PINAR SÜT

2015 ANNUAL REPORT

Yaşar

for a better life

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

Trade Name
Pınar Süt Mamulleri Sanayii A.Ş.

Trade Registry & Number
Izmir Trade Registry 34821 K-572

Authorized Capital
TL 80,000,000

Paid-in Capital
TL 44,951,051.25

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One of Turkey's leading corporate groups...

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

THE BEST-KNOWN BRANDS IN A NUMBER OF SECTORS

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

A CORPORATE GROUP THAT HAS AUTHORED MANY FIRSTS

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

In Turkey, Yaşar Group created/established:

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

IN KEEPING WITH ITS ENVIRONMENTAL AND SOCIAL AWARENESS APPROACHES

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

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

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

YAŞAR GROUP’S MISSION

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

FOOD & BEVERAGES GROUP

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

COATINGS GROUP

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

TISSUE PAPER GROUP

- Viking Kağıt

TRADE & SERVICES GROUP

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

FOUNDATIONS

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

For a better life...

Pınar Süt offers health, flavor and innovation.

- We offer superior-quality products, contributing towards meeting the need for wholesome animal source protein in Turkey and helping to build healthy generations to come.

- By means of our production, we create a regular source of income for most of our society, particularly for dairy producers.

- We play an active role in creating a sector in which farming and manufacturing are much more efficiently integrated.

Chairperson's Message

> **"Pınar Süt continues to be the leader in many segments of the milk and dairy products market, achieving a net sales figure of TL 1.01 billion in 2015, a year-on increase of 7.5%."**

Esteemed Stakeholders,

Pınar Süt has been operating in the milk and dairy products sector since 1973 and has played a leading role in many segments of the industry. The Company continues to play a leading role in Turkey's food sector, integrating with its consumers and expanding its product portfolio every year.

Economically and politically, 2015 was a challenging year both in Turkey and across the globe. National economies performed less than expected due to lower commodity prices, expectations based on the fiscal policy decisions of central banks, high debt ratios of developed economies, structural problems of developing countries, and geopolitical considerations. In December, the Federal Reserve started a "monetary tightening" cycle, supported by strong economic activity and improvements in the labor market. This resulted in global fluctuations and losses in the currencies of developing countries. For Turkey, the year 2015 was unfavorable due to regional economic risks and global economic conditions. The Turkish economy entered the final quarter of 2014 with structural reforms, but failed to maintain the pace in 2015. In addition to these developments, Turkey experienced strong fluctuations in exchange rates due to the first signs of the end of global liquidity excess and slowdown of capital inflow.

Turkey will continue to grow

Although we expect that the year 2016 will also be challenging in ecocomic terms, Turkey will continue to grow. In this sense, global developments in business cycles play a very important role for our country. In the Medium-Term Program, which will positively effect the economy and purchasing power in Turkey, the Ministry of Development estimated that the year 2016 will have a growth of 4.5%. According to our estimates, Turkey will conclude the year 2016 with an increase mainly fueled by domestic demand in connection with the increase in purchasing power of consumers. We estimate that Turkey will be among the 20 largest economies in 2016.

Demand for protein-rich food is expected to rapidly increase in the coming decades

Research reveals that consumers all around the world are aware of the nutritional value of milk and dairy products, and that the new generation, who take better care of their health and lead more active lives, will increase the demand for products with a high nutritional value. This is verified by the "Global Dairy Report" published by the International Dairy Federation. The report estimates that in the year 2050, the global population will reach 9 billion. This, in turn, will rapidly increase the demand for protein-rich foods in the coming decades.

The production is shifting to Asian countries with large populations. The report "Agricultural Outlook, 2014-2023", published by the Food and Agriculture Organization of the UN (FAO) in collaboration with the Organization for Economic Co-operation and Development (OECD), estimates that in 10 years, India will be the largest milk producing country, taking the leadership from the European Union.

On the other hand, companies in the industry are well aware of the need for innovative products and a new marketing and communication approach to appeal to consumers of all ages. Our company has been particularly successful in this regard, enabling it to maintain its position as the market leader.

The production reaches almost 20 million tons countrywide

Turkey, with its population dynamics, holds a significant position in the milk and dairy products industry. The milk production in Turkey reaches almost 20 million tons. Regional issues have led to export problems in the industry of milk and dairy products. Looking at the latest figures, industry exports were down to USD 217,622 million in the 11-month-term of 2015, a decrease of 24% compared to the same term in 2014. The cheese segment holds the largest share of exports, a total of 69%. Due to the measures and regulations implemented by the Ministry of Food, Agriculture and Livestock to prevent the narrowing of exports in the industry, exports are expected to increase in 2016.

In 2015, the Company sold 311,000 tons of products, continuing to export to 28 countries despite challenging conditions in the international markets

Overall, looking back at 2015, we are happy to have concluded the year with profits despite all the challenging economic conditions. As a result of our stable financial performance, we increased gross sales to TL 1.35 billion, a 7.6%-growth compared to 2014. 2015 net sales were also up by 7.5% to TL 1.01 billion. The company sold 311,000 tons of products and in 2015, gross profit reached TL 162.4 million. Net profit was TL 62.2 million, with a profit margin of 6.2%.

Pınar Süt's turnover in 2015 grew by 19.7% in the cheese segment, 6.0% in the milk segment, and 33.6% in the ayran (Turkish Yogurt-based drink) segment. We made exports to 28 countries despite the challenging conditions of international markets. Our growth was fueled by the Gulf Region and our share of the industry's total nationwide exports increased to 19%.

Şanlıurfa plant sharpened our competitive edge

In 2015, we continued to contribute to the national economy, not just through exports, but also by making investments and creating jobs. The most recent example is our new plant, which was the food industry's biggest investment ever made in the Southeastern Anatolian Region. Şanlıurfa plant will contribute to the economic development of the region by increasing our competitiveness in the sector. Besides offering healthier products to consumers in the region, both the local community and our country as well as the company will benefit from exports made from the plant. The Şanlıurfa plant continues to produce milk, ayran and fruit juices.

The Company maintains the highest quality standards, closely monitoring the latest food trends in order to develop consumer-focused products. As part of our mission of innovation, we developed 10 new products in 2015. We launched our own product in the increasingly popular cottage cheese category, reaching a market share of 7.1% in a short time. We estimate a further growth in this category, arising from our launch of Aç Bitir Kaşar, Pınar Go Cheddar and Cheese Sticks by the end of 2015.

Pınar Süt's responsibility and commitment to a sustainable future is incorporated into all of its activities

We strive to leave a healthier and sustainable physical and social environment behind so that future generations can enjoy a better life in a more livable world. Our approach in this regard is defined within the framework of the following areas: Energy and Climate Change, Water Consumption and Waste Water, Material Consumption and Waste Materials, Health and Safety, and Social Contribution. The company calculates its carbon and water footprint, formulating environmental action plans and programs aimed at further reducing resource and energy use at the beginning of each year.

As part of our social responsibility program, we are continuing our efforts with the "Pınar Children's Art Competition" and "Pınar Children's Theater". We continue to support the world of sport by sponsoring the Basketball team Pınar Karşıyaka, as well as in our role as the Official Beverage Supplier of the Turkish Basketball Federation and National Basketball Teams. Along with these activities, we also help to improve communities with the Yaşam Pınarım Magazine, Pınar Newspaper and the Pınar Institute.

I extend my thanks to all our employees and stakeholders for their contributions to our achievements in 2015, as well as to our valued shareholders for their support throughout the year.

Best regards,

İdil Yiğitbaşı
Chairperson of the Board

Board of Directors

İdil Yiğitbaşı
Chairperson

Emine Feyhan Yaşar
Vice Chairperson

Mustafa Selim Yaşar
Member

Ali Yiğit Tavas
Independent Member

Kemal Semerciler
Independent Member

Cengiz Erol
Member

Yılmaz Gökoğlu
Member

Senior Management, Committees

Board of Directors & Term

NAME	TITLE	TERM
İDİL YİĞİTBAŞI	CHAIRPERSON	26.03.2015 - 1 YEAR
EMİNE FEYHAN YAŞAR	VICE CHAIRPERSON	26.03.2015 - 1 YEAR
MUSTAFA SELİM YAŞAR	MEMBER	26.03.2015 - 1 YEAR
ALİ YİĞİT TAVAS	INDEPENDENT MEMBER	26.03.2015 - 1 YEAR
KEMAL SEMERCİLER	INDEPENDENT MEMBER	26.03.2015 - 1 YEAR
CENGİZ EROL	MEMBER	26.03.2015 - 1 YEAR
YILMAZ GÖKOĞLU	MEMBER	26.03.2015 - 1 YEAR

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

Corporate Governance Rating:
Pınar Süt's corporate governance rating was revised as 9.18 out of 10.

Senior Management

NAME	TITLE
LEVENT DAĞHAN	DEPUTY CEO - HEAD OF FOOD GROUP
GÜRKAN HEKIMOĞLU	GENERAL MANAGER
MUSTAFA ŞAHIN DAL	FINANCIAL AFFAIRS AND BUDGET CONTROL ANALYSIS DIRECTOR

Audit Committee

NAME	TITLE
ALİ YİĞİT TAVAS	HEAD
KEMAL SEMERCİLER	MEMBER

Corporate Governance Committee

NAME	TITLE
KEMAL SEMERCİLER	HEAD
CENGİZ EROL	MEMBER
YILMAZ GÖKOĞLU	MEMBER
GÖKHAN KAVUR	MEMBER

Early Detection of Risk Committee

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

* Résumés of Board Members and Senior Managers are available on pages 37-38.

Corporate Profile

Pınar Süt, the first brand to introduce the concept of **healthy milk** and **dairy products** to Turkey, has been the leader of the dairy and food sectors for **42 years,** offering **health** and **flavor with its products from a wide portfolio.**

2015 Financial Performance

(TL Million)	01/01/2014-31/12/2014	01/01/2015-31/12/2015
Net Sales	940.5	1,011.2
Gross Profit	157.7	162.4
Net Term Profit	87.1	62.2
Gross Profit Margin	16.8%	16.1%
Net Profit Margin	9.3%	6.2%
(TL Million)	**31/12/2014**	**31/12/2015**
Total Assets	780.1	883.8
Total Equities	529.3	587.1
Debt/Equity Ratio	0.47	0.51

USD 45.9
MILLION
TOTAL EXPORTS

TL 62.2
MILLION
NET PROFIT

94TH
RANK IN "ISO TOP 500" LIST

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 on Borsa Istanbul Stars Market under ticker symbol PNSUT. The company's capital is represented by "Class A registered", "Class B registered", and "Class C bearer" shares. Each share entitles its owner (or designated proxy) to one vote at ordinary and extraordinary general assembly meetings of the company.

Pınar Süt, founded in Izmir in 1973 as the biggest dairy plant in the Middle East and the most advanced in Europe in 1975, introduced Turkish consumers to the country's first long-life milk packaged in aseptic cartons.

Pınar Süt, the first brand in Turkey to draw consumer attention to the concept of healthy milk and dairy products, reached a high level of brand recognition with the introduction of "Yaşam Pınarım", which became synonymous with "flavor", "health" and "innovation". In response to the demands and expectations of consumers, Pınar Süt extended its product portfolio, while at the same time making a great contribution to the nurturing of healthy generations and the growth of the dairy farming and food industries in Turkey.

With production plants in Izmir, Eskişehir and, more recently, Şanlıurfa, Pınar Süt is both a producer and retailer of milk, yoghurt, ayran, cheese, fruit juice, butter, cream, pudding, ketchup, mayonnaise, honey, sausage, jam, deserts and powder products.

The Company operates in compliance with EU standards and, in order to source the best quality of raw materials, has contracts in place with 358 suppliers, 144 of which are farms. By continually supporting over 20,000 producers with whom it has built long-term and steadfast relationships, the company contributes to the increase of milk production in Turkey.

In addition to supplying the home market, Pınar Süt also exports milk and dairy products to other principal countries, which, along with its investments, is helping the company to make steady progress towards becoming a regional force.

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

Dairy Products Sector Leader

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 "Innovation", "Health", "Flavor" and "Source of Life". Pınar Süt was the first to introduce long-life milk, ready-made mayonnaise, cream cheese, packaged organic milk, and many other products to the market. It has been a trusted brand to millions of people for many generations and continues to work hard to be worthy of such trust.

“Raising healthy generations” is one of the main intentions of Pınar Süt, and the company makes a great contribution to the dairy farming and food sectors in Turkey.

31.3%

MARKET SHARE IN TOTAL UHTMILK PRODUCTS

In 2015, Pınar Süt strengthened its brand value with campaigns and product launches, maintaining its position as the leading brand in the UHT milk and cheese segments.

Competitive Advantages

Pınar Süt, whose market-leading activities have made it the most well-known and valuable brand in the milk and dairy sector, markets high-quality products, from a wide product portfolio, through Turkey's largest cold and frozen products distribution network.

SUPERIOR BRAND VALUE
- Turkey’s most admired company
- The beverage industry’s leading brand
- Joins the ranks of Turkey’s “super-brands” after receiving the “Superbrands” award

QUALITY PRODUCTION, RICH PRODUCT PORTFOLIO
- Hygienic production conforming to EU norms
- Wholesome, superior-quality products
- Certified quality of production
- More than 200 SKUs
- Reputation as an innovative pioneer
- R&D experience
- Technical and sectoral knowledge and experience
- Energy-efficient industrial operations

EXTENSIVE DISTRIBUTION & SUPPLIER NETWORK
- Yaşar Birleşik Pazarlama, Turkey’s biggest and most extensive frozen and cold chain distribution network
- 150,000 points of sale
- Group-wise synergies
- More than 20,000 raw milk suppliers
- 358 separate sites adopting the Pınar Süt quality approach, 144 of which are farms
- 100% monitorable production processes
- Supplier performance evaluations
- Training & consulting services

The Power of Experience

Along with transforming the strength gained from improving its existing technology and knowledge base into a competitive advantage, Pınar Süt also continually grows and increases its brand awareness and reliability through new investments.

Products

MILK

Boxed Milk
- Long-Life Plain Milk
- Half-Fat Milk
- Organic Milk
- Organic Light Milk
- Kido Milk (cocoa, strawberry, banana, chocolate, melon-watermelon flavor)
- Flavored Milk for Adults (Chocolate)
- Light Milk
- 50% Light Milk
- 0.1% Light Milk

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

YOGHURT

- Pınar Natural Yoghurt
- Half-Fat Natural Yoghurt
- Light Natural Yoghurt
- Organic Yoghurt
- Strained Yoghurt
- Pınar Lactose-free Yoghurt

AYRAN

- Pınar Bottled Ayran
- Pınar Ayran in Cup

FRUIT JUICES

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

CHEESE-BUTTERS

Value-Added Cheese
- Cheese Spread
- Thyme & Olive Cheese Spread
- Cheddar Cheese Spread
- Pınar Cream Cheese
- Pınar Light Cream Cheese
- Pınar Labne
- Pınar Light Labne
- Toasting Cheese Slices
- Sliced Burger Cheese
- Pınar Kido Triangular Cheese
- Full-Fat Triangular Cheese
- Half-Fat Triangular Cheese
- Light Triangular Cheese
- Kahvaltı Keyfi Triangular Cheese

Traditional Cheeses
- Fresh Kashkaval
- Full-Fat White Cheese
- Light White Cheese
- Kahvaltı Keyfi White Cheese
- Kahvaltı Keyfi Fresh Kashkaval
- Organic White Cheese
- Cottage Cheese

Specialty Cheese
- String Cheese
- Cheddar Cheese
- Braided Cheese
- Halloumi
- Aç-Bitir Sliced Cheese
- Go Cheddar
- Go Fresh Kashkaval
- Go String Cheese

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

> “Pınar Süt offers products in 7 different categories for consumers from a wide age range, as well as innovative, practical products and services sold under the Pınar Professional brand for the AFH market.”

CONDIMENTS & SAUCES

Sweet Sauces
- Pınar Chocolate Sauce
- Kremilla

Mayonnaise
- Mayonnaise
- Light Mayonnaise

Ketchups (regular & spicy)
- Mustards
- Cream
- Pınar Sütkrem (Clotted Cream)

DESSERTS

Convenience Desserts
- Kido Puddings (cocoa, banana)
- Chantilly Cream
- Milk Powder

BULK-PACKED PRODUCTS FOR THE FOOD TRADE

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

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

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

Cream
- UHT Stabilized Cream

Yoghurt
- Pınar Natural Yoghurt (half-fat, full-fat)

Ayran
- Pınar Ayran in Cup

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

Dehydrated Milk for the Food Trade
- Dehydrated Skim Milk
- Dehydrated Full-Fat Milk
- Dehydrated Whey

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

Innovations

“In 2015, Pınar Süt closely monitored food trends to develop consumer-focused products and launched cottage cheese and lactose-free yoghurt products.”

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NUMBER OF NEW PRODUCTS AND PACKAGES LAUNCHED

By adopting an innovative approach to developing consumer-focused products for the domestic and global markets, Pınar Süt launched many new products and packaging formats in 2015. Pınar Cottage Cheese, Pınar Beyaz Bucket, Börek Cheese (AFH) and Lactose-Free Half-Fat Milk were launched with 4 different packaging options to satisfy the needs and expectations of consumers. Another 30 new packaging options were also developed.

