



2018

PINAR ET ANNUAL REPORT



Yaşar

daha iyi bir yaşam için

Reporting Period

01.01.2018 - 31.12.2018

Trade Name

Pınar Entegre Et ve Un Sanayii A.Ş.

Trade Registry and Number

İzmir Ticaret Sicili 45251 K:1912

Authorized Capital

TL 100,000,000

Paid-in Capital

TL 43,335,000

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Kemalpaşa OSB Mah. 503 Sk.

No:224 Kemalpaşa/İzmir

Website - Social Media

www.pinar.com.tr

www.lezzetfikirleri.com

twitter.com/pinarlayasam

facebook.com/pinarlayasam

facebook.com/pinaracbitir

facebook.com/illakipinarsucuk

facebook.com/pinarlezzetfikirleri

instagram.com/pinarlayasam

instagram.com/pinaracbitir

instagram.com/illakipinarsucuk

instagram.com/pinarlezzetfikirleri

youtube.com/pinarlezzetfikirleri



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Pınar Et, introducing the Turkish Food Sector with many firsts, closely watches the consumer behaviors. Carrying its innovative vision to all business processes, Pınar Et continues its research and development activities with its strong R&D Center.

One of the Working, Producing and Leading Groups in Turkey...

Since its foundation, Yaşar Group has adopted the motto of "non-stop working, producing and contributing in the country" to enrich Turkish economy, society, environment, life quality and human health without compromising corporate and ethical principles. Yaşar Group is one of Turkey's leading groups and today operates with 22 companies, 24 factories and facilities, 2 foundations and 7,500 employees and stands on "Durmuş Yaşar Enterprise" founded in 1927 by Durmuş Yaşar in Izmir to sell naval materials and coating products.

FOOD AND BEVERAGE GROUP	COATINGS GROUP	TISSUE PAPER GROUP	TRADE AND SERVICE GROUP	FOUNDATIONS
Food <ul style="list-style-type: none"> • Pınar Süt • Pınar Et • Yaşar Birleşik Pazarlama • Pınar Foods GmbH • HDF FZCO • Hadaf Foods Industries LLC Beverage <ul style="list-style-type: none"> • Pınar Su Agriculture, Husbandry and Fishery <ul style="list-style-type: none"> • Çamlı Yem Besicilik 	<ul style="list-style-type: none"> • Dyo Boya Fabrikaları • AO Kemipeks • S.C. Dyo Balkan SRL • Dyo Africa Paints and Varnishes LLC 	<ul style="list-style-type: none"> • Viking Kağıt 	<ul style="list-style-type: none"> • Altın Yunus Çeşme • Bintur • Yaşar Dış Ticaret • Yaşar Bilgi İşlem ve Ticaret • Yadex International GmbH • Desa Enerji • Desa Elektrik • Arev Gayrimenkul 	<ul style="list-style-type: none"> • Yaşar Eğitim ve Kültür Vakfı • Selçuk Yaşar Spor ve Eğitim Vakfı

The most common brands in different sectors

Pınar and DYO, the locomotive brands in the food, beverage and coatings sectors, which are the main business branches of Yaşar Group, are ranked first in the "ranking of the most well-known brands by the consumer" in Turkey. The shares of Pınar Süt, Pınar Et, Pınar Su, Dyo Boya, Viking Kağıt and Altın Yunus Çeşme which are subsidiaries of Yaşar Holding A.Ş. operating in the fields of food, beverage and coating as well as cleaning papers, tourism, foreign trade and energy are traded in Istanbul Stock Exchange.

Ground Breaking Deep Rooted Establishment Presenting "Firsts" in Turkey

Yaşar Group has accomplished many "firsts" in Turkey with its innovative approach:

- First coating factory and brand, DYO
- First private sector milk factory in international standards, PINAR SÜT
- First 1.100 beds first class holiday village, ALTIN YUNUS ÇEŞME
- First private sector paper factory, VIKING KAĞIT
- Natural spring water in first one way package, PINAR SU
- First private sector integrated meat plant, PINAR ET
- First integrated turkey plant,
- First culture fishing plant and first culture fish production, PINAR DENİZ
- First organic fertilizer factory, ÇAMLI YEM

An approach that values the environment and society

Adopting as one of the basic principles of following and minimizing the possible effects of all its activities on Environment and human from production to trade, Yaşar Group continues its activities in accordance with all laws and regulations. Yaşar Group contributes in sports, culture and art through its long term social responsibility projects and Yaşar Eğitim ve Kültür Vakfı (Yaşar Education and Culture Foundation) and Selçuk Yaşar Spor ve Eğitim Vakfı (Selçuk Yaşar Sports and Education Foundation) designs several projects. Yaşar University is developing to become one of the most successful universities in the country.

