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.

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**

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			
	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
PREVIOUS PERIOD						
1 January 2014 - (Opening)	**44.951.051**	**16.513.550**	**134.799.798**	**552.525**	**(3.961.260)**	**(791.990)**
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-
Transfer to restricted reserves	-	-	-	-	-	-
Dividend Payment (Note 7)	-	-	-	-	-	-
Sale of property, plant and equipment (Note 15)	-	-	(11.287.899)	-	-	-
Depreciation transfer of investments-in-associates - net		-	-	(88.211)	-	-
Total comprehensive income	-	-	-	-	(1.178.297)	(361.489)
Depreciation transfer - net (Note 15)	-	-	(3.391.807)	-	-	-
31 December 2014 (Period end)	**44.951.051**	**16.513.550**	**120.120.092**	**464.314**	**(5.139.557)**	**(1.153.479)**
CURRENT PERIOD						
1 January 2015 – (Opening)	**44.951.051**	**16.513.550**	**120.120.092**	**464.314**	**(5.139.557)**	**(1.153.479)**
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-
Transfer to restricted reserves	-	-	-	-	-	-
Dividend Payment (Note 7)	-	-	-	-	-	-
Sale of property, plant and equipment (Note 15)	-	-	(156.495)	-	-	-
Depreciation transfer of investments-in-associates - net		-	-	(34.664)	-	-
Total comprehensive income	-	-	59.625.938	920.314	(1.643.350)	(292.589)
Depreciation transfer - net (Note 15)	-	-	(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)**

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.)

Other Comprehensive Income / (Expense) to be classified to profit or loss							
Fair value reserve for available for sale investments	**Fair value reserve for investment in associate**	**Foreign currency translation differences**	**Restricted reserves**	**Distribution to shareholders**	**Retained earnings**	**Profit for the year**	**Total Equity**
31.021.811	**4.767.498**	**1.344.686**	**38.576.527**	**(5.537.877)**	**150.152.970**	**67.442.927**	**479.832.216**
-	-	-	-	-	67.442.927	(67.442.927)	-
-	-	-	4.585.007		(4.585.007)	-	-
-	-	-	-	-	(48.097.625)	-	**(48.097.625)**
-	-	-	-	-	11.287.899	-	-
-	-	-	-	-	88.211	-	-
10.803.325	1.459.243	(195.142)	-	-	-	87.076.222	**97.603.862**
-	-	-	-	-	3.391.807	-	-
41.825.136	**6.226.741**	**1.149.544**	**43.161.534**	**(5.537.877)**	**179.681.182**	**87.076.222**	**529.338.453**
41.825.136	**6.226.741**	**1.149.544**	**43.161.534**	**(5.537.877)**	**179.681.182**	**87.076.222**	**529.338.453**
-	-	-	-	-	87.076.222	(87.076.222)	-
-	-	-	7.397.315		(7.397.315)	-	-
-	-	-	-	-	(76.220.703)	-	**(76.220.703)**
-	-	-	-	-	156.495	-	-
-	-	-	-	-	34.664	-	-
11.305.223	1.219.692	661.077	-	-	-	62.235.907	**134.032.212**
-	-	-	-	-	3.370.952	-	-
53.130.359	**7.446.433**	**1.810.621**	**50.558.849**	**(5.537.877)**	**186.701.497**	**62.235.907**	**587.149.962**

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").

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.

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

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).

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).

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

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:

	Years
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.

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.

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.

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).

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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

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

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;

	31 December 2015				
	Assets	**Liabilities**	**Net Sales**	**Net Period Income**	**Other Comprehensive Income/ (Expense)**
- 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:

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.

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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:

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.

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

There are no mortgages or other collaterals placed on property, plant and equipment as of 31 December 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**

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

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.

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

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**

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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).

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

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).

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

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**

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

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**

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.

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**

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

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)**

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(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%).

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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**	

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

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**

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:

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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				
Contractual maturity dates:	Carrying Value	Total Cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
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				
Contractual maturity dates:	Carrying Value	Total Cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
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.

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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**	**-**

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**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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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.

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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

Assets:	**Level 1**	**Level 2**	**Level 3 (*)**	**Total**
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

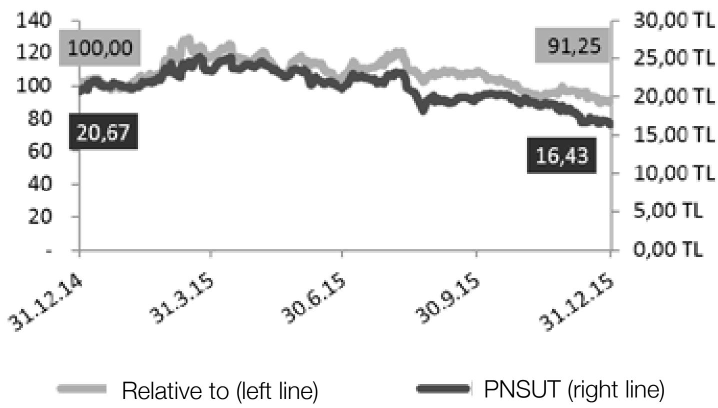
Ordinary General Assembly Meeting
As per the resolution by the Board of Directors of Pınar Süt Mamulleri Sanayii A.Ş., the Company's Ordinary General Assembly Meeting will be held on March 30, 2016, Wednesday at 14:30 at Kemalpaşa Caddesi No: 317 Pınarbaşı/Izmir.

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
Pınar Süt Mamulleri Sanayii A.Ş.
Investor Relations Department
Şehit Fethi Bey Caddesi No: 120 35210 Izmir
Tel: +90 (232) 495 00 00
Fax: +90 (232) 489 15 62
E-mail: investorrelations@pinarsut.com.tr

To access Pınar Süt investor relations web site:

Pınar Süt Share Performance (Compared to BIST ALL Index)



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