As a result of its investments in line technology, Pınar Süt introduced a new product for the fast-growing cottage cheese market, producing a creamy cottage cheese with a special flavor profile available in 4 different SKUs. The 100g package, envisaged as a single-use breakfast food, was the first of its kind in this category.

Organic Pasteurized Milk was launched in 1000ml packaging and a 500ml size was added as an additional SKU. The Company also started to produce Lactose-Free Yoghurt in 500g packages to meet the market demand from lactose-intolerant people. Pınar Denge Lactose-free Yoghurt is sold only at Migros markets.

NEW EXPORT-FOCUSED PRODUCTS

Aiming to make its mark on the exports channel, Pınar Süt added Pistachio Breakfast Cream in 100g packaging to its range of fruit-flavored breakfast creams. The Company developed “Thick Cream”, especially for the Iraq and Azerbaijan markets, and launched it in February 2015.

Work on silicone “Clean Caps” for AFH (Away-From-Home Consumption) and for retail sauce bottles was completed as part of the drive to create innovative easy-to-use products, giving consumers the benefit of increased practicality while at the same time increasing the premium perception of Pınar Süt bottled sauce products.

Some New Products and Packages Launched in 2015:

RETAIL
- Pınar Cottage Cheese (100g, 250g, 500g, 800g)
- Lactose-Free Half-Fat Yoghurt (500g)
- Chocolate Sauce (350g, change of packaging)
- Light Mayonnaise (255g, change of packaging-symmetric bottle)
- Braided Cheese (250g, change of packaging)
- Butter (500g, change of packaging)
- Ayran (170ml)
- Clotted Cream (160g, change of packaging)

AFH & EXPORT PRODUCTS
- Thick Cream
- 20%-Fat Export Cream Tetrapak
- Börek Cheese
- Breakfast Cream with Pistachio (100g)

R&D Activities

“New products and packaging were among the priorities of the Company’s R&D work and in 2015 the product portfolio was expanded for domestic and international markets, while at the same time retaining the highest quality standards.”

As well as focusing on developing new products/packaging and improving current ones, Pınar Süt R&D work also includes reformulation, process improvement, product/packaging tests, benchmarks, training programs, alternative suppliers and materials and TÜBİTAK projects.

In 2015, R&D work was carried out on new product and package development, research of alternative suppliers and materials, “Benchmarks” and technical guides. Pınar Süt also completed the shift from single-layered ketchup bottles to Coex bottles, increasing the shelf life of the product to 1 year. The Company plans to evaluate its "practical foil-top packaging research", which was initiated for cream cheese products, to assess its potential for use with other products. Pınar Beyaz was reformulated to meet the demands from the AFH channel and the product was offered with higher base weight.

In addition to Breakfast-Cream-with-Pistachio and Lactose-Free Yoghurt, Pınar Süt also worked on single-portion products, such as Fresh Kashkaval, Cheddar and String Cheese in 20g packets, and “Aç Bitir” Sliced Kashkaval in 60g portions.

In 2015, Pınar Süt applied for two projects, with a total budget of EUR 960,000, within the scope of the TÜBİTAK 1509 TEYDEP International Industry R&D Projects Support Program and the TÜBİTAK 1511 Support for Research Technology Development and Innovation Projects program.

Pınar Süt's innovative products and packages are developed by the R&D Department, which operates as part of the R&D and Technology Coordination Unit, and fulfills a “central” function by providing services for the Izmir, Eskişehir and Şanlıurfa plants. As well as utilizing its own resources, the Company also engages with other companies to compile R&D data and receive know-how support whenever necessary.

TL 9.2
MILLION R&D BUDGET

Quality Approach

"Pınar Süt is commited to the concept of superior quality and offers products which are prepared at plants conforming to international standards."

Acting on the principle of adding value to people's lives by offering the most-superior quality products, Pınar Süt's search for quality starts from the procurement of raw materials and, in 2015, the Company completed an annual schedule of visits and inspections of current and potential raw material suppliers. The employees are trained on HACCP food safety and hygiene issues in line with an annual schedule and are educated on the importance of producing healthy and safe products.

6

NUMBER OF MANAGEMENT CERTIFICATES

TECHNOLOGY IMPLEMENTATIONS TO SUPPORT QUALITY

Pınar Süt keeps track of current and new technologies, both locally and internationally, adopting any suitable technologies in areas such as production management, machinery and equipment, marketing, product and quality improvement, packaging, information systems, logistics and use of products. As leader of Turkey's dairy products industry, Pınar Süt has been working in cooperation with the Ministry of Food, Agriculture and Livestock since 2000 to start exports to the European Union. As of 2013, the Company was among the first to be certified to export milk and dairy products to the European Union.

For Pınar Süt, quality is always a top priority, evidenced by its management system certifications for Quality, Environment, Food Safety, Energy Management and Occupational Health and Safety.

Productivity

"The Company has been implementing Lean 6 Sigma and OMI procedures for many years, focusing on line efficiency and also drafting immediate and long-term action plans to prevent potential losses of efficiency."

Using an economy of scale model focused on profitability and efficiency, Pınar Süt has increased production while also reducing costs. Lean 6 Sigma procedures implemented since 2008 and Operational Cost Improvement (OMI) procedures implemented since 1999 ensured significant cost savings in 2015.

LEAN 6 SIGMA PROJECTS

Pınar Süt actively implements Lean 6 Sigma practices to set strategic objectives, solve problems and increase process performance over a foundation of continuous and sustainable development.

In 2015, within the scope of Lean 6 Sigma, Pınar Süt implemented 8 Green Belt projects in Izmir and 4 in Eskişehir, addressing the categories of operational excellence, process design and cost improvement. The Company integrates its corporate values into all processes, prioritizing work towards its sustainable and profitable growth strategy with projects that fit Company strategies and meet customer expectations. In addition to its main objectives, natural resource consumption was also minimized and controlled in accordance with the sustainability vision of Yaşar Holding.

OPERATIONAL COST IMPROVEMENT (OCI) PROJECTS

As part of practices aimed at the shared objective of cost improvement, employees are encouraged to suggest solutions to problems related to their functions, enabling the Company to achieve cost savings when ideas approved by management are implemented. Personnel are motivated by a program of rewards for those whose projects are successful.

Projects, which had to be implemented manually in the 1990s, have been digitally monitored since 2003 due to an improved IT infrastructure and the migration to SAP.

LINE EFFICIENCIES

The efficiency of production lines in operation at all Pınar Süt plants is measured on a daily basis. These measurements are consolidated on a daily, weekly and monthly basis before being recorded; they are also subject to tests and analyses at regular intervals.

Immediate and long-term action plans are formulated in order to eliminate any factors that may cause production losses and to improve existing efficiency. Training on preventing losses and improving operational efficiency is also organized in order to increase awareness of these issues among all employees.

Investments

"In 2015, Pınar Süt commissioned its Şanlıurfa Plant, the food industry's biggest ever investment in the Southeastern Anatolian Region, and also continued with renovation works at Izmir and Eskişehir plants."

TL 36.5 MILLION

TOTAL INVESTMENTS

18%

INCREASE IN THE CAPACITY OF RAW MILK PROCESSING AFTER INVESTMENT IN ŞANLIURFA

At Pınar Süt, innovation and change are embedded into the corporate culture. In keeping with this, investments of approximately TL 36,505,000 were made in 2015 to improve the Company's technology and knowledge base and adapt to changing market conditions.

As the Şanlıurfa Plant went into operation in 2015, the Company prioritized investment in the renovation of its existing plants. Investment in the Şanlıurfa Plant started in 2013, continuing in stages, and is calculated to reach a total of TL 65 million. Currently Şanlıurfa Plant produces milk, yoghurt, ayran and fruit juices, but production will be diversified over time in accordance with requirements. The plant employs the latest automation and manufacturing technologies, which are eco-friendly and minimize the use of energy. The Şanlıurfa Plant increased the raw milk processing capacity of the Company by 18% in 2015. Pınar Süt procures milk from neighboring districts, in addition to Şanlıurfa, and organizes training for all its suppliers in the region. Training on feeding, care and breeding is offered to those engaged in stock breeding in the region as part of the Company's aims to ensure the production of healthy and superior-quality milk, while at the same time contributing to the development of local dairy farming.

IT ACTIVITIES

Substantial changes to Pınar Süt's information technology infrastructure in 2015 enabled progress in business continuity, data security and cost improvement. The Company plans to implement the Carbon Footprint Application and the new version of the Visual Monitoring Application in 2016.

TL 28.1 MILLION INVESTMENT IN MACHINERY & FACILITIES

Pınar Süt invested TL 3,393,000 in land, underground and surface installations and buildings, TL 28,132,000 in machinery and facilities, TL 4,450,000 on fixtures and TL 531,000 in rights.

The Sector in 2015

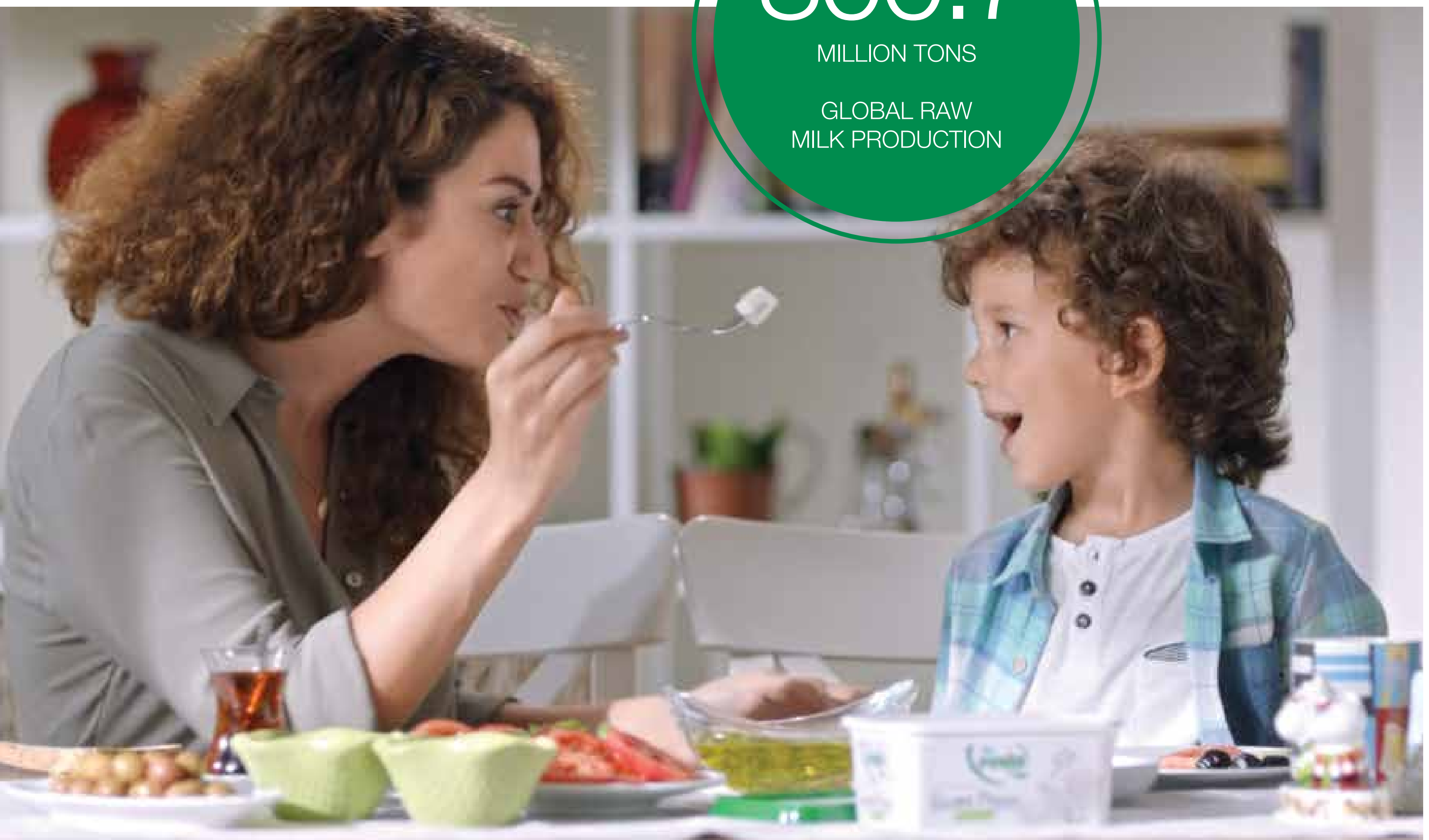
“Increasing demand for healthy and added-value products triggered a process of innovation in the milk and dairy products industry, leading to a global increase in raw milk production.”

The recent national and global trend of a ‘mobile lifestyle’ among the young urban population has resulted in new consumption habits in terms of nutrition. Fast-paced, mobile lifestyles have increased the demand for practical, on-the-go products and promoted the concepts of keeping “healthy” and “fit”. Consequently, there is now an increased demand for added-value food and beverages which "are vitamin & mineral-enriched, protect against illness, are healthy-for-the-heart or easy to digest." However, the "flavor" continues to be just as important for consumers.

In light of these new trends, innovative products are developed in the global milk and dairy products industry and global raw milk production is estimated to have reached 800.7 million tons in 2015, a growth of 1.5% compared to 2014 (FAO). The highest rate of growth is estimated to have been in India due to improvements in production and the increase in income levels. As of the end of 2015, raw milk production is estimated to have been 147.8 million tons in India, a growth of 4.3%, and 94.7 million tons in North America, a growth of 1.3%. EU raw milk production is estimated to have been 161.4 million tons with a growth of 0.9% (FAO).

800.7
MILLION TONS

GLOBAL RAW MILK PRODUCTION



“Packaged milk production continued to grow in Turkey in terms of tonnage, including a 3.7% growth in UHT milk, which accounts for 93.4% of the market.”

In terms of milk used in the industry, 2015 growth in Europe consisted of 2.2% in cow’s milk, 1.2% in cheese, 8.6% in fat-free milk powder and 4.3% in butter (European Commission/November 2015).

Packaged plain milk is expected to grow by 2% globally in 2016. UHT milk is forecast to grow by 2.1% to 50 billion liters and pasteurized milk by 2.1% to 86 billion liters (Euromonitor).

In Turkey, raw milk production was 18,630,859 tons in 2014, rising to 18,654,682 tons in 2015 (TÜIK), and the raw milk base price set by the National Dairy Council (USK) did not change, remaining at TL 1.15 per liter throughout the year.

The size of the loose milk segment, which accounts for 54% of the market in Turkey, reached 1,041,975 tons with a growth of 8.6%, while the packaged milk segment grew by 3.89%. Growth in UHT milk, which accounts for 93.4% of the packaged milk market, was 3.72% and plain milk made up 86.5% of the market in terms of tonnage (Ipsos).

In line with global trends, the functional milk segment grew in Turkey as well due to the increasing number of working mothers and the growing importance of added-value children’s milk.

The size of the packaged cheese market reached TL 1.6 billion in 2015 and the most significant drivers were fresh kashkaval and cottage cheese.

Half of the yoghurt consumed at homes in Turkey is home-made, 1/4 is bought loose and 1/4 is packaged; despite the shrinking packaged plain yoghurt segment, the functional yoghurt market grew by 5%.

In 2015, the ketchup segment, which is among the areas of operation of Pınar Süt, grew by 1% to 13,000 tons and turnover increased by 12% to TL 78 million.

Measured by quantity, there was a 1% year-on decline in the mayonnaise market, which totaled aproximately 7,000 tons. However, turnover in the mayonnaise market grew by 8% to TL 70 million (Nielsen).

In 2015, the fruit juice market reached a size of 476 million liters, showing a reduction of 3% in terms of tonnage, but achieving a 4% year-on growth in turnover, which reached TL 1.3 billion (Nielsen).

Pınar Süt and the Sector

> **“In 2015, Pınar Süt maintained its leading position in main areas of operation, achieving net sales revenues of TL 1.01 billion.”**

The Company maintained a stable, strong financial position throughout 2015, increasing its revenues to TL 1.01 billion with a growth of 7.5% compared to 2014. The gross profit margin was 16.1% with a net profit margin of 6.2%. While net profits totaled TL 62.2 million, total assets reached TL 883.8 million with a growth of 13.3% compared to 2014.

Pınar Süt strenghtened the leading position in all its main areas of operation, increasing its brand value with new product launches based on customer needs together with successful campaigns and effective communications initiatives.

Milk Group

PRODUCT	REVENUE SHARE	POSITION
Total UHT milk	31.3%	Leader
Plain milk	29.0%	Leader
Light milk	64.1%	Leader
Fortified milk for children	75.5%	Leader

28

NUMBER OF COUNTRIES EXPORTED TO

Cheese Group

PRODUCT	REVENUE SHARE	POSITION
Total spreadable cheese	36.2%	Leader
Labaneh cheese	48.6%	Leader
Cream cheese	19.8%	Leader
Cottage cheese	7.1%	Third
White cheese	10.6%	Third

Yoghurt Group

PRODUCT	REVENUE SHARE	POSITION
Natural yoghurt	9.4%	Third

7.5%

INCREASE IN NET SALES REVENUES

Butter Group

PRODUCT	REVENUE SHARE	POSITION
Butter	16.3%	Second

Source: Nielsen, except for BIM & A101

> **“Among the first in its industry to be licensed for exports to Europe, Pınar Süt now sends its products to numerous regions of the world, especially the Gulf Region.”**

19%

SHARE OF MILK AND DAIRY EXPORTS

AIMING TO BE A REGIONAL FORCE

Turkey's milk and dairy products exports in 2015 were worth USD 217.6 million, with the largest share made up of the cheese segment, which accounted for 69% of all revenues (TÜİK). Pınar Süt’s share of total exports increased to 19%.