Yaşar Group joined in Unites Nations (UN) Global Compact network on 12 November 2007 and released Development Statement for 2009 and 2010 and Sustainability Report for 2011-2017. Progress reports and sustainability reports published by the Group under the Global Compact can be found at corporate website on www.yasar.com.tr.

Group signed UN Women's Empowerment Principals "CEO Statement of Support" in 2012 and made commitments about fair gender policies with "Gender Equity Policies in the Workplace" in 2013.



Message from Chairperson

With an 8% increase in net sales revenue compared to the previous year, Pinar Et reached a turnover of 700.7 million TL. The Company made 97.3 million TL gross profit and net profit for the period was 62.1 million TL.

Dear Shareholders,

With the power obtained from 34 year long experience, our Company, which has introduced several innovations to Turkish food sector and has created added value for Turkish economics with its existence in global markets, continued to expand its product portfolio in delicatessen, frozen meat and frozen sea product categories in 2018.

Pinar Et, one of Yaşar Group companies, which is the leader of innovations in Turkey, completed the year as a leader in several categories with proactive management approach and rapid actions taken against changing market conditions and to meet consumer expectations.

Organizations like IMF, World Bank and OECD, estimates the growth within 3%-3.7% ranges for the world economics which completed 2018 in a positive atmosphere from growth aspect. The growth rate estimations for 2019 were also declared within the same ranges. In Turkey, it is envisaged that 2018 will be completed with a growth rate close to the world average; however, following the exchange rate shock in the third quarter of last year, there was a slowdown. The IMF and the World Bank have reduced Turkey's growth forecasts in 2019. On the other hand, growth estimations obtained from questionnaires of Turkish Republic Ministry of Finance and Treasury and Turkish Republic Central Bank were 2.3% and 1.6%, respectively. During such a period, in which slowdown tendencies become serious at global scale, we can state that although we might experience the effects of the developments encountered in 2018 during the first half of 2019, we expect to face a better economic table in the second half.

Sector in Turkey and the World

It might be said that increase on red meat prices stayed milder among the food prices which increased significantly in 2018. We can see the effect of the import decision taken against instant moves in this situation last years. While red meat production in Turkey shrunk 0.7% and realized as 1.12 million tons in 2018, and 90% of the production was obtained from stockers. In 2018, there was a growth of 1.6% in stocker meat production. On the other hand, fowl which is a significant protein source and whose production increases day by day had an increase of 33% and reached to 70 thousand tons in 2018.

On the consumption side, the delicatessen market, in which Pinar Et is a significant sector player with its innovative products, has a growth both on the basis of revenues and tonnage in 2018. According to research data, "total processed meat market" increased both on the basis of tonnage and revenue at a rate of 1.2% and 11.1%, respectively, when compared to previous year. The market completed the year at 2.1 billion TL and bologna segment formed 51% of the market on revenue basis (except BIM, source Nielsen)

Leader of the Market, Leader of Ideas

While net sale revenues increased 8% when compared to last year, Pınar Et realized revenue of 700.7 million TL. Our company obtained a gross profit of 97.3 million TL and the net term profit was realized as 62.1 million TL. Pınar Et's 19.2% revenue share doubles its closest rival (2018, except BIM, Source: Nielsen). With an 8% increase in net sales revenue compared to the previous year, Pınar Et reached a turnover of 700.7 million TL. The Company made 97.3 million TL gross profit and net profit for the period was 62.1 million TL.

The variables in the economy led companies to develop cost and efficiency projects over the years. Our Company realized a fixed asset expenditure of 28.9 million TL by focusing on these two issues. We obtained savings about 2 million TL with the projects realized under the leadership of Purchase and R&D Departments.

Without doubt, besides product diversity and quality; distribution network has a significant role to meet the expectations of our customers. Pınar Et accesses to the market via Yaşar Birleşik Pazarlama, one of its subsidiaries forming the largest cold and frozen product distribution chain of Turkey with its flexible organization structure. Thanks to our successful distribution network, we offer our products to our consumers in the freshest, healthiest and fastest manner. In 2018, while 70% of our sales realized via Yaşar Birleşik Pazarlama channel, the shares of direct channel and exports were 26% and 4%, respectively.

Export Opportunities

The growth seen in tourism sector in 2018 resulted with a change on Away from Home catering sector. While total tourism revenues increased by 12% in USD and the number of foreign tourists increased by 21% when compared to previous year, tourism revenues realized as 29.5 billion USD and number of tourists reached to 39.0 million. Most of the tourists are from Europe and Gulf countries and they are introduced with Turkish cuisine and as a result of this there is a potential for the export of these products. Our Company utilized all these opportunities very well and realized an export volume of 5.8 million USD to more than 20 countries with the new products developed by R&D team.

