

	Level 1	Level 2	Level 3	Total
Tangible Assets:				
Land	-	136.679.902	-	136.679.902
Buildings and land improvements	-	88.318.740	-	88.318.740
Machinery and equipment	-	222.693.884	-	222.693.884
Total assets	-	447.692.526	-	447.692.526

31 December 2015

	Level 1	Level 2	Level 3	Total
Tangible Assets:				
Land	-	136.679.902	-	136.679.902
Buildings and land improvements	-	90.988.108	-	90.988.108
Machinery and equipment	-	210.082.619	-	210.082.619
Total assets	-	437.750.629	-	437.750.629

NOTE 48 - SUBSEQUENT EVENTS

None (2015: None).

NOTE 49 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None (2015: None).

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INFORMATION FOR INVESTORS

Stock Exchange

Pınar Süt Mamulleri Sanayii A.Ş. shares are traded at Borsa İstanbul Star Market under the ticker symbol PNSUT.

Initial Public Offering Date: 03.02.1986

Ordinary General Assembly Meeting

As per the resolution by the Board of Directors of Pınar Süt Mamulleri Sanayii A.Ş., the Company's Ordinary General Assembly Meeting will be held on March 30, 2017, Thursday at 11:30 at Kemalpaşa Caddesi No: 317 Pınarbaşı/Izmir.

Profit Distribution Policy

The general profit distribution policy of Pınar Süt Mamulleri Sanayii A.Ş. is publicly disclosed available at the investor relations page of the Company's corporate web site (www.pinar.com.tr) in Turkish and English.

Investor Relations

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To access Pınar Süt investor relations web site:



Pınar Süt Share Performance (Compared to BIST ALL Index)