In addition to supplying for the home market, Pınar Süt also produces milk and dairy products for exporting to other principal countries and is making steady progress towards becoming a regional force. The Company engages in activities to raise brand awareness and reinforce its image in numerous countries. Pınar Süt operates in 28 foreign markets and 58% of exports are to the Gulf Region, including Saudi Arabia, the United Arab Emirates (UAE) and Kuwait. Other export territories include: Iraq, Northern Cyprus, Azerbaijan and Russia as well as Germany, Britain and other countries in Europe.

The Şanlıurfa Plant started exporting to Iraq in October 2015 and its close proximity to target export markets is expected to push up exports even more.

Pınar Süt runs its sales and marketing activities in the Gulf Region through the group company, HDF FZCO, and in Europe, Pınar products are manufactured and sold through Pınar Foods GmbH located in Germany. Pınar Süt will continue to pursue new markets in 2016 and plans are in place to participate in local fairs to further this aim.

Growing Recognition Abroad

- In 2015, Pınar Süt experienced sales fluctuations in Libya, Iraq and the Turkic Republics due to political instability and oil-related devaluation, but at the same time brand awareness rose in Iraq, Azerbaijan and Northern Cyprus.
- The Company's brand awareness in the milk products segment reached 87% in Iraq (Niş Araştırma, July 2015) and 5 new products were launched during the year: Cottage Cheese, Thick Cream, Breakfast Cream with Pistachio, Yoghurt and Ayran.
- Pınar Labne has a market share of 25.6% in Saudi Arabia, 37.8% in UAE and 47.2% in Kuwait.
- In Azerbaijan, brand awareness in the milk products segment reached 62% (IPSOS, July 2015) with the launch of Cottage Cheese and Thick Cream products during the year.
- Pınar Süt's first cheese exports to Britain in March 2015 were Pınar Labne and White Cheese.
- Pınar Süt is one of only three milk and dairy products brands certified for export to Russia, and Labaneh, Pınar Beyaz, White Cheese, Fresh Kashkaval, Cheddar, Cream Cheese and Sliced Cheese products were exported between April 2015 and the end of the year.
- Fruit juice and cheese products are exported to countries such as the USA, Sweden and Kosovo, and in response to growing sales in Kosovo, sales to other Balkan countries are also under consideration.

Consumers, Customers, and the Company

> “While increasing brand strength through effective communication, consumer-targeted campaigns and new product launches, Pınar Süt also offers fast services for consumers and customers through its wide and effective distribution network.”

Pınar Süt’s wide product portfolio means that our products touch the life of consumers of all ages, young and old alike. While the Company's main target audience is children and the mothers who want only the best for their children, other audiences are also targeted with various sub-brands.

Through its extensive range of products, including milk, yoghurt, cheese, butter, ayran, fruit juices, sweeteners and deserts, Pınar Süt works hard to add value to people’s lives, sourcing the best quality raw materials and processing them with the most advanced production technologies in order to offer the best products through its easily-accessible, effective distribution network. While the Company continually aims to expand its customer base through effective communication campaigns, it also strives to understand its customers better so that their demands can be met, to the utmost extent, with new innovations.

COMMUNICATION CAMPAIGNS

Milk Group

- Pınar Süt relaunched the “Pınar Mom” campaign from April to May 2015 and the “Raised on Pınar Süt” campaign in December 2015.
- The interactive consumer website, “pinarsutum.com”, was launched and outdoor, radio, press and field events were organized in addition to TV communications.
- In January and February 2015, the “Three Ways To Support Your Kids' Nutrition” campaign was launched to promote Pınar Milk for Kids.

- In the flavored-milk segment, Kido brand communication activities continued throughout the year, successfully strengthening the position of the Company. The “Kido Rainbow Bracelet” and “Secret Island Adventure with Kido” campaigns were launched from January to February and June to July 2015 respectively, offering various fun gifts to attract the attention of children. Campaigns were launched through www.kido.com.tr, which has more than 4 million subscribers, and commercials were also aired in conjunction with the promotion.

Cheese Group

- In 2015, the “It Adds Flavor To Whatever It Touches” campaign was launched for Pınar Labne with celebrity chef, Sahrab Soysal, and consumers were encouraged to make Pınar Labne part of the daily routine with recipe suggestions on www.nefisyemektarifleri.com.
- In March, the “Dip It” communication campaign was launched for Pınar Cream Cheese.
- In August, the “Pınar Makes the Best” advertising campaign was launched to promote Pınar Cottage Cheese.

Yoghurt - Ayran Group

- Tasting and publicity events were organized at the Pınar Children's Theater and Karşıyaka Sports Hall.
- Promotional events were organized for Pınar Denge Lactose-Free Yoghurt and consumers were introduced to Pınar Cottage Cheese through brochures, publicity and offers.

Sauce Group

- Pınar sauce group products were offered in new packaging emphasizing their additive-free qualities and POP advertising campaigns were launched in the field.
- Recipes for Pınar Kremilla vanilla sauce were issued on the Pınar Flavors page and the product was promoted to consumers through tasting sessions in markets and other events.

Fruit Juice Group

- A new wave of TV communication was aired in April and May 2015 as part of the “Flavor Comes Alive With Pınar” campaign. The product was distributed to consumers through various activities and events.

4 MILLION +

SUBSCRIBERS OF WWW.KİDO.COM.TR AS OF 2015

PINAR PROFESSIONAL FOR THE AFH CHANNEL

The rise in the number of working women and single-person households, together with changes in lifestyle and consumption habits, have brought an overall increase in time spent away from home and the demand for convenience foods. These changes have triggered a growth of the AFH channel in Turkey and estimates put the value of the sector at TL 50 billion, TL 30 billion of which is estimated to be in the food category. (İPSOS 2015) Pınar Süt serves the AFH channel with its "Pınar Professional" brand, providing services for a wide range of customer portfolios from hotels and restaurants to catering companies and schools. While determining the hands-on aspects of the business by interacting with influential chefs and other food professionals to better understand their needs, the Company also develops innovative and practical products that will be beneficial to them.

"A Source of Flavor from Tradition to the Future"
Pınar Attended the Away From Kome EXPO Fair held at Istanbul CNR and organized "A Source of Flavor from Tradition to the Future" contest attended by gastronomy students. The Company brought future chefs together with contemporary masters in an effort to sharpen the perception of the Pınar brand among a new generation of chefs.

DISTRIBUTION

Pınar Süt makes 85% of its sales through Yaşar Birleşik Pazarlama (YBP), Yaşar Group's sales and distribution company. Operating through 9 regional departments, more than 100 dealerships and 150,000 sales outlets, Yaşar Birleşik Pazarlama ensures that Pınar-branded products reach customers and consumers in the freshest, healthiest and fastest way possible. With more than 500 types of product in 17 different categories, maintained under three different degrees of climate control, Yaşar Birleşik Pazarlama is one of the biggest and most important sales and distribution organizations in Turkey.

The wide and effective distribution network of Yaşar Birleşik Pazarlama plays a key role in the continued market leadership of Pınar products. The Company has over 1,200 distribution vehicles on hand, as well as a customer-focused, experienced staff who are expert in product sales and distribution.

Yaşar Birleşik Pazarlama runs its business with a focus on productivity and reporting, using the most effective software applications to continually monitor its operations. Results are distributed and the company provides training on improving professional sales skills to the staff members of its business partners as well as its own.

Exhibitions Attended by Pınar Süt in 2015

- Istanbul Away From Home Consumption EDT EXPO Exhibition / March 25-28, 2015
- Izmir 6th Organic Products Exhibition / April 16 - 19, 2015
- Istanbul World Food 2015 Exhibition / September 3 - 6, 2015
- Izmir International Fair / August 28 - September 6, 2015
- Dubai GULF FOOD 2015 Exhibition / October 27-29, 2015

Pınar Communication Center

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

Accessible from anywhere in Turkey on 444 76 27, without the need to dial an area code, the Pınar Communication Center (PIM) is staffed by operators who are on duty, responding to incoming calls from 07:00 to 23:00, seven days a week. PIM's answering rate is 92% and 88% of calls are answered within the first 15 seconds.

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

Suppliers and the Company

> "Pınar Süt builds long-term partnerships with its suppliers, who are selected through the Purchasing, R&D and Total Quality directorates in accordance with the Pınar Quality Criteria."

Great importance is attached to sustainable and superior-quality procurement and the Company aims to develop partnerships that are mutually beneficial. Pınar Süt works with more than 20,000 raw milk suppliers and approved suppliers for other raw materials, food additives and packaging are selected through the Purchasing Directorate. This directorate works in coordination with the R&D and Total Quality Directorates and in compliance with the Alternative Suppliers and Procurement List Procedure. As part of the procurement procedure, companies able to meet the Pınar Quality Criteria are identified, but are only able to join the list if they achieve a positive result in the extensive trials that follow. In accordance with the Supplier Assessment Procedure, all suppliers are annually assessed in terms of price, delivery date, quality, services and volume. The assessments are conducted with the aim of specifying the required corrective and/or preventive actions.

SHARING INFORMATION WITH SUPPLIERS

In order to guarantee high quality raw milk supplies, Pınar Süt procures milk from 358 separate sites that produce to European Quality standards. Out of these sites, 144 are farms, 12 are certified as "Disease-Free Premises" and 8 are certified as an "EU-Approved Establishment".

Pınar Süt procures 71% of its organic raw milk from Yaşar Group company, Çamlı Yem Besicilik. By sharing daily information on the quality of farm milk with each supplier, the Company ensures that producers stay well-informed about the quality of their products.

Producers are kept up-to-date and informed about the need to produce healthy milk by Pınar Süt training programs, which cover issues such as milk quality, herd health, animal nutrition and preventive medicine.

Employees and the Company

"Pınar Süt considers its employees as the foundation of its growth and development, actively employing modern and globally-accepted human resources practices."

1,172
AVERAGE NUMBER OF EMPLOYEES

16,620 HOURS
TOTAL TRAINING

14 HOURS
AVERAGE TRAINING PER EMPLOYEE

Pınar Süt is committed to its approach of "People First", shaping its human resources strategy in accordance with Yaşar Group's corporate culture and implementing fair human resources policies to attract a workforce skilled in every subject. In 2015, the Company continued to invest in its personnel, which is made up of individuals who are trained, experienced, have a strong sense of loyalty and ownership, are open to scientific developments, embrace a team spirit, are willing to share information and able to adopt a collaborative working approach focused on success.

- Pınar Süt diversified the training topics covered by the e-learning methodology provided by the "Yaşar Academy" brand, improving on both content and user numbers in 2015. Average training time per employee was 14 hours, with total training time amounting to 16,620 hours.
- In 2015, Pınar Süt gave 1,018 hours of waste prevention training to 924 employees at plants in Izmir, Eskişehir and Şanlıurfa.
- Pınar Süt has been using a Performance Evaluation System to align corporate objectives with personal objectives since 2005 and collating employee opinions since 1998 through the "Employee Comments Surveys". In 2015, the survey was made available online for white-collar employees but blue-collar employees continued to use a printed form.
- Pınar Süt provided internship positions for 167 university students and 47 high-school graduates considered to have potential as future employees.
- The Collective Bargaining Agreement expired as of December 31, 2015. Pınar Süt strongly believes that collective bargaining agreements are one of the cornerstones of peace in the workplace and that this in turn creates peace in society. The Company is in a process of negotiation with the Tek Gıda İş Labor Union for the term January 1, 2016 to December 31, 2017.

Environment and Sustainability

"Pınar Süt, making use of natural resources in the most productive way and investing in the environment and society, performes all of its activities in accordance with the accountable approach of Yaşar Holding to its stakeholders and society."

Pınar Süt strives to leave behind a healthier physical and social environment so that future generations can enjoy a better life in a more livable world and works in accordance with the United Nations Global Compact (UNGC) signed by Yaşar Holding in 2007. Through activities conducted under the "Corporate Reputation" project launched in 2010, the Company intends to be more systematic in its efforts to achieve a balance among economic, environmental and social issues.

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

ENVIRONMENTAL POLICY & IMPLEMENTATIONS

Pınar Süt complies strictly with all laws and regulations related to environmental protection, reducing pollution, energy and occupational health & safety as well as its own policies on the environment, energy, and occupational health and safety. It applies manufacturing methods that do not harm the environment or public health while also reducing consumption of natural resources. As well as actively engaging in waste reduction, recovery and recycling, the Company also raises the awareness of its employees, customers and suppliers on environmental, energy and occupational health and safety issues. Pınar Süt maintenance programs are improved on an ongoing basis and energy consumption is further reduced by investment in new projects.

In 2015, the Company reduced the use of ammonia gas used in the cooling systems of the Izmir Plant as well as implementing a Green Belt Lean Six Sigma project, with Black Belt support, aimed at a 3% reduction in the use of water in its production units.

Carbon & Water Footprint Calculations

Yaşar Holding started carbon measurement in 2011, setting up a team managed by a Carbon Leader. "Corporate Carbon Footprint" calculation and reporting was delivered in 2015, taking 2011 as a base year. Pınar Süt has set an objective of 15% reduction in its carbon emissions by 2020.

Following on from carbon footprint calculation, Yaşar Group envisages the start of water footprint calculations at certain pilot areas in order to further monitor the consumption of natural resources. Additional work to reduce water consumption during production also took place at the Pınar Süt Eskişehir Plant.

Within the scope of carbon footprint measures, Water Leaders were appointed and training was completed, which enabled the first stages of drawing a water footprint map to begin. Alongside this work, initial steps were also taken to install an odor prevention system at the wastewater processing facility.

Pınar Süt developed a registration system for its suppliers based on sustainability, evaluating suppliers on the basis of their environmental management systems and how well they operate.

Pınar Süt was the first milk and dairy products producer to be listed in the CDP (Cisco Discovery Protocol) and was number one among volunteers in the CDP 2015 Climate Change Turkey Report.

IMPROVEMENT - POWER CONSUMPTION EFFORTS

At the start of every year, Pınar Süt formulates environmental action plans and programs aimed at further improving its performance in resource and energy reduction. The Company successfully passed a TS ISO 50001-2011 Energy Management System audit in 2015. Company Initiatives in 2015 included:

- Investment in economizers to reduce energy use in steam boilers, resulting in lower carbon emissions.
- Replacement of ammonia with ice water as a refrigerant in cold storage refrigeration systems.
- Increased use of illumination panels and high-efficiency lighting fixtures in newly-constructed units. Also, natural lighting measures were installed in the production sections at the Eskişehir Plant.
- Fitting of LED lighting to replace existing old lighting systems in the manufacturing-section and outside areas at the Izmir Plant.
- Replacement of high power consumption electrical motors with EFF1 high-efficiency units, helping to achieve energy savings.
- Boiler and burner system modifications resulting in fuel savings.
- Investment in new-generation UHT systems and machinery with higher energy efficiency and lower carbon emissions.
- Reduction in costs of chemical agents due to improvements at the wastewater treatment facility. Also, investments made at the Eskişehir plant's wastewater treatment facility lowered storage/disposal costs by increasing the percentage of solid content in sludge.
- Introduction of glycol water to the cooling systems of the Izmir Plant in place of ammonia gas.
- Environmental effect inventory analyses performed by all units at the plants, as required by ISO 14001 Environmental Management System.
- Continuation of work on an automated system to automatically monitor and report energy consumption at the Izmir Plant.
- Scheduling of "Operational Cost Improvement Suggestion Weeks" aimed at creating awareness of waste prevention.
- Preparation of energy survey programs based on comparative energy data gathered by metering energy consumption during production. Energy efficiency is also one of the criteria taken into account when making machinery & equipment procurement decisions.

PACKAGING WASTE MANAGEMENT

With environmental awareness as its top priority, Pınar Süt is continually in pursuit of alternatives, not only to determine the potentially adverse environmental impacts of its product manufacturing and usage processes, but also to minimize them wherever possible.

- Pınar Süt has an Industrial Waste Disposal Plan in place, which lists information such as the types, codes and quantities of wastes, and which company it should be sent to for processing.
- The results of in-house inspections conducted by environment officers/consultants are recorded and the Company continuously reviews and improves its environmental performance. From 2015 onwards, the results of these inspections have been submitted to the Ministry of Environment and Urban Planning through their online system.
- Organic and domestic waste are temporarily stored in a holding area, that fully complies with the requirements of laws and regulations, before being sent to waste sites run by the metropolitan municipality for disposal. Waste generated in the course of production and usage is sent to licensed disposal facilities and anything that can be reclaimed is sent on to licensed recycling facilities so that it may be put to economic use.
- All waste, including packaging waste, is reported annually to the Ministry of Environment and Urban Planning. "Hazardous Waste Liability Insurance" coverage is in place in accordance with the "Regulation on General Principles Pertaining to Waste Management".
- As required by the "Regulation on Major Industrial Accidents", Pınar Süt submits Seveso II Directive reports to the Ministry of Environment and Urban Planning, which uses them to assess the potential human and environmental impact of any hazardous chemicals maintained on company premises and grade the Company accordingly.
- Product packaging is designed with reusability and recoverability in mind.
- The Company is a member of the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO) and works together on activities to educate individuals and municipal authorities on the separation of waste at source, recycling and reusability.