In 2019, we will continue our operations to improve our positions in the existing markets- especially in Gulf countries- and to get into new markets.

Powerful R&D, Innovative Products

Pınar Et R&D Center, which is the first in the sector, launched 24 new products, 11 for retail sales, 6 for special customers, 3 for exports and 4 for Away from Home consumption channel in 2018. Our laboratory sufficient to render services for TSE, Food Safety and Quality Management System applied on all the product processes

are the most important features differentiating Pınar Et from its rivals in the sector.

Works on using natural additives in meat products, which is among the innovative projects we realized within the year, automation applications on packaging and palletization systems in delicatessen department and accelerated shelf life works are the reflections of innovative mission of Pınar Et. I am proud of declaring 6% decrease on the use of additives when compared to previous years was achieved as a result of our works.

We pay attention to reflect our different perspective in products and production to our applications. We started to use e-tender application, which is an internet based purchase system, actively in 2018. E-sales applications in sale channels were actualized via alibaba.com and n11pro.com platforms.

Contribution to Environment and Society

With the projects realized in 2018, Pınar Et continued its belief in creation of a sustainable society and a powerful economy by foreseeing environmental and social effects and managing them. Pınar Et established "Risk Management System" which is a requirement for ISO 9001 Quality Management System and obtained TSE certificate. Our Company owns TS EN ISO 14001 Environmental Management System and TS EN ISO 50001 Energy Management System and continues its production with the principle of "less energy, less water and less waste". Furthermore, Environmental Commission was established in order to increase the improvement works related to all these processes. We have seen the results of our works efficiently. We successfully completed 64 different inspections required for Turkish and export markets in 2018.

Our different projects contributing to the social development were placed near the top of our agenda in 2018. Our activities performed under the headings of protection of our cultural assets, education, arts and sports shall continue in 2019.

I would like to thank all our shareholders, consumers, customers and suppliers who contributed to all our operations from raw material to production, from product development to distribution, from marketing to sales in 2018.

Best Regards,

Emine Feyhan Yaşar
Chairperson

Board of Directors

EMİNE FEYHAN YAŞAR
CHAIRPERSON



İDİL YİĞİTBAŞI
VICE CHAIRPERSON



MUSTAFA SELİM YAŞAR
MEMBER



KEMAL SEMERCİLER
INDEPENDENT MEMBER



YILMAZ ATTİLA
INDEPENDENT MEMBER



YILMAZ GÖKOĞLU
MEMBER



CENGİZ EROL
MEMBER



Background information of Board of Directors is given on pages 39 - 40.

Senior Management and Committees

BOARD OF DIRECTORS AND TERMS OF OFFICES

NAME SURNAME	TITLE	TERM
EMİNE FEYHAN YAŞAR	CHAIRPERSON	30.03.2018 - 1 YEAR
İDİL YİĞİTBAŞI	VICE CHAIRPERSON	30.03.2018 - 1 YEAR
MUSTAFA SELİM YAŞAR	MEMBER	30.03.2018 - 1 YEAR
KEMAL SEMERCİLER	INDEPENDENT MEMBER	30.03.2018 - 1 YEAR
YILMAZ ATTİLA	INDEPENDENT MEMBER	30.03.2018 - 1 YEAR
YILMAZ GÖKOĞLU	MEMBER	30.03.2018 - 1 YEAR
CENGİZ EROL	MEMBER	30.03.2018 - 1 YEAR

Limitations of Authorities:

Chairperson of Board and its Members have the powers set out in relevant articles of Turkish Commercial Code and Articles 10 and 11 of the Company's Articles of Association.

Corporate Governance Rating:

In 2018 Pınar Et's corporate governance rating was revised upwards to 9.31 out of 10.

SENIOR MANAGEMENT

NAME SURNAME	POSITION
LEVENT RIZA DAĞHAN	DEPUTY CEO - HEAD OF FOOD GROUP*
TUNÇ TUNCER	GENERAL MANAGER
ORKUN NALDELEN	FINANCIAL AFFAIRS AND FINANCE DIRECTOR

AUDIT COMMITTEE

NAME SURNAME	POSITION
KEMAL SEMERCİLER	HEAD OF COMMITTEE
YILMAZ ATTİLA	MEMBER

CORPORATE GOVERNANCE COMMITTEE

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

EARLY DETECTION OF RISK COMMITTEE

NAME SURNAME	POSITION
KEMAL SEMERCİLER	HEAD OF COMMITTEE
YILMAZ GÖKOĞLU	MEMBER
CENGİZ EROL	MEMBER

* Food Group includes Pınar Süt Mamulleri Sanayii A.Ş., Pınar Entegre Et ve Un Sanayii A.Ş., Yaşar Birleşik Pazarlama, Dağıtım, Turizm ve Ticaret A.Ş. companies.