Employees receive training to increase their environmental awareness within the scope of ISO 14001 Environmental Management System measures.

- The Turkish Standards Institute (TSE) conducts annual Environmental Management System audits.

IMPROVEMENTS IN TRANSPORT MANAGEMENT

Pınar Süt focuses on efficiency and customer satisfaction in its logistics processes in accordance with its Green Logistics concept.

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

Out of almost 40,000 separate shipments made by Yaşar Foods Group companies, a total of 91% of non-perishables and 61% of perishables transported across the country were carried by articulated lorries.

The 2015 Dealer (Customer) Logistical Services Satisfaction Survey reveals a satisfaction level of 93%.

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

Use of Eco-Friendly Materials and Technologies

Pınar Süt invests in the environment as part of its commitment to environmental awareness and understanding, using natural resources as efficiently as possible and operating in strict compliance with both environmental legislation and its own management system policies.

Pınar Süt's plants in Izmir, Eskişehir and Şanlıurfa are certified with an "Environmental Permit " issued by the Ministry of Environment and Urban Planning and are also subject to ongoing audits and controls from official government bodies monitoring compliance with environmental regulations.

In compliance with the Communiqué on Monitoring and Reporting of Greenhouse Gas Emissions, the Company formulated a "Greenhouse Gas Monitoring Plan" and submitted it to the Ministry of Environment and Urban Planning. Greenhouse Gas Inventory Management System software was also completed.

Corporate Social Responsibility

> **“Pınar Süt is engaged in many social responsibility projects in the areas of arts, sports, health, education, environment and sustainability, supporting a knowledgeable and healthy society together with the “Pınar” brand.”**

Yaşar Group's "Pınar" brand, which includes Pınar Süt along with Pınar Et and Pınar Su, creates value for the whole society through its products, direct and indirect employment creation, investments, provision of goods and services and tax contributions.

PINAR CHILDREN'S THEATER

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

Pınar Children’s Theater staged “A Love of Milk” in the 2014-2015 season, reaching thousands of children in Çanakkale, Eskişehir and Izmir and creating a theater spectacular with professional staging, music, decor and costumes. Pınar Children’s Theater has also functioned as a school for many

famous actors in Turkish theater. At the start of 2015, it began staging a play called the “Game Train” free-of-charge.

PINAR CHILDREN'S ART COMPETITION

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

TRAINING: "LITTLE THINGS RENEW NATURE"

The "Little Things Renew Nature" project was implemented by Tetra Pak, with the support of Pınar, and targeted primary school children. The project was aimed at creating awareness of efficient use of natural resources and the habit of separating packaging wastes so it can be sent for recycling. By June 2015, 6,000 children from 13 schools in Izmir had received environmental education showing how a little effort and small touches can help protect nature.

SUPPORT FOR SPORTS

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

Pınar KSK

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

Turkish Basketball Association

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

18th International U15 Men's Basketball Tournament

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

5000+
NUMBER OF PRODUCERS TRAINED THROUGH "THE FUTURE OF OUR MILK IS IN KNOWLEDGEABLE HANDS" PROJECT

PUBLICATIONS

Yaşam Pınarım Magazine

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

Pınar Newspaper

The quarterly Pınar Newspaper is published with the 25,000 producers that supply Pınar Süt milk in mind. It serves as an important source of information for meat and dairy farmers on issues such as animal rearing, milk technologies and livestock health.

CONGRESSES

Pınar has attended and provided support for many congresses on quality, food, R&D and marketing. The Company also sponsors various events to develop the gastronomy and culinary culture in Turkey and helps to bring together industry leaders and scientists.
As part of this, Pınar Süt sponsored 7 congresses, 3 symposiums and 44 other events in 2015.

PINAR INSTITUTE

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

As part of “The Future Of Our Milk Is In Knowledgeable Hands” initiative, the Pınar Institute previously organized training in Muğla and Eskişehir and, in 2015, the initiative moved onto Izmir-Tire. The project aims at achieving greater public and private sector collaboration in the education of raw milk producers. More than 5,000 producers received training.

In collaboration with Yaşar University's Arts and Design Faculty Industrial Design Department, the Pınar Institute developed the “Game and Training Tools for a Healthy Nourishment Project”.

Pınar Institute attended the “Sustainable Business Summit” event organized by the Sustainability Academy on the 8th and 9th of October, 2015 in Istanbul.

Awards and Certificates

“In 2015, Pınar Süt was deemed worthy of national and international awards in many different fields, such as marketing, ethics, communication, energy efficiency and packaging.”

- The Pınar brand, which also includes Pınar Süt, was among the 43 brands to be awarded at the Superbrands Awards for Turkey’s best brands.
- In the “International Business” section of the prestigious global Stevie Awards, Pınar was granted with a Silver Stevie in the “Best Social Responsibility Program in Europe” category with Pınar Children's Theater and a Bronze Stevie for “The Future Of Our Milk Is In Knowledgeable Hands Project”. The Pınar Art Competition was awarded with a Bronze Stevie in the “Best Communication Campaign - Media Relations” category.
- Research into “Turkey's Most Respected Companies”, conducted by GFK and Capital Magazine, revealed that Pınar Süt is ranked number one in the Milk and Dairy Products industry.
- Pınar was named "Beverage Industry" leader at the Integrated Marketing Awards organized by Marketing Turkey magazine and Akademetre Research.
- After reducing energy consumption by 65.3%, Pınar Süt A.Ş. Izmir Plant was named as the “Most Efficient Industrial Plant” in the "Industrial Energy Efficiency Project Contest" organized by the Ministry of Energy and Natural Resources, attaining first place out of all companies in the food and beverages industry.
- In 2015, Pınar was named "Product of the Year” in the convenience food category at the Gulf Awards, which are awarded to leading global companies every year. It was also the winner of the labaneh category, which was added for the first time this year.
- Pınar Children's Milk was awarded with a "Silver Effie” in the “Basic Food” category for its “Three Ways To Support Your Kids' Nutrition” campaign in the 2015 Effie Most Effective Turkish Advertising Contest organized by the Association of Advertising Agencies and Advertisers.
- Pınar was granted with the silver award for the Specialty Cheese Family in the graphic design category of the Packaging Stars 2015 contest.

Pınar Süt Certifications

- 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/TS 22002-1 Food Safety Management System Certificate
- TS EN ISO 50001 Energy Management System Certificate
- TS 18001 OHSAS Occupational Health and Safety Management System Certificate

Pınar Süt Awarded by EBSO

Pınar Süt was named winner in the Meat and Dairy Products Industrial Group “First Level Achievement in Production and Investment” category at the ceremony organized by the Aegean Region Chamber of Industry (EBSO).

Pınar Süt’s Milestones

“Already a pioneer in the packaged milk and dairy products industry, Pınar Süt goes one step further along the road of success with every new imitative it takes.”

An Industry-Leader With Many Firsts

1973 Pınar 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** Pınar sliced kashkaval cheese and cream cheese are introduced to consumers. **1980** Pınar 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** Pınar Yem is founded to provide high quality feed for the livestock of Pınar Süt’s raw milk suppliers. • Pınar Mayonnaise, Turkey’s first domestically-manufactured mayonnaise goes on sale. • Pınar Beyaz, Turkey’s first pasteurized cheese, and the powdered product, Chantilly Cream, go into production. • Triangular Cheese goes into production. **1984** Pınar Süt begins exporting Pınar Labne cheese to Kuwait. **1985** Pınar Labne is introduced to the Turkish market. **1990** Pınar begins producing fruit juices. **1991** Turkey’s first pasteurized milk in glass bottles goes on sale. **1992** Pınar 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** Pınar Süt becomes the first food industry company in Turkey to be awarded TS ISO 9002 Quality Management System certification. **1994** Pınar 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, Pınar Süt becomes the first dairy products company to receive TS ISO 9001 Quality Management System certification. **1995** Pınar’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** Pınar Süt opens its Eskişehir Plant. **1998** 100%-Pure Pınar fruit juices go on sale. **1999** Pınar Süt introduces the Denge line of milks (lactose-free, high-calcium, enriched with A, D, E vitamins). **2000** Following investment at the Eskişehir plant, Pınar Süt launches the world’s first continuous-process production of cream-top yoghurt. **2001** UHT milk in aseptic bottles goes into production. **2004** Pınar 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** Pınar 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. • Pınar Milk for Kids is introduced to the market. **2010** Honey Flavored Pınar Kid’s Milk, and Pınar Breakfast White Cheese products go on sale. **2011** Consumers are introduced to Pınar’s Gourmet series including cheddar cheese spread, thyme & olive-cheese spread, triangular cheese and Pınar organic yoghurt. **2012** Sütkrem, Turkey’s first creamy tasting clotted-cream with 50% less calories goes on sale. • Pınar Professional is established to cater for the away-from-home channel. **2013** Work begins on the Pınar Süt Şanlıurfa Plant. • Pınar Süt is awarded with TS 18001 Occupational Health and Safety Management System and TS EN ISO 50001 Energy Management System certification. • Pınar 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 Yogurt. The organic products portfolio was also expanded with the addition of Organic Butter. **2015** Pınar Süt Şanlıurfa Plant goes into operation.

CORPORATE GOVERNANCE PRACTICES AND FINANCIAL INFORMATION

MANAGEMENT

BOARD OF DIRECTORS

İdil Yiğitbaşı – Chairperson

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

Emine Feyhan Yaşar - Vice Chairperson

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

Mustafa Selim Yaşar - Member

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

Ali Yiğit Tavas - Independent Member

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

Kemal Semerciler - Independent Member

Kemal Semerciler was graduated from Uludağ University's Faculty of Economics and Administrative Sciences and started his career at Yapı Kredi Bank as an assistant inspector in 1981. He served as a manager at Financial Control & Budget, General Accounting and Financial Affairs departments from 1990 to 2003 and served as the Chairman of the Board of Inspectors from 2004 to 2006. Kemal Semerciler served as the Assistant General Manager of the Legislation Department from 2006 to 2008 and as the Consultant to the General Manager of Yapı Kredi Bank from 2008 to 2009. Kemal Semerciler served as a Board Member and Auditor for many affiliates of Yapı Kredi Bank and serves as a Board Member for ABank since March 2010.

MANAGEMENT

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

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

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

SENIOR MANAGEMENT

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

Gürkan Hekimoğlu - General Manager
Gürkan Hekimoğlu had his bachelor's degree in agricultural technology from Ege University, Faculty of Agriculture in 1986 and his master's degree in dairy technology from Ege University, Institute of Science in 1989. He started his career at Ömer Yoğurt as a Production Manager in 1989, joined Türkiye Süt Endüstrisi Kurumu in 1990 as an operations engineer at Bolu Facility, held the positions of Operations Manager and Production Manager at Türkiye Kalkınma Vakfı (Development Foundation of Turkey) and Köytür Holding in 1992. Hekimoğlu started his career at Pınar Süt as a Production Supervisor in 1994, where he later served as a Project Supervisor and Production Manager. Hekimoğlu served as the Eskişehir Plant Manager from 1999 to 2012 and he is Pınar Süt General Manager since June 2012.

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

RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

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

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

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

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

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

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

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

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

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

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

LEGAL DISCLOSURES

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

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

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

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

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

During 2015, the Company's donations and grants to various organizations and institutions amounted to TL 696,107.

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

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

Changes in the Articles of Incorporation during the Reporting Period
No changes were made to the articles of incorporation during the reporting period.

Financial Rights Provided to the Members of the Board of Directors and Senior Executives
Financial rights provided to the Chairperson, Members of the Board of Directors and senior executives are determined within the frame of the remuneration policy posted on our website. In the twelve months that ended on December 31, 2015, remuneration and other benefits to the members of the Board of Directors and senior executives amounted to TL 7,879,282.

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

The Company's Shareholders' Equity
The shareholders' equity worth TL 587,149,962 as at December 31, 2015 indicates that the issued capital of TL 44,951,051 has been very well maintained.

AGENDA

AGENDA FOR 2015 ORDINARY GENERAL ASSEMBLY OF PINAR SÜT MAMULLERİ SANAYİİ A.Ş. DUE ON MARCH 30, 2016

1. Opening and election of Presiding Committee,

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

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

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

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

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

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

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

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

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

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

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

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

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

15. Wishes and opinions.

STATEMENT OF INDEPENDENCE

March 9, 2015

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

March 9, 2015

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,

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

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

Best regards,

Kemal SEMERCİLER

PROFIT DISTRIBUTION PROPOSAL

At its meeting dated 03/08/2016, the Company's Board of Directors concluded to submit the following Profit Distribution Proposal for approval at the Annual General Assembly meeting;

In calculating the net distributable profit for 2015; taking into account the requirements of the Turkish Commercial Code, Capital Markets Legislation, Corporate Income Tax Law, Income Tax Law and other applicable legislation, dividend distribution provisions of the Company's articles of incorporation and the Profit Distribution Policy; as per the Company financial tables created in accordance with the Capital Markets Board Communiqué II-14.1 and Turkish Accounting Standards and audited by the independent auditor; among TL 62,235,907 which is the net term profit of 2015, the legal limit has been reached and therefore no General Legal Reserve will be set aside and the net distributable term profit is TL 62,235,907.

The following proposal concerning the allocation of the TL 62,235,907 distributable profit, is concluded to be submitted to the approval of the Ordinary General Assembly:

TL 12,586,403 will be distributed to shareholders as first dividend. This corresponds to 20% of distributable profit when TL 696,107 that was paid out as charitable donations during the year in line with the CMB rules taken into account,

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

of the remainder, the amount of TL 31,915,138 will be distributed among shareholders as a second dividend. The net combined total of first and second dividends amounts to TL 37,826,310. This corresponds to 84.15% of our issued capital, which amounts to TL 44,951,051,

of the remainder, TL 4,465,399 will be set aside as a General Legal Reserve,

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

If this proposal is approved, the Company will be paying out a net cash dividend amounting to TL 0.8415 on each share of its stock with a par value of TL 1.00.
Please be advised.

Yours Sincerely,

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

PROFIT DISTRIBUTION TABLE

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
2015 PROFIT DISTRIBUTION TABLE (TL)

1. Paid-in/Issued Capital			44,951,051
2. General Legal Reserves (According to Legal Records)			50,083,314
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	67,588,973	54,186,309
4.	Taxes (-)	(5,353,066)	(2,772,271)
5.	Net Profit for the Period (=)	62,235,907	51,414,038
6.	Losses in Prior Years (-)	0	0
7.	General Legal Reserves (-)	0	0
8.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**62,235,907**	**51,414,038**
9.	Donations during the Year (+)	696,107	
10.	Net Distributable Profit for the Period Including Donations	**62,932,014**	
11.	First Dividend to Shareholders		
	- Cash	12,586,403	
	- Total	12,586,403	
12.	Dividends Distributed to Owners of Privileged Shares		
13.	- Members of the Board of Directors	2,400,000	
14.	Dividends Distributed to Owners of Redeemed Shares		
15.	Second Dividend to Shareholders	31,915,138	
16.	General Legal Reserves	4,465,399	
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	10,868,967	47,098

	RATIO OF DIVIDENDS TABLE					
	CLASS	**TOTAL DIVIDENDS DISTRIBUTED**		**TOTAL DIVIDENDS DISTRIBUTED/NET DISTRIBUTABLE PROFIT FOR THE PERIOD**	**DIVIDENDS PER SHARE WITH A PAR VALUE OF TL 1 TL EACH**	
		CASH (TL)	**BONUS SHARES (TL)**	**RATIO (%)**	**AMOUNT (TL)**	**RATIO (%)**
NET	No share classes enjoy privileges for profit distribution.	37,826,310		60.78%	0.8415	84.15
	TOTAL	**37,826,310**		**60.78%**	**0.8415**	**84.15**

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 2015, 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.

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

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

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

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

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

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

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

PART II - SHAREHOLDERS

2.1. Investor Relations Department

The investor relations department handling communication with the investors has been set up at the Company pursuant to Article 11 of the Communiqué. Investor Relations Department reports to the Company's General Manager, 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: Tolga Bağcı (holds Capital Market Activities Advanced Level License)

Tel: 0 232 495 00 00
Fax: 0 232 489 15 62
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 30 investors, and responded to more than 100 queries by phone or e-mail. In addition, upon disclosure of the Company's financial results, two webcast meetings were organized, which were open to analysts and addressed the Company's activities and financial results for 2014 full year and for 2015 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.

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

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 2015, utmost care was paid, under the supervision of the "Investor Relations Department", to respond to requests for information received from shareholders within the framework of the requirements of capital market laws and regulations and without delay.

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

2.4. 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 2014 Annual General Assembly meeting took place on March 26, 2015 at the Company's plant during the reporting period. At the 2014 ordinary general assembly meeting, 84.88% 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 2014 Ordinary General Assembly meeting covered detailed descriptions about each general meeting agenda item, as well as all the explanations, information and documents required by the legislation.

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

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

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

2.5. 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 2014 profit distribution was completed in two equal installments on May 29, 2015 and September 30, 2015.

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

PART III - PUBLIC DISCLOSURES AND TRANSPARENCY
3.1. Corporate Web Site and Its Content
The Company's corporate website (www.pinar.com.tr) contains all the matters as required by Corporate Governance Principles. The Company's website is available in both Turkish and English. The Company continuously improves and upgrades the services provided by its website, which is actively used.

3.2. Annual Report
The Company's annual reports 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 Pinar 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.

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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, Pınar Süt has been soliciting feedback from its personnel through employee opinion surveys that have been conducted regularly every other year since 1998. In 2014, the Employee Opinion Survey was turned into an online application covering all employees at the Group. These surveys are used as a key tool whereby employees are able to provide feedback to the Company management.

Average training time per employee at Pınar Süt in 2015 was 14 hours, with total training time amounting to 16,620 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 at 2015.

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

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 Pınar Süt (three at Pınarbaşı plant and two at Eskişehir plant).
At Izmir Plant: Günay Aslan - Milk Powder Manufacturing Foreman, Yılmaz Solak - Electric Maintenance Foreman, Arzu Pehlivan - Cheese Packager
At Eskişehir Plant: Erdoğan Yörüksoy - Tetrapak Operator, Vural Sakarya - Machinery Maintenance Foreman.
The duties of these representatives are to,
a) Hear workers' wishes and resolve their complaints exclusively with respect to matters at the workplace,
b) Ensure continued labor peace through worker-employer cooperation and labor fairness,
c) 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 Pınar art competitions, Pınar children's theater, sponsorship of Pınar Karşıyaka basketball team, farmer training programs, its newspaper Pınar, and its magazine Yaşam Pınarım.

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

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

"Consumer Perceptions Of Milk And Dairy Products: The Impact Of Media Misinformation" is a project being conducted jointly by Pınar Institute and Yaşar University Faculty of Communication. The project, which is being carried out under TÜBITAK 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 Izmir-Tire in 2015, in addition to Eskişehir and Milas.

In a project coordinated by Pınar Institute and Yaşar University Industrial Design Department, sophomores from the school designed toys and training materials to educate 3 to 5-year-old children on healthy nourishment. The jury granted awards to 4 designs within the scope of the project.

Pınar Institute supported the TÜBİTAK 1511 project developed by Pınar Et and Ege University's Food Engineering Department, Nutrition Department (Obtainment of Protein Hydrolysate from Mechanically Reserved Meat and Use of Hydrolysate in Products – TÜBİTAK 1511 Support for Research Technology Development and Innovation Projects in Priority Areas).

Pınar Institute supported the doctorate studies at Ege University's Faculty of Medicine, Internal Diseases Department on frequency of myolysis in over-65 individuals and effects of nutrition on myolysis.

Pınar Institutes Bulletins are issued since January 2015 to create awareness on food, health and nutrition. The quarterly bulletin reaches all Yaşar Group employees.

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.

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PART V - BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

Members of the Company's Board of Directors:

Name	Title	Whether or Not Independent Member	Whether or Not Executive Member	Term
İdil Yiğitbaşı	Chairperson	Not Independent Member	Not Executive	1 year
Emine Feyhan Yaşar	Vice Chairperson	Not Independent Member	Not Executive	1 year
Mustafa Selim Yaşar	Member	Not Independent Member	Not Executive	1 year
Ali Yiğit Tavas	Independent Member	Independent Member	Not Executive	1 year
Kemal Semerciler	Independent Member	Independent Member	Not Executive	1 year
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.

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

5.2. Operating Principles of Activity of the Board of Directors

The operating principles of the Board of Directors are spelled out as follows in Article 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 2015 activities of the Board of Directors are provided below:
During the reporting period, the Board of Directors convened 43 times. The Board of Directors shall convene upon a summons in the form of a written request made by its chairperson or by any director. The agenda of the meeting is sent to the members minimum two weeks prior to the date of the meeting. Usually, all members attend the meetings. There were no unresolved disputes over issues during the 2015 reporting period. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights. An insurance coverage has been obtained for losses that the Company may sustain by reason of the faults committed by the Board of Directors members during the performance of their duties.

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

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

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

Corporate Governance Committee Chairperson is non-executive independent board member Kemal Semerciler, Committee Members are non-executive 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.

5.4. Risk Management and Internal Control Mechanism

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

5.5. Strategic Targets of the Company

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

5.6. Financial Rights

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

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

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

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

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

1. We have audited the annual report of Pınar Süt Mamülleri Sanayii A.Ş. (the "Company") for the period ended 31 December 2015.

Board of Directors' responsibility for the Annual Report

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

Independent Auditor's Responsibility

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

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

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

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

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

Other Responsibilities Arising From Regulatory Requirements

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

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

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Atila Yılmaz Dölarslan, YMM
Partner
İzmir, 29 February 2016

INDEPENDENT AUDITOR'S REPORT

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

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

Report on the Financial Statements

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

Management's responsibility for the financial statements

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

Independent auditor's responsibility

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

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

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

Opinion

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

Emphasis of matter

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

Other Responsibilities Arising From Regulatory Requirements

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

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

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

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Atila Yılmaz DÖLARSLAN, YMM
Partner

İzmir, 29 February 2016

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

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

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

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS) AT 31 DECEMBER 2015 AND 2014

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

	Notes	31 December 2015	31 December 2014
ASSETS			
Current assets		**277.919.439**	**279.259.168**
Cash and cash equivalents	6	298.719	2.393.628
Trade receivables		138.210.610	156.512.280
- Due from related parties	7	127.333.558	147.118.266
- Other trade receivables	8	10.877.052	9.394.014
Other receivables		2.401.289	3.098.983
- Due from related parties	7	44.327	145.436
- Other receivables	10	2.356.962	2.953.547
Inventories	11	112.008.255	96.422.663
Prepaid expenses	13	5.067.388	3.973.946
Other current assets	30	19.933.178	16.857.668
Non-current assets		**605.838.516**	**500.824.667**
Financial assets	45	79.423.446	67.521.088
Other receivables		13.359	13.359
- Other receivables	10	13.359	13.359
Investments in associates accounted for using equity method	4	67.506.066	52.997.281
Property, plant and equipment	15	455.028.148	378.522.890
Intangible assets	18	904.976	766.452
Prepaid expenses	13	2.962.521	1.003.597
TOTAL ASSETS		**883.757.955**	**780.083.835**

The financial statements at 31 December 2015 and for the year then ended have been approved for issue by Board of Directors of Pınar Süt Mamülleri Sanayii A.Ş. on 29 February 2016.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS) AT 31 DECEMBER 2015 AND 2014

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

	Notes	31 December 2015	31 December 2014
LIABILITIES			
Current liabilities		**240.251.516**	**196.491.171**
Short term borrowings	25	15.274.043	1.074.614
Short-term portion of long-term borrowings	25	4.021.656	4.029.704
Other financial liabilities		5.470.820	2.262.735
Trade payables		178.211.654	169.713.899
- Due to related parties	7	20.462.562	27.907.892
- Other trade payables	8	157.749.092	141.806.007
Payables related to employee benefits	28	1.426.748	1.210.923
Other payablesr		32.859.058	15.070.504
- Due to related parties	7	31.122.993	13.356.975
- Other payables to non-related parties	10	1.736.065	1.713.529
Deferred income	13	185.820	155.552
Current income tax liabilities	39	1.342.179	1.564.328
Short-term provisions		1.320.071	1.084.522
- Provisions for employee benefits	28	1.320.071	1.084.522
Other current liabilities	30	139.467	324.390
Non-current liabilities		**56.356.477**	**54.254.211**
Long-term borrowings	25	2.000.000	6.000.000
Trade payables		26.813.819	31.476.564
- Other trade payables	8	26.813.819	31.476.564
Other payables		-	44.622
- Other payables to non-related parties	10	-	44.622
Long-term provisions		15.011.944	12.475.024
- Provisions for employee termination benefits	28	15.011.944	12.475.024
Deferred income tax liabilities	39	12.530.714	4.258.001
TOTAL LIABILITIES		**296.607.993**	**250.745.382**
EQUITY		**587.149.962**	**529.338.453**
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		169.339.572	114.291.370
- Revaluation of property, plant and equipment	15	176.218.583	120.120.092
- Revaluation reserves of investments-in-associates		1.349.964	464.314
- Actuarial gain/ loss arising from defined benefit plans		(6.782.907)	(5.139.557)
- Actuarial gain/ loss arising from defined benefit plans investments-in associates		(1.446.068)	(1.153.479)
Other comprehensive income/ expense to be reclassified to profit or loss		62.387.413	49.201.421
- Foreign currency translation differences		1.810.621	1.149.544
- Fair value reserves of available-for-sale investments	45	53.130.359	41.825.136
- Fair value reserves of investments-in-associates		7.446.433	6.226.741
Restricted reserves	31	50.558.849	43.161.534
Distribution to shareholders		(5.537.877)	(5.537.877)
Retained earnings		186.701.497	179.681.182
Profit for the year		62.235.907	87.076.222
TOTAL LIABILITIES AND EQUITY		**883.757.955**	**780.083.835**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2015 AND 2014

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

	Note Refererence	1 January - 31 December 2015	1 January - 31 December 2014
PROFIT OR LOSS			
Revenue	32	1.011.204.645	940.469.588
Cost of Sales	32	(848.781.037)	(782.759.244)
Gross Profit from Trading Operations		**162.423.608**	**157.710.344**
GROSS PROFIT	**32**	**162.423.608**	**157.710.344**
General Administrative Expenses	34	(33.891.694)	(31.611.728)
Marketing Expenses	34	(65.410.091)	(64.411.441)
Research and Development Expenses	34	(9.177.915)	(7.593.754)
Other Operating Income	35	8.792.031	8.294.822
Other Operating Expenses	35	(12.076.288)	(9.762.676)
OPERATING PROFIT		**50.659.651**	**52.625.567**
Income from Investment Activities	36	3.192.060	24.704.848
Expense from Investment Activities	36	(1.040.641)	(1.183.861)
Share of results of investment-in-associates - net	4	17.198.919	7.338.308
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		**70.009.989**	**83.484.862**
Financial Income	37	2.640.462	1.404.222
Financial Expenses	37	(5.061.478)	(2.331.805)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**67.588.973**	**82.557.279**
Tax (Expense)/ Income of Continuing Operations		(5.353.066)	4.518.943
- Current Income Tax Expense	39	(2.772.271)	(2.868.299)
- Deferred Tax (Expense)/ Income	39	(2.580.795)	7.387.242
PROFIT FROM CONTINUING OPERATIONS		**62.235.907**	**87.076.222**
PROFIT FOR THE YEAR		**62.235.907**	**87.076.222**
Earnings per share:		**1,3845**	**1,9371**
- Earnings per 1 Kr number of 100 shares from continuing operations	40	1,3845	1,9371
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/ expense not to be reclassified to profit or loss		**58.610.313**	**(1.539.786)**
Increase in revaluation reserve		59.625.938	-
Actuarial loss arising from defined benefit plans- net	28	(1.643.350)	(1.178.297)
Actuarial gain/ loss arising from defined benefit plans investments-in associates	4	(292.589)	(361.489)
Increase in revaluation reserve of investments-in-associates	4	920.314	-
Other comprehensive income/ expense to be reclassified to profit or loss		**13.185.992**	**12.067.426**
Foreign currency translation differences	4	661.077	(195.142)
Increase in fair value reserve of available-for-sale investments- net	45	11.305.223	10.803.325
Increase in fair value reserve of investment in associates	4	1.219.692	1.459.243
OTHER COMPREHENSIVE INCOME		**71.796.305**	**10.527.640**
TOTAL COMPREHENSIVE INCOME		**134.032.212**	**97.603.862**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AT 31 DECEMBER 2015 AND 2014

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

	Notes	1 January - 31 December 2015	1 January - 31 December 2014
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for The Year		**62.235.907**	**87.076.222**
Adjustments Related to Reconciliation of Net Profit for The Year		**11.454.131**	**(17.900.928)**
Adjustments related to taxation on expense/ (income)	39	5.353.066	(4.518.943)
Adjustments related to depreciation and amortization of fixed assets	15-18	21.489.272	16.206.238
Adjustments related to interest income	36-37	(57.902)	(361.979)
Adjustments related to interest expense	35-37	5.039.518	3.531.160
Adjustments related to provision for employment termination benefits	28	2.549.037	2.145.582
Adjustments related to share of results of investment in associates - net	4	(17.198.919)	(7.338.308)
Adjustments related to inventory profit elimination	4	47.381	32.412
Adjustments related to (loss)/ gain from sales of property, plant and equipment - net	36	1.015.652	(19.202.798)
Adjustments related to dividend income	36	(3.167.071)	(4.091.560)
Adjustments related to unrealized foreign exchange gain/ (loss)		4.097.547	(511.888)
Adjustments related to income accruals		(7.713.450)	(3.790.844)
Changes in working capital		**5.595.999**	**(16.162.112)**
Increase in trade receivables	8	(1.483.038)	(2.401.486)
Increase in inventory	11	(15.585.592)	(1.233.921)
Decrease/ (increase) in due from related parties	7	19.784.708	(38.376.653)
Decrease/ (increase) in short and long - term other receivables and other current assets		4.141.100	(4.177.900)
Increase in other non-current assets		(1.958.924)	(423.211)
Increase in trade payables	8	7.814.457	29.163.639
Decrease/ (increase) in short-term trade payables to related parties	7	(7.445.330)	970.807
Increase in other payables		328.618	316.613
Cash flows from operating activities		**(2.682.657)**	**(3.635.627)**
Bonus paid	28	-	(315.417)
Employment termination benefit paid	28	(2.120.269)	(1.944.109)
Taxes received	39	2.432.032	-
Taxes paid	39	(2.994.420)	(1.376.101)
Net cash provided by operating activities		**76.603.380**	**49.377.555**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		57.902	361.978
Cash outflows from purchases of property, plant and equipment and intangible assets and from advances given		(36.484.626)	(64.061.778)
Cash inflows from property, plant and equipment sales		35.400	35.431.219
Decrease in non-trade due from related parties	7	101.109	5.286.851
Dividends received	7	8.318.318	5.250.591
Net cash used in investing activities		**(27.971.897)**	**(17.731.139)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in financial liabilities		12.762.468	8.839.134
Dividends paid	7	(72.997.203)	(48.097.625)
Interest paid		(5.039.506)	(3.547.074)
Increase in non-trade payable to related parties	7	14.542.518	12.726.844
Net cash used in financing activities		**(50.731.723)**	**(30.078.721)**
Net (decrease)/ increase in cash and cash equivalents before foreign currency translation differences		**(2.100.240)**	**1.567.695**
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		5.331	2.067
Net (decrease)/ increase in cash and cash equivalents		**(2.094.909)**	**1.569.762**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**2.393.628**	**823.866**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**6**	**298.719**	**2.393.628**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2015 AND 2014

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2015 AND 2014

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

				Other Comprehensive Income / (Expense) not to be reclassified to profit or loss			Other Comprehensive Income / (Expense) to be classified to profit or loss							
	Share Capital	Adjustment to share capital	Revaluation Reserve	Revaluation reserves of investments in associates	Actuarial gain/ (loss) arising from defined benefit plans	Actuarial gain/ (loss) arising from defined benefit plans investments in associates	Fair value reserve for available for sale investments	Fair value reserve for investment in associate	Foreign currency translation differences	Restricted reserves	Distribution to shareholders	Retained earnings	Profit for the year	Total Equity
PREVIOUS PERIOD														
1 January 2014 - (Opening)	**44.951.051**	**16.513.550**	**134.799.798**	**552.525**	**(3.961.260)**	**(791.990)**	**31.021.811**	**4.767.498**	**1.344.686**	**38.576.527**	**(5.537.877)**	**150.152.970**	**67.442.927**	**479.832.216**
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-	-	-	-	-	-	67.442.927	(67.442.927)	-
Transfer to restricted reserves	-	-	-	-	-	-	-	-	-	4.585.007		(4.585.007)	-	-
Dividend Payment (Note 7)	-	-	-	-	-	-	-	-	-	-	-	(48.097.625)	-	**(48.097.625)**
Sale of property, plant and equipment (Note 15)	-	-	(11.287.899)	-	-	-	-	-	-	-	-	11.287.899	-	-
Depreciation transfer of investments-in-associates - net		-	-	(88.211)	-	-	-	-	-	-	-	88.211	-	-
Total comprehensive income	-	-	-	-	(1.178.297)	(361.489)	10.803.325	1.459.243	(195.142)	-	-	-	87.076.222	**97.603.862**
Depreciation transfer - net (Note 15)	-	-	(3.391.807)	-	-	-	-	-	-	-	-	3.391.807	-	-
31 December 2014 (Period end)	**44.951.051**	**16.513.550**	**120.120.092**	**464.314**	**(5.139.557)**	**(1.153.479)**	**41.825.136**	**6.226.741**	**1.149.544**	**43.161.534**	**(5.537.877)**	**179.681.182**	**87.076.222**	**529.338.453**
CURRENT PERIOD														
1 January 2015 – (Opening)	**44.951.051**	**16.513.550**	**120.120.092**	**464.314**	**(5.139.557)**	**(1.153.479)**	**41.825.136**	**6.226.741**	**1.149.544**	**43.161.534**	**(5.537.877)**	**179.681.182**	**87.076.222**	**529.338.453**
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-	-	-	-	-	-	87.076.222	(87.076.222)	-
Transfer to restricted reserves	-	-	-	-	-	-	-	-	-	7.397.315		(7.397.315)	-	-
Dividend Payment (Note 7)	-	-	-	-	-	-	-	-	-	-	-	(76.220.703)	-	**(76.220.703)**
Sale of property, plant and equipment (Note 15)	-	-	(156.495)	-	-	-	-	-	-	-	-	156.495	-	-
Depreciation transfer of investments-in-associates - net		-	-	(34.664)	-	-	-	-	-	-	-	34.664	-	-
Total comprehensive income	-	-	59.625.938	920.314	(1.643.350)	(292.589)	11.305.223	1.219.692	661.077	-	-	-	62.235.907	**134.032.212**
Depreciation transfer - net (Note 15)	-	-	(3.370.952)	-	-	-	-	-	-	-	-	3.370.952	-	-
31 December 2015 (Period end)	**44.951.051**	**16.513.550**	**176.218.583**	**1.349.964**	**(6.782.907)**	**(1.446.068)**	**53.130.359**	**7.446.433**	**1.810.621**	**50.558.849**	**(5.537.877)**	**186.701.497**	**62.235.907**	**587.149.962**

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

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% (2014: 95%) 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% (2014: 37,95%) of its shares are quoted on the Borsa Istanbul ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 61,41% shares of the Company (2014: 61,41%) (Note 31).