Pinar Et and 2018 at a Glance

Pinar Et continues its investments and growth.

**First private
enterprise integrated
meat plant**



150
THOUSAND
SALES POINTS

**Production according
to Turkish food Codex
and EU standards**

102 thousand bovine
408 thousand ovine
1.8 million turkey

**CUTTING AND
PROCESSING CAPACITY**

**Backward
integration**



209 thousand m² indoor
51 thousand m² outdoor
FIELD PRODUCTION



**PURCHASE
DISTRIBUTED IN
REGIONS** **6**

ABOUT 350
PRODUCTS IN 5
CATEGORIES

813

**average number of
employees in 2018**

700.7 million TL
TURNOVER

Gross profit of
97.3 million TL

NET PERIOD PROFIT of
62.1 million TL

33,560 tons
SALES TONNAGE IN 2018

24
NEW PRODUCTS

19.2%
Pinar Et's turnover
in 2018 in processed
meat products is close
to double the nearest
competitor brand (except
Nielsen, BIM).



In 2018
2.1
billion TL processed
meat products
market size

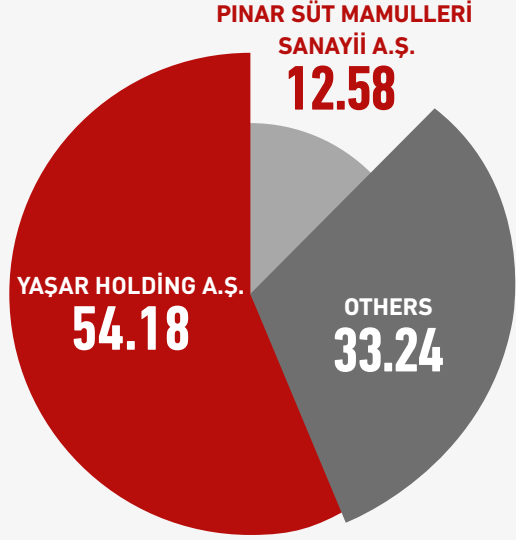
In 2018
63.6
million animals in
Turkey (TSI)

2018 FINANCIAL PERFORMANCE

(Million TL)	01.01.2018-31.12.2018	01.01.2017-31.12.2017
Net Sales	700.7	649.6
Gross Profit	97.3	97.9
Gross Profit Margin	13.9%	15.1%
Net Profit	62.1	59.3
Net Profit Margin	8.9%	9.1%

(Million TL)	31.12.2018	31.12.2017
Shareholder's Equity	553.7	501.5
Assets	732.9	650.3
Total Liabilities/Equity Ratio	0.32	0.30

SHAREHOLDING STRUCTURE OF PINAR ET (%)



Company Profile

Pinar Et continues to offer healthy and delicious products to its consumers, without compromising its responsible manufacturer identity since 1985, when it was established as the first privately-owned integrated meat plant in Turkey.

Shareholder	Share Rate (%)	Share Amount (TL)
YIŞAR HOLDİNG A.Ş.	54.18	23,476,894.71
PINAR SÜT MAMULLERİ		
SANAYİİ A.Ş.	12.58	5,451,752.25
OTHERS	33.24	14,406,353.04
Total	100.00	43,335,000.00

Pinar Et's shares are traded at Borsa İstanbul Star Market under the ticket symbol "PETUN".

Information on privileges related to the Company's shares can be found in the Corporate Governance Principles Compliance Report.



Pınar Et, introducing the Turkish Food Sector with many firsts, continues its works oriented to changing consumer requests. The company expands its product portfolio every year in categories such as deli, frozen meat products, frozen flour products, frozen seafood, seafood and unprocessed meat products.

Continuing its production with high brand compatibility and brand reliability, Pınar Et creates different segments with new products released to market and determines trends in sector.

Not compromising the responsible manufacturer's identity, Pınar Et manufactures in modern facilities equipped with state-of-the-art technology in accordance with the Turkish Food Codex and EU standards. Pınar Et's activities are regularly audited by the Turkish Standards Institute and SAI Global, an international independent food inspection agency.

Continuing its activities under the roof of the Yaşar Group, the pioneer of the firsts in Turkey, Pınar Et produces in safe, healthy and hygienic conditions using high quality management systems at every stage of its business processes.

Pınar Et works with Yaşar Birleşik Pazarlama (YBP), which is a company of Yaşar Group Company, in order to realize its distribution activities in the same perfection as other business processes. Pınar Et's distribution network constitutes the Turkey's largest cold and frozen product distribution chain, which spreads throughout Turkey with state of the art and flexible organization structure.

Adopting the perception that long lasting and profitable performance relies on prediction and well management of economic, environmental and social sustainability, Pınar Et also establishes its corporate strategy and its goals around this notion. In line with the principle of Yaşar Group "Giving Back What It Receives From Society", the Company continues to support art, education, sport, and preservation of cultural properties.

Sustainable Growth Targets

The company, a pioneer of the modern meat industry in Turkey, continues its activities with a goal of sustainable growth based on productivity. Pınar Et continues its leadership by developing products and applications that lead the sector.



Competitive Superiorities

With sustainable quality, increasing brand value, and the fact that it responds fully and timely to the expectations and needs of its customers, Pınar Et stands out in competition.

With its innovative perspective gained to the sector, Pınar Et maintains its leadership in the processed meat products sector and directs the frozen food sector. It also contributes to the development of the sector while making a difference with works in product and business processes.

Its vision integrating with long-established experience, responsible and reliable manufacturer identity, its production strength which utilizes the latest technology makes Pınar Et stand out in competition.

HIGH BRAND VALUE

- Pınar Et is among the Most Admired Companies in Turkey
- One of the most innovative brands in Turkey

QUALITY-ORIENTED PRODUCTION

- Innovative and pioneering identity
- About 350 SKU
- Strong R&D Center
- Production of hygienic products in EU standards
- Technical experience and sectoral knowledge
- Food safety and quality at every stage from supply to final product
- Production process certified with documents and certificates

WIDE DISTRIBUTION AND SUPPLIER NETWORK

- Strength of Yaşar Birleşik Pazarlama, Turkey's biggest and most extensive frozen and cold chain distribution network
- 150,000 sales point
- Technical knowledge and experience
- Synergy in distribution of dairy and meat products
- Procurement activities spread across 6 regions
- Strong relationships with farmers
- Protection against risks through partial backward integration

Trusted Brand

Food safety and quality at every stage from supply to final product in EU standards and certified hygienic conditions make Pınar Et reliable for consumers. Pınar Et, which produces in EU standards and under certified hygienic conditions, reinforces its leading position in the market every year with well-defined marketing and sales processes by reading its customers' wishes and needs correctly.

As a result of the evaluations of selection committee members of Superbrands, an independent international authority on brand management and marketing, Pınar was chosen as one of the super brands of Turkey 2018.

Pinar Et stands out in competition by establishing all its production processes focused on quality and customer satisfaction.





Pinar Et Products

Pinar Et, introduces consumers with products in categories of deli, frozen meat products, frozen flour products, frozen seafood, seafood and unprocessed meat.

DELICATESSEN

Soudjouk
Salami
Sausage
Ham
Smoked Meats
Kavurma (Roasted Meat)
Pastrami

FROZEN SEAFOOD PRODUCTS

Shrimps
Sliced Squid
Anchovy, Sardine and Haddock
Products
Breaded Seafood Products

FROZEN MEAT PRODUCTS

Burger
Meatballs
Doner
Breaded Meat Products

UNPROCESSED MEAT PRODUCTS

Fresh Unprocessed Turkey
Fresh Beef and Lamb

FROZEN DOUGH PRODUCTS

Pizza
Puff Pastry
Mantı (Turkish Type Ravioli)
Borek
Boyoz



350

PRODUCTS IN

5

CATEGORIES



24
NEW PRODUCTS

More than
20
COUNTRIES
EXPORTING

19.2%
MARKET SHARE *

Innovations for Changing Trends

Pinar Et, launching 24 new products in 2018, continues its efforts to develop products oriented to the changing consumer lifestyle and expectations with its R&D team.

The time constraints and different needs brought by business and urban life show that the way to maintain a quality life is through gaining healthy eating habits. Today, consumers prefer delicious and nutritious meals to make a more conscious and healthy life. For all age groups, the desire to consume protein-high foods is increasing. Taking these trends into consideration, Pinar Et works continuously to create new products with its experienced R&D team.

Changes such as the increasing number of small families with the effect of urbanization, women taking more place in business life, decrease of areas in new living spaces convert shopping preferences as well. Consumers prefer to buy less and smaller sizes while shopping more often today. This trend of consumers also accelerates studies of Pinar Et towards smaller products.

While the Company offers practical solutions to meet today's needs, it continues to bring meat and pastry products from the popular tastes of traditional Turkish cuisine to consumers with modern interpretations.

NEW PRODUCTS

Works for new products and improving the existing products adopted to new technologies were continued in 2018. In line with this understanding, the Company released 24 new products to sales including 11 retail, 6 special customers, 3 exports and 4 AFHs.

In the retail products channel in 2018, İllaki Calf Delight Meatball which is the same as home-made meatball thanks to its mix of special parsley and spices and with hand mark mold, the Three-Cheesy Tray Borek for consumers wishing to savor cheese taste features not only the rich content, but also the taste of dough thanks to its form of wrapping. In addition to the Three-Cheesy Tray Borek was also released to sales in Away from Home Channel in addition to Retail Products Channel.