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

Şehit Fethi Bey Caddesi No: 120
Alsancak/ İzmir

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

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

The financial statements of the Company are prepared according to the CMB announcement of 7 June 2013 relating to financial statements presentations. Prior period financial figures were restated, where necessary, accordingly.

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

The Company maintains its 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 FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.
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FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2015

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

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

2.2 Amendments in Turkish Financial Reporting Standards

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

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

- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014.These amendments include changes from the 2010 - 2012 and 2011-2013 cycle of the annual improvements project, that affect some standards:

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

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

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

- Amendment to TFRS 10 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 5 standards:

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

- Amendment to TAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports.

- 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.

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

2.3 Basis of consalidation

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.

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

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 2015 and 2014 (Note 4):

	Share/Voting Right (%)	
	2015	**2014**
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

The Company signed an agreement with Dimes Gıda Sanayii Ticaret A.Ş. ("Dimes") on 6 November 2015 for production and distribution of milk to schools across 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 the partnership will start after1 January 2016 and transactions related with ordinary partnership were not reflected to 31 December 2015 financial statements because of the materiality notion. With respect to the agreement, the project is to be completed within the first half of 2016.

Foreign currency translation

i) Transactions and balances

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

ii) Translation of financial statements of foreign associate

Financial statements of the investment-in-associate operating in Germany (Pınar Foods) are prepared according to the legislation of the country in which it operates, and adjusted to the financial reporting standards issued by the CMB. The assets and liabilities of foreign associate are translated into TL from the foreign exchange rates at the balance sheet date. The income and expenses of foreign associate are translated into TL at the average foreign exchange rates. As of 31 December 2015, equivalent of 1 Euro is TL3,1776 (2014: TL2,8207) and for the year then ended the average equivalent of 1 Euro TL3,0183 (2014: TL2,9049). 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.

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

2.4 Offsetting

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

2.5 Comparative Information

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

2.6 Summary of Significant Accounting Policies

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

2.6.1 Revenue

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

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement (Note 32).

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

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.

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, labne, packaged fruit juice, butter, sauces and yogurt; and other inventory mainly consist of spare part and pallet.

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

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

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, 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.

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

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

Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of property, plant and equipment are as follows:

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

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.

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

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 reincluded in the related income and expense accounts, as appropriate (Note 36). On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the to retained earnings.

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 companied 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.

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

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

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

  (i) Adverse changes in the payment status of borrowers in the portfolio; and
  (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated statement of comprehensive income.

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

- Assets classified as available for sale

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

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

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

Impairment of non-financial assets:

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

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

2.6.6 Borrowing and borrowing cost

Borrowings are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 37). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 25). Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. 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 masured annually. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.The Company does not have any financial asset held to maturity or fair value changes accounted through statements of income or expenses.

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

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.

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

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the financial assets, loans and receivables and financial assets held to maturity. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

ii. Recognition and measurement

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

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

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

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

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

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 The Company 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.

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.

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

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

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

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 The Company Companies, key management personnel and board members, and their close family members, in each case together with and companies controlled, jointly controlled or significantly influenced by them are considered and referred to as related parties (Note 7).

2.6.14 Segment reporting

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

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

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

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. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the lower of useful life or the lease period of the asset (Note 15).

Operating Leases

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

(2) The Company as the lessor

Operating Leases

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

2.6.16 Taxation on income

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

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

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date (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).

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

2.6.17 Statement of cash flow

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

2.6.18 Share capital and dividends

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

2.6.19 Government grants and incentive

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

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

2.6.20 Critical accounting estimates and judgments

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

a) Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made (Note 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 and fair value available-for-sale investments could be different when the purchase/ sales of the transactions incurred (Note 45).

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

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

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

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.

- 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.

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NOTE 3 - BUSINESS COMBINATIONS

None (2014: None).

NOTE 4 - INTERESTS IN OTHER ENTITIES

Investment in associates:

	31 December 2015		31 December 2014	
	TL	**%**	**TL**	**%**
YBP	50.112.244	31,82	38.605.503	31,82
Desa Enerji	11.357.242	30,52	9.471.409	30,52
Pınar Foods	6.036.580	44,94	4.920.369	44,94
	67.506.066		**52.997.281**	

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

	2015	**2014**
1 January	**52.997.281**	**45.947.804**
Share of profit before taxation of investments-in-associates - net	17.198.919	7.338.308
Increase in fair value reserves of associates - net	1.219.692	1.459.243
Dividend income from investments-in-associates (Note 7.ii.d)	(5.151.247)	(1.159.031)
Currency translation reserve	661.077	(195.142)
Increase in revaluation reserve in investment in associate - net	920.314	-
Actuarial loss arising from defined benefit plans investments-in associates	(292.589)	(361.489)
Elimination of net effect of unrealized profits on inventory	(47.381)	(32.412)
31 December	**67.506.066**	**52.997.281**

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NOTE 4 - INTERESTS IN OTHER ENTITIES (Continued)

Condensed financial statements of investments in associates are as follows;

	Assets	**Liabilities**	**Net Sales**	**Net Period Income**	**Other Comprehensive Income/ (Expense)**
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
- Pınar Foods	14.714.235	1.281.702	47.917.893	1.012.756	1.470.907
31 December 2014					
- YBP	337.668.988	215.475.046	1.426.923.988	18.588.412	3.450.304
- Desa Enerji	35.052.205	4.018.755	32.169.814	4.011.449	-
- Pınar Foods	12.166.505	1.217.753	48.918.524	443.213	(444.732)

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

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

NOTE 5 - SEGMENT REPORTING

None (2014: None).

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2015	**31 December 2014**
Cash in hand	54.979	43.612
Banks	243.740	2.350.016
- Demand deposits	243.740	190.016
- TL	243.740	167.381
- Foreign Currency	-	22.635
- Time deposit	-	2.160.000
- TL	-	2.160.000
	298.719	**2.393.628**

The Company has no time deposits as of 31 December 2015 (31 December 2014: time deposits are denominated in TL amounted to TL2.160.000 and all mature in less than one month with the effective weighted average interest rates of 9,95% per annum).

The Company has no foreign currency demand deposit as of 31 December 2015 (2014: USD9.761 amounting to TL22.635 foreign currency demand deposit). The Company have USD3.948 and EUR2.670 equivalent of TL19.963 foreign currency denominated cash and cash equivalents as of 31 December 2015 (2014: amounting to USD4.264 and EUR4.595 equivalent of TL of 22.849).

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NOTE 6 - CASH AND CASH EQUIVALENTS (Continued)

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

NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties:

	31 December 2015	31 December 2014
a) Trade receivables from related parties - current:		
YBP	114.266.138	106.206.315
Arev Gayrimenkul Yatırım ve Geliştirme Sanayi ve Ticaret Anonim Şirketi ("Arev")	-	30.100.000
YDT	14.310.242	11.797.648
	128.576.380	**148.103.963**
Less: Unearned finance income	(1.242.822)	(985.697)
	127.333.558	**147.118.266**

The effective weighted average interest rates applied to related party trade receivables are 11,36 % p.a. as of 31 December 2015 (2014: 8,55% p.a). Trade receivables due from related parties mature within two months (2014: three months). Short-term trade receivable from Arev as at 31 December 2015 is related with fixed asset sales.

As of 31 December 2015, trade receivables amounting to TL3.919.492 (2014: TL1.403.360), over which no provision for impairment is provided of overdue receivables and aging is shown Note 46.a.

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

	31 December 2015	31 December 2014
DYO Boya Fab. A.Ş. ("DYO Boya")	29.889	113.555
Viking Kağıt ve Selüloz A.Ş. ("Viking")	14.438	20.547
Other	-	11.334
	44.327	**145.436**

Other receivables of the Company from related parties consist of receivables related with bail commission charges.

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

	31 December 2015	31 December 2014
c) Trade payables to related parties - current:		
Yadex International GmbH ("Yadex")	9.183.773	16.915.089
Çamlı Yem	4.569.567	2.959.555
Yaşar Holding	2.890.262	2.663.891
Desa Enerji	2.486.475	4.393.861
Other	1.412.023	1.031.142
	20.542.100	**27.963.538**
Less: Unincurred finance cost	(79.538)	(55.646)
	20.462.562	**27.907.892**

TL9.183.773 (2014: TL16.915.089) 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 2015, the effective weighted average interest rate applied to those payables is 11,40% (2014: 8,58% and maturity is 2 months (2014: 2 months).

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

	31 December 2015	31 December 2014
YBP (*)	18.480.994	13.355.559
Pınar Et	9.418.107	-
Other (**)	3.223.892	1.416
	31.122.993	**13.356.975**

(*) As of 31 December 2015, the Company has trade payables to YBP amounting to TL18.480.994 (2014: TL13.355.559) which are non-trade and the effective weighted average interest rate applied to those receivables is 12% p.a. (2014:10%). Company management expects to collect other receivables from YBP between three to twelve months.

(**) Non-trade payables to related parties consist of the board allocation to be paid pursuant to the decision taken at the Ordinary Meeting of the General Assembly held on March 26, 2015.

ii) Transaction with related parties:

	1 January - 31 December 2015	1 January - 31 December 2014
a) Product sales:		
YBP	862.889.474	784.446.039
YDT	123.953.781	112.583.334
Pınar Et	760.255	604.643
Other	149.570	103.558
	987.753.080	**897.737.574**

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 The Company Companies.

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

	1 January - 31 December 2015	1 January - 31 December 2014
b) Service sales:		
YDT	3.290.626	3.025.829
YBP	571.266	498.535
Pınar Et	410.265	287.338
Çamlı Yem	389.939	312.372
Other	299.691	294.487
	4.961.787	**4.418.561**

c) Financial income and income from investment activities:

YDT	4.220.469	2.561.413
Yaşar Holding	1.405.925	998.018
DYO Boya	72.533	102.050
Viking	49.551	61.421
Çamlı Yem	11.004	14.993
Arev	-	19.687.500
	5.759.482	**23.425.395**

The majority of finance income consists of bail commission charges which is closed at total 2015 amounting to TL1.515.966 (2014: TL1.028.376), for the borrowings obtained by Yaşar Group Companies from international capital markets and financial institutions with the guarantee of The Company which has closed as of 8 December 2014 (Note 37). The commission rates of bail and financing used in the associated intercompany charges is 0,50 % p.a. (2014: 0,50% p.a.). The majority of operating income consist of foreign exchange gain from the operation of YDT. Financial income from investment activities as of 31 December 2014 mainly consist of interest income related to receiavbles from Yaşar Holding and Dyo Boya and sale of property, plant and equipment to Arev amounting to TL19.687.500 (Note 15).

d) Dividends received:

YBP (*)	5.151.247	1.159.031
Pınar Et	3.162.016	4.088.814
Bintur	5.055	2.746
	8.318.318	**5.250.591**

(*) Investment-in-associate (Note 4).

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

	1 January - 31 December 2015	1 January - 31 December 2014
e) Other income from related parties:		
Çamlı Yem	916.940	861.083
YBP	835.471	987.320
Other	4.533	13.794
	1.756.944	**1.862.197**

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

f) Product purchases:

Yadex	23.540.139	38.144.117
Desa Enerji	14.624.937	14.007.562
Çamlı Yem	10.059.742	10.297.221
Hedef Ziraat	3.507.233	3.807.419
Other	161.956	130.650
	51.894.007	**66.386.969**

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	11.820.820	11.274.895
YBP	5.201.803	5.446.928
YDT	4.633.065	4.262.297
Bintur	704.315	692.899
HDF	679.091	365.649
Other	415.705	194.569
	23.454.799	**22.237.237**

Service purchases from YBP are related to promotion and advertisement. 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	149.014	249.375
Other	17.099	1.562
	166.113	**250.937**

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

	1 January - 31 December 2015	1 January - 31 December 2014
i) Financial and other operating expenses:		
YBP	1.365.451	958.513
YDT	1.095.510	1.330.428
Pınar Et	799.551	222.332
Çamlı Yem	259.872	272.204
Desa Enerji	223.417	192.420
Yaşar Holding	207.841	79.902
Other	106.243	108.138
	4.057.885	**3.163.937**

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

j) Dividends to related parties (*):

Yaşar Holding	44.718.321	29.536.175
Other	3.429.051	19.188
	48.147.372	**29.555.363**

(*) On Ordinary General Assembly Meeting for the year 2014 as of 26 March 2015, it has been decided to distribute dividend amounting to TL76.220.703 (2014: TL48.097.625). TL28.073.331 portion of this dividend (2014: TL18.542.262) was paid to other shareholders.

k) Sales of property, plant and equipment:

Arev (*)	-	34.100.000
Pınar Su	-	1.200
	-	**34.101.200**

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

l) Donations:

Yaşar Eğitim Vakfı	336.275	861.203
Yaşar Üniversitesi	350.000	-
	686.275	**861.203**

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

m) Key management compensation:

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

	1 January - 31 December 2015	1 January - 31 December 2014
Total short-term employee benefits	7.776.407	3.864.132
Severance benefit	7.019	97.365
Other long-term benefits	95.856	67.637
	7.879.282	**4.029.134**

n) Bails given to related parties:

Pınar Süt, Pınar Et, YBP, Çamlı Yem and DYO Boya have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets at 6 November 2014, amounting to USD250.000.000 equivalent of TL726.900.000 (31 December 2014: USD250.000.000 equivalent of TL579.725.000) due 6 May 2020. An Indemnity Agreement was signed between Yaşar Holding and the abovementioned guarantors on 3 November 2014, which states that in an occurrence of an event where a guarantor makes a payment related with the guarantee provided; Yaşar Holding will indemnify the paying guarantor. If Yaşar Holding fails to indemnify the paying guarantor, each of the guarantors will indemnify the paying guarantor by 1/5 of the payment amount.

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

o) Bails received from related parties:

Received bails are related with guarantee letter amounting to TL10.080.901 guarantees provided by YBP. (31 December 2014: guarantees provided by YBP related with guarantee letters amounting to TL4.699.487).

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	31 December 2015	31 December 2014
a) Short-term trade receivables:		
Customer current accounts	3.286.474	5.905.316
Cheques and notes receivable	8.279.786	4.022.627
	11.566.260	**9.927.943**
Less: Provision for impairment of receivables	(489.856)	(464.722)
Unearned finance income	(199.352)	(69.207)
	10.877.052	**9.394.014**

The effective weighted average interest rate on TL denominated trade receivables is 11,32% p.a. as of 31 December 2015 (2014: 8,44% p.a.) and maturing within 2 months (2014: 2 months).

The agings of trade receivables as of 31 December 2015 and 2014 are as follows;

Overdue	510.922	295.544
0 - 30 days	4.302.142	5.286.563
31 - 60 days	2.817.251	2.134.101
61 - 90 days	-	955.156
91 + days	3.246.737	722.650
	10.877.052	**9.394.014**

The Company does not expect any collection risk regarding its trade receivables overdue but not impaired amounting to TL510.922 as of 31 December 2015 (2014: TL295.544) considering its past experience and subsequent collections (Note 46.a).

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

0 - 3 months overdue	**510.922**	**295.544**

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

	2015	2014
1 January	**464.722**	**467.649**
Collection		
Charged to consolidated statement of	-	(2.927)
comprehensive income (Note 35.b)	25.134	-
31 December	**489.856**	**464.722**

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

b) Short-term trade payables:

	31 December 2015	31 December 2014
Supplier current accounts	156.113.174	140.427.817
Cheques	2.922.295	2.355.477
	159.035.469	142.783.294
Less: Unincurred finance cost	(1.286.377)	(977.287)
	157.749.092	**141.806.007**

As of 31 December 2015 and 2014, the effective weighted average interest rates used in unincurred finance cost calculation for short-term trade payables including TL, USD and EUR denominated liabilities are as follows:

TL trade payable	%11,32	%8,49
USD trade payable	%2,36	%2,26
EUR trade payable	%2,50	%2,27

Trade payables mature within two months (2014: two months).

c) Long-term trade payables:

Supplier current accounts	26.813.819	31.476.564
	26.813.819	**31.476.564**

Long-term trade payables are comprised of payables regarding property, plant and equipment purchases that are amounting to EUR8.438.387 as of 31 December 2015 (2014: EUR11.159.132). The effective weighted average interest rate for trade payables is 2,33% p.a. (2014: 2,26% p.a.).