İllaki Soudjouk product in which traditional taste perception stand out in delicatessen category was presented for the consumers' taste. Following the developments in the sector closely, Pinar Et followed the trend towards the big sliced delicatessen products in the market and switched to bigger and thin slice format in Turkey Ham, Calf Ham and Smoked Turkey Breast from Aç Bitir (Open and Consume) family.

In parallel with increasing turkey meat consumption in Turkey, new products have been added to Turkish meat products in the delicatessen portfolio. Pinar Turkey Long Sausage and Pinar Turkey Cocktail Sausage were offered for sale. Pinar Turkey Breakfast Salami was added to the product portfolio of baton salami sold on retail channel.

On the export channel, 2,500 gr Turkish salami with pistachio and plain types and 1,200 gr 4 types of Gourmet Turkey Breast and Smoked Leg family was released to market.

Production Following Trends

Pinar Et analyses the new consumption preferences and studies the production and packaging processes according to the results of these analyses. The company also takes into account the expectations of consumers in different age groups in production planning.

* Total Processed Meat Market, 2018, excluding BIM, Nielsen



Sector Overview

In 2018, total number of animals in Turkey increased by 4.8% and reached to 63.6 million.



The limitations stem from the protectionist approaches of the countries within the external trade volume due to the effect of globalization have caused a partial decrease in the external trade of agricultural products within the global trade as a whole. Decrease of the share of agriculture in external trade actually stems from the shift of external trade and added value from unprocessed agricultural products which are classified as agricultural exports to processed agricultural products.

The share of the processed and unprocessed foods and drinks, raw materials and consumption goods in the exports realized as 223 billion dollar with an increase of 4.4% in 2018. While the total import amount of the relevant items was 9.9 billion USD in 2018, the share of the same items within the total imports was 4.1% in 2017 (TSI).

It is predicted that agriculture shall continue to remain in the global agenda due to the demographic changes which might limit food production, negative changes on water and food safety and climate.



MEAT PRODUCTION

Although bovine meat production was increased 1.7% when compared to previous year and realized as 1,003,859 tons in 2018, production in the last quarter decreased by 7.8% when compared to the last quarter of the previous year. While the small cattle meat (mutton and goat meat) production shrunk by 16.8%, the number of sheep in this data remained the same (0.01%) but the number of goats decreased by 63.7% (TSI).

The customs taxes on livestock and red meat import for Turkey was zeroed in 2017 and this application was extended until 31 December 2019 with a decision taken on 28 December 2018. Actually, this development stems from bringing the cost oriented issues in agriculture and animal rising sector forefront. Bovine prices increased at a rate of 10.79% according to 12 month averages. (2018 Bulletin of National Red Meat Council).

While the number of turkeys cut was 6.8 million and increased 29.9% when compared to previous year, fowl production reached to 69.5 thousand tons with a growth of 32.8% in 2018. (TSI)

When compared to previous year, the numbers of cattle and small cattle were increased by 6.9% and 4.1%, respectively. In 2018, total number of animals increased by 4.8% and reached to 63.6 million. While 17.2 million of the total animals were cattle, 46.1 million were small cattle. In 2018 the number of animals increased in all sub categories and the number of cattle increased by 6.9% and reached to 17 million. (TSI)

CONSUMPTION HABITS ARE CHANGING

In the delicatessen market, which is one of the sub categories of Turkish meat sector, a growth was seen on the basis of revenue and tonnage in 2018. According to Nielsen data, the "total processed meat market" in Turkey increased 11.1% on the basis of revenue when compared to previous year and reached to TL 2.1 billion in Turkey. Growth on the basis of tonnage was realized as 1.2%. When the product breakdowns are considered, bologna segment formed 51% of the market on the basis of revenues (Except BIM, Source: Nielsen).

The factors like, increase on healthy nutrition tendencies which effect all the food sector, decrease on the number of people per home, preferring little portion foods which are practical and easy to consume, have already effected the meat sector.

In parallel with the globally changing and developing needs, food producers focused on increasing the number of packaged product types offered in smaller portions. With the day by day increasing consciousness on healthy nutrition, fowl also started to be preferred to meet daily protein needs in addition to red meat. Sea products also have been preferred more by the consumers due to their healthy contents.

Transformations experienced at out of home sector in global markets were also remarkable. While the traditional tastes are saved, rapidly prepared different alternatives of these tastes were offered to the customers.