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

2016	-	11.952.760
2017	11.324.069	9.471.505
2018	7.966.929	6.504.120
2019	7.215.400	3.548.179
2020	307.421	-
	26.813.819	**31.476.564**

NOTE 9 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2014: None).

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NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2015	31 December 2014
a) Other short-term receivables:		
Value Added Tax ("VAT") receivable	1.563.737	2.592.618
Deposits and guarantees given	419.885	5.631
Receivables from insurance companies	225.262	225.262
Receivables from personnel	1.926	19.648
Other	146.152	110.388
	2.356.962	**2.953.547**
b) Other long-term receivables:		
Deposits and guarantees given	13.359	13.359
	13.359	**13.359**
c) Other short-term payables:		
Taxes and funds payable	1.567.455	1.513.857
Deposits and guarantees received	3.000	35.000
Other	165.610	164.672
	1.736.065	**1.713.529**
d) Other long-term payables:		
Deposits and guarantees received	-	44.622
	-	**44.622**

NOTE 11 - INVENTORIES

	31 December 2015	31 December 2014
Raw materials	31.657.651	35.126.603
- Raw materials	28.808.380	30.137.534
- Raw materials in transit	2.849.271	4.989.069
Work-in-progress	31.390.257	29.081.092
Finished goods	42.160.283	27.464.591
Spare parts and palettes	6.800.064	4.750.377
	112.008.255	**96.422.663**

The costs of inventories recognized as expense and included in cost of sales amounted to TL729.550.934 (2014: TL677.752.549) (Note 29). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell as of 31 December 2015.

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NOTE 12 - BIOLOGICAL ASSETS

None (2014: None).

NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2015	31 December 2014
a) Prepaid expenses - current		
Prepaid expenses	4.977.685	3.679.534
Advances given	89.703	294.412
	5.067.388	**3.973.946**
b) Prepaid expenses - non-current		
Advances given	2.962.521	1.003.597
	2.962.521	**1.003.597**
c) Short-term deferred income		
Advances received	185.820	155.552
	185.820	**155.552**

NOTE 14 - INVESTMENT PROPERTY

None (2014: None).

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2015 Opening	Additions	Disposals	Transfers	Accumulated Depreciation Netting Before Valuation	Revaluation Increase/ (Decrease)	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 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 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 at 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)

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

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

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

There are no mortgages or other collaterals placed on property, plant and equipment as of 31 December 2015 (2014: None)

Current year's depreciation and amortization charges were allocated to cost of goods sold by TL16.180.953 (2014: TL11.204.200), to the cost of inventories by TL817.068 (2014: TL738.264), to selling and marketing expenses by TL1.857.492 (2014: TL1.720.716) (Note 34), to general administrative expenses by TL2.119.600 (2014: TL2.125.571) (Note 34) , to research and development expenses by TL514.159 (2014: TL417.487) (Note 34).

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

	2015	2014
1 January	**120.120.092**	**134.799.798**
Disposal of revaluation funds due to sale of property, plant and equipment -net	(156.495)	(11.287.899)
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements	59.625.938	-
Depreciation transfer upon revaluation reserve - net	(3.370.952)	(3.391.807)
31 December	**176.218.583**	**120.120.092**

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 2015 and 2014 are as follows:

	Land	Land improvements and buildings	Machinery and equipment
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**
31 December 2014:			
Cost	9.068.782	65.091.114	204.668.726
Less: Accumulated depreciation	-	(18.299.410)	(86.923.741)
Net book value	**9.068.782**	**46.791.704**	**117.744.985**

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

None (2014:None).

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

None (2014: None).

NOTE 18 - INTANGIBLE ASSETS

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

	1 January 2015 Opening	Additions	Disposal	31 December 2015 Closing
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**			**904.976**

	1 January 2014 Opening	Additions	31 December 2014 Closing
Costs:			
Rights	10.446.673	337.443	10.784.116
Accumulated amortization	(9.633.158)	(384.506)	(10.017.664)
Net book value	**813.515**		**766.452**

NOTE 19 - GOODWILL

None (2014: None).

NOTE 20 - EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

None (2014: None).

NOTE 21 - LEASING

Please see Note 15.

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NOTE 22 - SERVICE CONCESSION AGREEMENTS

None (2014: None).

NOTE 23 - IMPAIRMENT IN ASSETS

None (2014: None).

NOTE 24 - GOVERNMENT GRANTS AND INCENTIVES

During 2015, 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
TL4.909.770 government incentive. The relevant incentive amount was reflected to the statement of comprehensive income by netting off against the cost of sales (2014: TL3.565.000).

Also in scope of Turquality Project implemented by Undersecreteriat of Foreign Trade to support brandization of products made in Turkey in foreign markets and to settle the image of Turkish goods, the Company was provided TL1.163.580 (2014: TL1.271.667) 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 October 2015 and TL1.640.100 was recorded as government grant. Exports of milk powder will continue in 2016.

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 2015	31 December 2014
Short-term bank borrowings	15.274.043	1.074.614
Short-term portion of long-term bank borrowings	4.021.656	4.029.704
Short-term financial liabilities and derivative assets - net	**19.295.699**	**5.104.318**
Long-term bank borrowings	2.000.000	6.000.000
Long-term financial liabilities and other financial assets	**2.000.000**	**6.000.000**
	21.295.699	**11.104.318**

NOTE 25 - BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average interest rate p.a. %		Original currency		TL equivalent	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Short-term bank borrowings:						
TL borrowings (*)	-	-	736.043	1.074.614	736.043	1.074.614
USD borrowings (*)	1,28	-	5.000.000	-	14.538.000	-
Short-term portion of long-term bank borrowings:						
Short-term portion of long term TL borrowings (**)	14,44	14,44	4.021.656	4.029.704	4.021.656	4.029.704
Total short-term borrowings					**19.295.699**	**5.104.318**
Long-term bank borrowings:						
TL borrowings (**)	14,44	14,44	2.000.000	6.000.000	2.000.000	6.000.000
Total long-term bank borrowings					**2.000.000**	**6.000.000**

(*) As of 31 December 2015 and 2014 TL denominated short-term bank borrowings comprised of spot loans without interest charges. As of 31 December 2015 USD short-term loans consist of export credits.

(**) As of 31 December 2015 and 31 December 2014, TL denominated long term bank borrowings consist of loans with a fixed interest rate of 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 bank borrowings at 31 December 2015 and 2014 is as follows:

	31 December 2015	31 December 2014
2016	-	4.000.000
2017	2.000.000	2.000.000
	2.000.000	**6.000.000**

31 December 2015 and 2014 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 2015:	
Bank borrowings with fixed rates	20.559.656
Bank borrowings without interest	736.043
Total	**21.295.699**
- 31 December 2014:	
Bank borrowings with fixed rates	10.029.704
Bank borrowings without interest	1.074.614
Total	**11.104.318**

There is no floating interest rate borrowing as of 31 December 2015 (31 December 2014: None).

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

	Carrying Amounts		Fair Values	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Bank borrowings	21.295.699	11.104.318	21.381.048	11.477.847

The fair values are based on cash flows discounted using the rates based on the borrowing rates of 11.08% p.a. and 1.73% p.a for TL and USD denominated bank borrowings, respectively (31 December 2014: 10,27% p.a. for TL denominated bank borrowings).

NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2015	31 December 2014
a) Guarantees Given:		
Bails	797.513.333	673.748.332
Letters of guarantee	49.761.625	15.884.948
	847.274.958	**689.633.280**

Pınar Süt, Pınar Et, YBP, Çamlı Yem and DYO Boya have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets at 6 November 2014, amounting to amounting to USD250.000.000 equivalent of TL726.900.000 (31 December 2014: USD250.000.000 equivalent of TL579.725.000) due 6 May 2020. An Indemnity Agreement was signed between Yaşar Holding and the abovementioned guarantors on 3 November 2014, which states that in an occurrence of an event where a guarantor makes a payment related with the guarantee provided; Yaşar Holding will indemnify the paying guarantor. If Yaşar Holding fails to indemnify the paying guarantor, each of the guarantors will indemnify the paying guarantor by 1/5 of the payment amount.

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

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

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

	31 December 2015			31 December 2014		
	Currency	**Amount**	**TL Equivalent**	**Currency**	**Amount**	**TL Equivalent**
CPM provided by the Company:						
A. Total amount of CPM given for the Company's own legal personality	TL	49.761.625	49.761.625	TL	15.884.948	15.884.948
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			**797.513.333**			**673.748.332**
i. Total amount of CPM given on behalf of the majority shareholder			**726.900.000**			**579.725.000**
	USD	*250.000.000*	*726.900.000*	*USD*	*250.000.000*	*579.725.000*
ii. Total amount of CPM given to behalf of other the Company companies which are not in scope of B and C			**70.613.333**			**94.023.332**
	EUR	*22.222.222*	*70.613.333*	*EUR*	*33.333.333*	*94.023.332*
iii. Total amount of CPM given on behalf of third parties which are not in scope of C		-	-		-	-
TOTAL			**847.274.958**			**689.633.280**
The ratio of total amount of other CPM to Equity			%136			%127

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

	31 December 2015	**31 December 2014**
d) Guarantees received:		
Bails	10.080.901	8.640.930
Letters of guarantee	7.601.856	4.222.265
Guarantee notes	5.282.455	3.200.118
Guarantee cheques	823.743	690.023
Mortgages	75.000	75.000
	23.863.955	**16.828.336**

Received bails are related with guarantee letter amounting to TL10.080.901 guarantees provided by YBP (31 December 2014: TL4.699.487).

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

Guarantees Received	EUR	1.346.200
	USD	465.017

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

Guarantees Received	EUR	190.115
	USD	596.317

e) Major litigations

Based on the result of the tax inspection by Ministry of Finance, İzmir Hasan Tahsin Tax Office initiated a legal action against the Company and charged tax penalties amounting to TL3.835.663 comprising of TL1.723.468 VAT penalty and TL2.112.195 tax loss penalty for the transactions in fiscal years in between 2006 and 2011. The Company applied to İzmir Tax Court for cancellation of those tax penalties and except for the lawsuit regarding inconsistency, they were lost. The Company has appealed to a higher court to suspend the execution within the legal time. On the other hand assessments regarding the cases after 2011 has canceled. Despite the tax office appealed a higher court for this decision, 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.

NOTE 27 - COMMITMENTS

As of 31 December 2015, the Company has purchase commitments of 713 tons of concentrated fruit juice equivalent of TL3.439.243, packaging materials amounting to USD503.499 equivalent of TL1.463.975 (2014: 1.545 tons of concentrated fruit juice equivalent of TL3.981.092, packaging materials amounting to and USD503.499 equivalent of TL1.167.564 and tomato paste amounting to TL477.120).

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NOTE 28 - EMPLOYEE BENEFITS

a) Payables due to employee benefits

	31 December 2015	31 December 2014
Social security premiums payable	1.319.445	1.125.183
Payable to personnel	107.303	85.740
	1.426.748	**1.210.923**

b) Short-term provisions due to employee benefits

Year-end bonus provision to top management	910.040	910.040
Provision for seniority incentive bonus	410.031	174.482
	1.320.071	**1.084.522**

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

	2015	2014
1 January	**910.040**	**1.225.457**
Year-end bonus payment	-	(315.417)
31 December	**910.040**	**910.040**

c) Long-term provisions due to employee benefits

Provision for employment termination benefits	14.322.537	11.839.581
Provision for seniority incentive bonus	689.407	635.443
	15.011.944	**12.475.024**

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

The amount payable consists of one month's salary limited to a maximum of TL3.828,37 for each year of service as of 31 December 2015 (31 December 2014: TL3.438,22). The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions.

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

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

	31 December 2015	31 December 2014
Discount rate (%)	**3,95**	**3,95**
Probability of retirement (%)	**97,33**	**97,16**

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

	2015	2014
1 January	**11.839.581**	**10.165.237**
Interest costs	1.310.512	1.083.322
Actuarial losses	2.054.188	1.472.871
Paid during the year	(2.120.269)	(1.944.109)
Annual charge	1.238.525	1.062.260
31 December	**14.322.537**	**11.839.581**

The total of interest cost, actuarial losses and increase during the year amounting to TL4.603.225 (2014: TL3.618.453) was included in general administrative costs amounting to TL2.549.037 (2014: TL2.145.582) (Note 34.b) and other comprehensive income amounting to TL2.054.188 (2014: TL1.472.871).

NOTE 29 - EXPENSES BY NATURE

	1 January - 31 December 2015	1 January - 31 December 2014
Direct material costs	729.550.934	677.752.549
Staff costs	58.464.177	51.035.190
Utilities	32.450.734	26.278.909
Advertisement	31.055.663	32.137.008
Depreciation and amortization	21.410.468	16.292.577
Repair and maintenance	29.619.417	24.333.236
Consultancy charges	12.324.166	11.479.856
Other	42.385.178	47.066.842
	957.260.737	**886.376.167**

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NOTE 30 - OTHER ASSETS AND LIABILITIES

	31 December 2015	31 December 2014
a) Other current assets:		
Deferred Value Added Tax	12.981.090	11.710.467
Income accrual	6.948.001	5.141.936
Other	4.087	5.265
	19.933.178	**16.857.668**

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

b) Other current liabilities

Expense accruals	139.467	324.390
	139.467	**324.390**

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 2015 and 2014 is as follows:

	31 December 2015	31 December 2014
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 2015 and 2014 were as follows:

	31 December 2015		31 December 2014	
Shareholder	**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 (2014: 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 2015, there are 4.495.105.125 (2014: 4.495.105.125) units of shares each with a face value of Kr1 (2014: 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 access 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 2015, the restricted reserves of the Company amount to TL50.558.849 (2014: TL43.161.534). The unrestricted reserves of the Company, amounting to TL57.358.544 (2014: TL53.900.340), 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 II-19.1settled by CMB on 1 February 2014 and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of associations. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on financial statements of the company.

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.

Based on the decision of General Assembly meeting on 26 March 2015, the Company has decided to distribute TL76.220.703 of the distributable net profit for the year ended as dividend and payments to boards; by two equal installments at 29 May 2015 and 30 September 2015. In context of this dividend distribution decision, the Company separated TL7.397.315 as "Restricted Reserve". There is not any profit distribution decision for 2015 since General Assembly Meeting has not been conducted yet.

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NOTE 32 - REVENUE AND COST OF SALES

	1 January - 31 December 2015	**1 January - 31 December 2014**
Domestic sales	1.219.474.081	1.126.425.520
Export sales	123.953.781	112.583.334
Merchandise goods sales	1.641.934	11.132.066
Gross Sales	1.345.069.796	1.250.140.920
Less: Discounts	(303.554.377)	(280.386.484)
Returns	(30.310.774)	(29.284.848)
Net sales	**1.011.204.645**	**940.469.588**
Cost of merchandise goods sold	(1.620.352)	(11.151.790)
Cost of goods sold	(847.160.685)	(771.607.454)
Cost of sales	**(848.781.037)**	**(782.759.244)**
Gross Profit	**162.423.608**	**157.710.344**

NOTE 33 - CONSTRUCTIONS CONTRACTS

None (2014: None).