The growth seen in tourism sector in 2018 resulted with a change on out of house catering sector. Total tourism revenues of Turkey increased by 12% on USD basis compared to the year 2017 and reached to 29.5 billion USD. The number of foreign visitors reached to 39.0 million and this figure increased by 21% when compared to previous year. Most of the tourists from Europe and Gulf countries met up with Turkish cuisine and this indicates a potential for the export of these products. Pinar Et plans its operations in order to utilize this potential in the near future with the new products to be developed by R&D team.



Activities in 2018

Pınar Et maintained its leading position in several categories in which it performs production operations at international standards during 2018.

Pınar Et maintains its pioneering position in the sector with its sense of production focusing on health and quality and realized with up-to-date technology in all processes.

In 2018, the Company offered "İllaki Lokum Calf Meatball" with handprint mold and special parsley species mixture to its consumers and added new "Three Cheesed Plate Pastry" in its pastry products portfolio. The Company also continued its new product activities in delicatessen category and offered Pınar Long Fowl Sausage and Pınar Fowl Cocktail Sausage for sale in fowl category. Pınar Fowl Breakfast Salami was included in the product portfolio among button salamis.

Pınar Et continues its production under the conditions defined at Turkish Food Codex and EU standards and completed 2018 with a share of 19.2% in the whole processed meat market. These figures are about two times more than the nearest rival brand of the Company (except BIM, source: Nielsen, 2018).

Pınar Et has revenue of 700.7 million TL and achieved a net growth of 8% when compared to previous year. The Company, making 97.3 million TL gross profit in 2018, completed the year with a net period profit of 62.1 million TL. Pınar Et continued its investments in 2018 and realized 28.9 million TL fixed asset expenditure.

Pınar Et makes exports to more than 20 countries and obtained an income of 5.8 million USD from exports in 2018. The Company also plans to realize different activities in order increase the sales of modern presentations of traditional products of Turkish cuisine culture in frozen product format to all export markets, especially to the Gulf countries in 2019.



Pinar Et Consumers and Customers

In order to offer healthy and high quality products to consumers Pinar Et continuously develops all its work processes and carries out works creating difference in all areas touching to its customers and consumers.

Pinar Et continued new taste and format works which shall enlarge and expand the market in all sub categories of delicatessen segment during the year. As a result of these works, the Company maintained its competitive advantage in deli, bakery products and fish products group with its innovative products. Works for new assortments were performed in traditional Turkish meatball category under frozen products group.

In 2018, delicatessen products had the biggest share (62%) in the sales among the product groups. Besides its strategy focusing on value added products, Pinar Et increased unprocessed fowl and red meat sales in 2018.



EXPANDING PRODUCT RANGE

With its mission to meet individual's protein needs, which is the key for having a healthy life, with tasty and healthy products, Pinar Et established its marketing strategy on "tasty and healthy life" principles in 2018. Pinar Et diversified its production by taking different consumer groups and changing tendencies into consideration.

Delicatessen products developed after long researches and periodic analysis and frozen products category consisting of meat, bakery products and sea products were also offered to the consumers' taste with a wide range of assortments.

While focusing on developing new products for changing needs of different sale channels, Pinar Et worked on correct placement of the brands created with care on the basis of their channels and increased its power in total trade.

Important Steps Taken for this Target in 2018;

- * Power brand value of Pinar brand was maintained. Communication activities feeding positive feelings of consumers and customers were continued.
- * Consumer expectations were met by creating new tasty products with high health quality.
- * New products are developed under the expertise of Turkish cuisine culture and offered to export markets. Traditional tastes of Turkish cuisine were transformed into high sales potential with the brand value of Pinar Et in near geographies.

Away from Home Consumption Channel

- * Away from Home (AFH) Consumption Channel which expands day by day was accessed with Pinar brand. In this channel, services were rendered to a large customer portfolio from hotels to restaurants, from catering companies to schools.
- * "Low Heat" platform established to support both the chiefs of today and young chiefs who shall represent our country in the future with the aim of sharing and dissemination of gastronomy culture and it has become the digital meeting point for the gastronomy world (www.kisikates.com)