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

	1 January - 31 December 2015	**1 January - 31 December 2014**
a) Marketing expenses:		
Advertisement	31.055.663	32.137.008
Staff costs	7.149.038	6.053.797
Transportation	1.374.797	3.694.401
Consultancy	5.295.847	4.924.546
Outsourced services	5.026.423	4.210.925
Maintenance	4.671.193	3.568.260
Depreciation and amortization	1.857.492	1.720.716
Rent	1.153.511	1.383.953
Other	7.826.127	6.717.835
	65.410.091	**64.411.441**

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

	1 January - 31 December 2015	1 January - 31 December 2014
b) General administrative expenses:		
Staff costs	11.583.065	10.570.076
Consultancy charges	7.028.319	6.555.310
Outsourced services	3.217.292	2.702.550
Employment termination benefits	2.549.037	2.145.582
Depreciation and amortization	2.119.600	2.125.571
Taxes (Corporate Tax excluded)	1.891.384	2.056.132
Repair and maintenance	1.506.692	1.317.614
Energy	972.839	1.053.314
Other	3.023.466	3.085.579
	33.891.694	**31.611.728**

c) Research and development expenses:

Staff costs	3.772.729	3.058.336
Repair and maintenance	2.501.630	1.999.045
Outsourced services	1.454.589	1.217.682
Depreciation and amortization	514.159	417.487
Other	934.808	901.204
	9.177.915	**7.593.754**

NOTE 35 - OTHER OPERATING INCOME/ EXPENSES

	1 January - 31 December 2015	1 January - 31 December 2014
a) Other operating income:		
Foreign exchange gain	3.129.730	3.582.737
Income from sales of scrap	2.974.577	2.210.558
Rent income	1.739.145	1.828.512
Unearned financial income on term purchases	332.981	476.235
Other	615.598	196.780
	8.792.031	**8.294.822**

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NOTE 35 - OTHER OPERATING INCOME/ EXPENSES (Continued)

	1 January - 31 December 2015	1 January - 31 December 2014
b) Other operating expense:		
Foreign exchange loss	(5.256.209)	(2.911.103)
Interest expense	(1.870.635)	(1.773.747)
Auxiliary material and scrap sales	(1.619.409)	(1.170.432)
Donations	(696.107)	(915.979)
Unearned financial expense on term sales	(387.270)	(239.969)
Provision for doubtful receivables	(25.134)	-
Other	(2.221.524)	(2.751.446)
	(12.076.288)	**(9.762.676)**

NOTE 36 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2015	1 January - 31 December 2014
a) Income from investment activities:		
Dividend income (*)	3.167.071	4.091.560
Interest income from other receivables from related parties	-	226.629
Income from sales of property, plant and equipment	24.989	20.386.659
	3.192.060	**24.704.848**

(*) Note 7.ii.d.

b) Expense from investment activities:

Loss from sales of property, plant and equipment	(1.040.641)	(1.183.861)
	(1.040.641)	**(1.183.861)**

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

NOTE 37 - FINANCIAL INCOME AND EXPENSES

	1 January - 31 December 2015	1 January - 31 December 2014
Finance income:		
Bail income from related parties	1.515.966	1.028.376
Foreign exchange gain	1.066.594	240.496
Interest income	57.902	135.350
	2.640.462	**1.404.222**
Finance expense:		
Late interest expense	(2.262.662)	(1.148.330)
Foreign exchange loss	(1.697.850)	(395.315)
Interest expense	(906.221)	(609.583)
Bail expense from related parties	(16.567)	(32.516)
Other	(178.178)	(146.061)
	(5.061.478)	**(2.331.805)**

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

None (2014: None).

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

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

	31 December 2015	31 December 2014
Corporation taxes currently payable	2.772.271	2.868.299
Less: Prepaid corporate tax	(1.430.092)	(1.303.971)
Current income tax liabilities	**1.342.179**	**1.564.328**

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

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

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

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

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

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

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

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

According to Turkish Corporate Income Tax Law numbered 5520, effective from 21 June 2006, a 75% portion of the gains derived from the sales of preferential rights, usufruct shares and founding shares from investment equity and real 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.

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

Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred , will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

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

	1 January - 31 December 2015	**1 January - 31 December 2014**
Current corporation tax expense	(2.772.271)	(2.868.299)
Deferred tax income	(2.580.795)	7.387.242
Taxation on income	**(5.353.066)**	**4.518.943**

The reconciliation of tax expense is as follows:

Profit before tax	**67.588.973**	**82.557.279**
Tax calculated at tax rates applicable to the profit	(13.517.795)	(16.511.456)
Expenses not deductible for tax purposes	(195.161)	(186.417)
Tax effect upon the results of investments-in-associates	3.439.784	1.467.662
Income tax due to dividends received from available-for-sale investments	632.403	818.312
Utilized investment incentive during period	6.895.900	14.269.149
Recognition of deferred income tax asset / (liability) on investment incentive	(2.634.084)	6.344.341
Other	25.887	(1.682.648)
Total taxation on income	**(5.353.066)**	**4.518.943**

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% (2014: 20%).

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

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

	31 December 2015		**31 December 2014**	
	Cumulative temporary differences	**Deferred income tax assets/ (liabilities)**	**Cumulative temporary differences**	**Deferred income tax assets/ (liabilities)**
Revaluation of property, plant and equipment	196.346.148	(20.127.565)	138.054.452	(17.934.360)
Difference between carrying values (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	59.854.644	(12.158.437)	56.897.508	(11.567.010)
Difference between carrying value and tax bases of available-for-sale investments	57.270.227	(2.614.391)	45.356.475	(2.012.615)
Unused tax credits (*)	(59.782.773)	19.884.538	(80.983.734)	24.950.642
Provision for employment termination benefits	(14.322.537)	2.864.507	(11.839.581)	2.367.916
Other	1.896.830	(379.366)	312.870	(62.574)
Deferred tax assets		22.749.045		27.318.558
Deferred tax liabilities		(35.279.759)		(31.576.559)
Deferred tax liabilities - net		**(12.530.714)**		**(4.258.001)**

(*) The Company has investment incentive certificate relating with modernization, extension and new investment at Şanlıurfa, Eskişehir and İzmir facilities. As of 31 December 2015, 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 TL19.884.538 (2014: TL24.950.642).

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

	31 December 2015	**31 December 2014**
1 January	**(4.258.001)**	**(11.370.272)**
Credited to statement of comprehensive income	(2.580.795)	7.387.242
Charged to actuarial gain/loss arising from defined benefit plans	410.838	294.574
Charged to fair value reserve of available-for-sale investments	(597.135)	(569.545)
Calculated on revaluation fund	(3.073.589)	-
Cash refunds of taxes paid in past years (*)	(2.432.032)	-
31 December	**(12.530.714)**	**(4.258.001)**

(*) 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 TL2.432.032 received by cash.

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NOTE 40 - EARNINGS PER SHARE

		1 January - 31 December 2015	1 January - 31 December 2014
Profit for the period	A	62.235.907	87.076.222
Weighted average number of shares with a Kr1 face value (Note 31)	B	4.495.105.125	4.495.105.125
Earnings per 100 shares with a Kr 1 face value	**A/ B**	**1,3845**	**1,9371**

There are no differences between basic and diluted earnings per share. As of 31 December 2015, Board of Directors did not account any dividend.

NOTE 41 - SHARE BASED PAYMENTS

None (2014: None).

NOTE 42 - INSURANCE CONTRACTS

None (2014: None).

NOTE 43 - REPORTING IN HYPERINFLATIONARY ECONOMIES

Please see Note 2.

NOTE 44 - DERIVATIVE FINANCIAL INSTRUMENTS

None (2014: None).

NOTE 45 - FINANCIAL INSTRUMENTS

Available - for sale investments:

	31 December 2015		31 December 2014	
	TL	%	TL	%
Pınar Et	61.484.371	12,58	49.719.980	12,58
Çamlı Yem	13.365.502	5,47	12.552.179	5,47
Pınar Su	3.871.418	8,77	4.600.815	8,77
YDT	581.039	1,76	540.446	1,76
Bintur	101.755	1,33	88.307	1,33
Other	19.361	-	19.361	-
	79.423.446		**67.521.088**	

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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 2015 and 2014 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 2015 and 2014 are as follows:

	Discount rate		Growth Rate	
	2015	2014	2015	2014
Bintur	%11,24	%12,06	%1	%1
YDT	%11,24	%9,78	%0	%0
Çamlı Yem	%8,11	%8,74	%2	%2

The movements of available-for-sale investments in 2015 and 2014 were as follows:

	2015	2014
1 January	**67.521.088**	**56.148.218**
Fair value gain/ (loss)		
Pınar Et	11.764.391	8.831.839
Pınar Su	(729.397)	1.009.935
YDT	40.593	6.006
Bintur	13.448	13.823
Çamlı Yem	813.323	1.511.267
31 December	**79.423.446**	**67.521.088**

The movements of available-for-sale investments in 2015 and 2014 were as follows:

1 January	**41.825.136**	**31.021.811**
Change in fair value of Pınar Et	11.764.391	8.831.839
Change in fair value of Çamlı Yem	813.323	1.511.267
Change in fair value of Pınar Su	(729.397)	1.009.935
Change in fair value of Bintur	13.448	13.823
Change in fair value of YDT	40.593	6.006
Deferred income tax on fair value reserve of available-for-sale investments (Note 39)	(597.135)	(569.545)
31 December	**53.130.359**	**41.825.136**

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

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

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

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

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

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risks arises from cash and cash equivalents, deposits in banks and financial intuitions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Majority of the Company's sales in domestic market are made to its investments in associate, YBP, and its exports are made to YDT which are both Yaşar The Company Companies. In line with past experiences and current condition trade receivables are monitored by the Company Management and necessary provisions for impairment is recognized. The Company management believes that credit risk arises from receivables is well managed. The Company management believes that there is no risk for non-trade receivables from related parties since they are mainly comprised of receivables from shareholders (Note 7.i.b). The credit risk analysis of the Company as of 31 December 2015 and 2014 are as follows:

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

31 December 2015	**Receivables**				
	Trade Receivables (1)		**Other Receivables**		
	Related Parties	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**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	-	-	-	-	-

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

31 December 2014	**Receivables**				
	Trade Receivables (1)		**Other Receivables**		
	Related Parties	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**147.118.266**	**9.394.014**	**145.436**	**2.953.547**	**2.350.016**
- The part of maximum credit risk covered with guarantees	238.190	743.541	-	-	-
A. Net book value of financial assets not due or not impaired	145.714.906	9.098.470	145.436	2.953.547	2.350.016
B. Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired (3)	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)	1.403.360	295.544	-	-	-
- The part covered by guarantees	128.193	232.000	-	-	
D. Net book value of assets impaired	-	-	-	-	-
- Past due amount (gross book value)	-	464.722	-	-	-
- Collateral held as security and guarantees received	-	(464.722)	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Collateral held as security and guarantees received -	-	-	-	-	-
E. Off-balance items exposed to credit risk-	-	-	-	-	-

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

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

31 December 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
The part of credit risk covered with guarantees	-	*77.749*	*77.749*
	3.919.492	**510.922**	**4.430.414**

31 December 2014	**Receivables**		
	Related Parties	**Third Parties**	**Total**
Past due 1 - 30 days	1.294.241	279.620	1.573.861
Past due 1 - 3 months	109.119	15.924	125.043
The part of credit risk covered with guarantees	*128.193*	*232.000*	*360.193*
	1.403.360	**295.544**	**1.698.904**

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.

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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**

	31 December 2014				
	Carrying Value	Total Cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contractual maturity dates:					
Financial Liabilities					
Financial liabilities	13.367.053	15.110.241	347.569	8.134.755	6.627.917
Trade Payable	201.190.463	204.470.773	154.705.156	16.989.994	32.775.623
Other payables	13.401.597	14.770.542	-	14.725.920	44.622
	227.959.113	**234.351.556**	**155.052.725**	**39.850.669**	**39.448.162**

c) Market risk:

i) Foreign exchange risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities. The Company minimizes the risk through balancing foreign currency denominated assets and liabilities. These risks are monitored by analyses of the foreign currency position. Current risks are discussed by the Audit Committee and the Board of Directors regularly and the foreign exchange rates relevant to the foreign currency position of the Company are mentioned. When necessary derivative financial instruments (swap contracts) are used as a tool to hedge foreign exchange risk.

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

	Foreign Currency Position							
	31 December 2015				31 December 2014			
	TL Equivalent	USD	EUR	Other (TL Equivalent)	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Receivables	12.990.525	4.423.385	31.819	27.983	10.248.260	4.376.292	23.391	34.097
2a. Monetary Financial Assets (Cash, Bank accounts included)	19.963	3.948	2.670	-	45.484	14.025	4.595	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current Asset (1+2+3)	**13.010.488**	**4.427.333**	**34.489**	**27.983**	**10.293.744**	**4.390.317**	**27.986**	**34.097**
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)	**13.010.488**	**4.427.333**	**34.489**	**27.983**	**10.293.744**	**4.390.317**	**27.986**	**34.097**
10. Trade Payables	24.728.728	3.175.190	4.876.808	-	37.384.257	8.379.819	6.364.482	-
11. Financial Liabilities	19.269.537	6.627.300	-	-	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**43.998.265**	**9.802.490**	**4.876.808**	**-**	**37.384.257**	**8.379.819**	**6.364.482**	**-**
14. Trade Payables	26.813.819	-	8.438.387	-	31.476.564	-	11.159.132	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a.Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**26.813.819**	**-**	**8.438.387**	**-**	**31.476.564**	**-**	**11.159.132**	**-**
18. Total Liabilities (13+17)	**70.812.084**	**9.802.490**	**13.315.195**	**-**	**68.860.821**	**8.379.819**	**17.523.614**	**-**
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)	**(57.801.596)**	**(5.375.157)**	**(13.280.706)**	**27.983**	**(58.567.077)**	**(3.989.502)**	**(17.495.628)**	**34.097**
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (TFRS 7.B23) (=1+2a+3+5+6a-10-11-12a-14-15-16a)	**(57.801.596)**	**(5.375.157)**	**(13.280.706)**	**27.983**	**(58.567.077)**	**(3.989.502)**	**(17.495.628)**	**34.097**
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	**123.953.781**	**42.793.555**	**349.395**	**6.799.898**	**112.583.334**	**48.317.917**	**228.020**	**5.815.603**
26. Import	**47.090.512**	**-**	**15.371.931**	**-**	**80.202.200**	**-**	**27.625.911**	**-**

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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 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**
A Change of EUR by 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)

31 December 2014	Sensitivity Analysis for Foreign Currency Risk			
	Profit/ Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	(925.126)	925.126	(925.126)	925.126
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	**(925.126)**	**925.126**	**(925.126)**	**925.126**
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR - net	(4.934.992)	4.934.992	(4.934.992)	4.934.992
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	**(4.934.992)**	**4.934.992**	**(4.934.992)**	**4.934.992**
Change of Other Currencies by average 10% against TL:				
7- Assets/ Liabilities denominated in other foreign currencies - net	3.410	(3.410)	3.410	(3.410)
8- The part hedged for other foreign currency risk	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**3.410**	**(3.410)**	**3.410**	**(3.410)**
TOTAL (3+6+9)	**(5.856.708)**	**5.856.708**	**(5.856.708)**	**5.856.708**

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

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

ii) Interest rate risk

As of 31 December 2015 and 2014, 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 2015	31 December 2014
Financial liabilities	26.766.519	13.367.053
Other payables to related parties	31.122.993	13.356.975
Less: Cash and cash equivalents (Note 6)	(298.719)	(2.393.628)
Net debt	57.590.793	24.330.400
Total equity	587.149.962	529.338.453
Net-debt/ equity ratio	**%9,81**	**%4,60**

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.

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

Classification of financial assets

The Company classified financial assets and liabilities as available-for-sale investments, borrowings and receivables. Cash and cash equivalents (Note 6), trade receivables (Notes 7 and 8) and other receivables (Note 7 and 10) of the Company are categorized as loans and receivables; and measured at amortized cost using effective interest method. Available-for-sale investments of the Company are disclosed in Note 4. Financial liabilities (Note 25), other financial liabilities (Note 8), trade payables (Note 8) and other payables (Notes 7 and 10) are categorized as financial liabilities measured at amortized costs using effective interest method.

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

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

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

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value. The fair values of certain financial assets carried at costs, including cash and due from banks, receivables and other financial assets are considered to approximate their respective carrying values due to their short-term nature. Available-for-sale investments are carried at their fair values. The fair values of available-for-sale investments which do not have quoted market prices in active markets, are determined by using general accepted valuation techniques or stated at cost, less a provision for impairment, if any, by assuming the carrying values do not differ materially from their fair values.

Financial liabilities

Fair values of bank borrowings are disclosed in Note 25.

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end Exchange rates, are considered to approximate carrying values.

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 2015 and 2014.

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**

31 December 2014

Assets:	**Level 1**	**Level 2**	**Level 3 (*)**	**Total**
Available-for-sale investments	54.320.795	-	13.200.293	67.521.088
Total assets	**54.320.795**	**-**	**13.200.293**	**67.521.088**

(*) As of 31 December 2015 and 2014, 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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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 at fair value at 31 December 2014 and 2013.

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**

31 December 2014

	Level 1	**Level 2**	**Level 3**	**Total**
Tangible Assets:				
Land	-	73.580.424	-	73.580.424
Buildings and land improvements	-	89.512.091	-	89.512.091
Machinery and equipment	-	152.547.831	-	152.547.831
Total assets	**-**	**315.640.346**	**-**	**315.640.346**

NOTE 48 - SUBSEQUENT EVENTS

None (2014 : None).

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

None (2014: None).

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INFORMATION FOR INVESTORS

Stock Exchange
Pınar Süt Mamulleri Sanayii A.Ş. shares are traded at Borsa Istanbul 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, 2016, Wednesday at 14:30 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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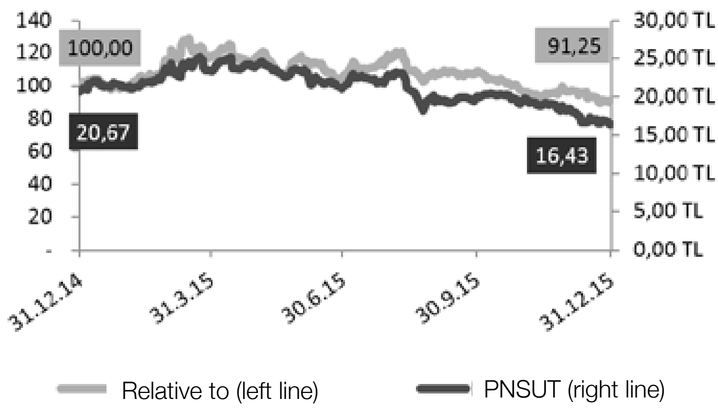
Pınar Süt Share Performance (Compared to BIST ALL Index)



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