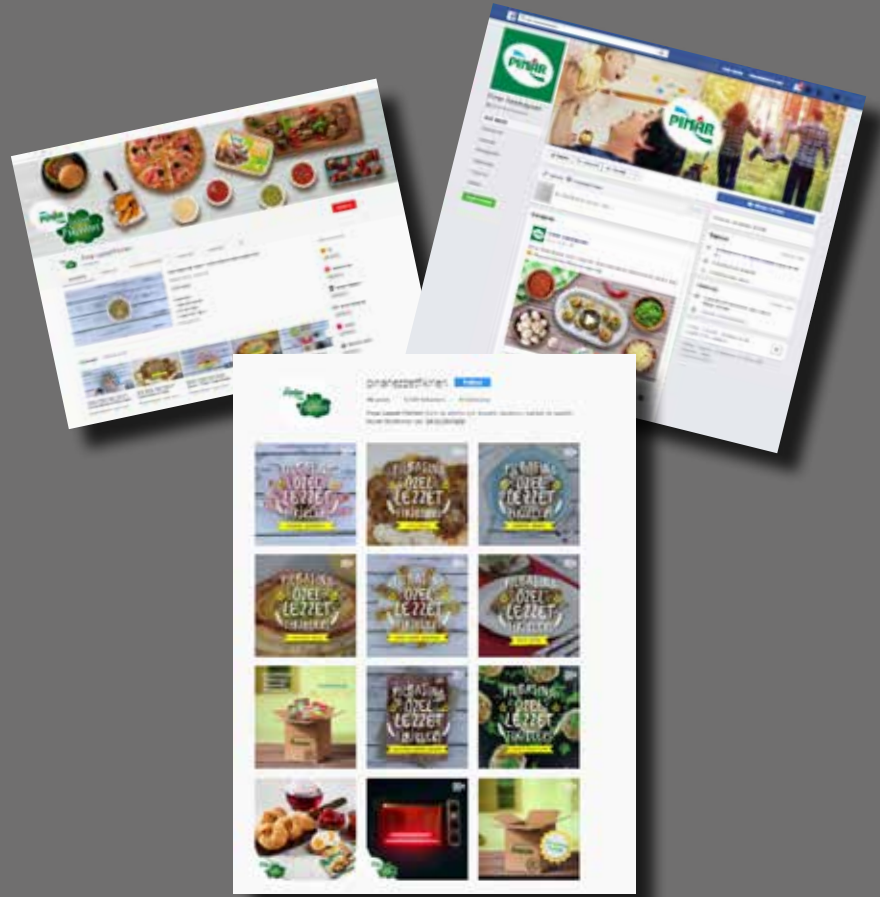
EFFICIENT COMMUNICATION STRATEGY

Pinar Et has realized several campaigns and promotions during the year in order to share its new products with consumers and strengthen its brand image.

Promotion activities were performed mainly in delicatessen category where there is a dense competition and whose share in the sector revenue increasing day by day.

A new commercial film was produced to communicate Pinar Open & Finish Large Slice products. This film was shown on TV channels in January and February first and then in thematic TV channels and digital media in December. It was supported with several outdoor visuals and different POPs within the shops and close communications were established with both the consumers and target mass.

İllaki Meatball family, which was launched in frozen



product category, and Roll Pastries were also added into the communication activities performed in 2018. While the commercial films were produced and shown on thematic TVs and digital media, they were also supported in outdoor media.

Within the same term, the effect of the campaign was reinforced with the active posts at social media accounts and interaction created.

In addition to TV and outdoor media, brand communication continued during the whole campaign via social media accounts.

Fairs Participated by Pınar Et in 2018

- * Dubai GULF FOOD Fair/18-22 February 2018
- * 8th Gourmet İzmir (Olivetech) Fair/ 9-12 May 2018
- * 87th İzmir International Fair/ 7-16 September 2018
- * Gastro Fest/ 21 October 2018
- * Sirha Fair/ 29 November-1 December 2018

Pınar Communication Center

Under the light of "Consumers and Customers First" principle, operations were performed by Pınar Communication Center (PIM) via telephone numbered **444 76 27**, which can be accessed from anywhere in Turkey without dialing an area code.

Requests and complaints received by Pınar Communication Center are examined with care and taken into consideration within the Company. According to 2018 data, while the successful call reply rate was 90%, customer satisfaction rate was 93% for Pınar Communication Center and the customers

might also access to Pınar Communication Center via twitter. com/InfoPınar. PIM examines the demands and proposals received from its official Twitter account in social media, solves them and returns to the customers.

DISTRIBUTION FOR 150 THOUSAND POINTS

With its 9 regional offices and more than 100 dealers, Yaşar Birleşik Pazarlama (YBP) reaches 150 thousand sale points and offers Pınar brand products to the consumers in the healthiest, freshest and fastest manner. YBP renders its services with its experienced expert staff and more than 1,200 distribution vehicles.

While 70% of Pınar Et sales in 2018 were realized by Yaşar Birleşik Pazarlama, the shares of direct channel and exports were 26% and 4%, respectively.

The company establishes all its trade on the basis of efficiency and reporting and monitors all its operations with the most modern software systems continuously. YBP reports the service results continuously and renders regular training to its staff in order to improve their sale skills within the Company or at the premises of its business partners.





R&D Activities

Pinar Et continued its operations with its R&D Center, which is the first in the sector and enables to perform research and development activities from a single center.

Pinar Et R&D Team monitors scientific and technologic developments, innovative approaches in the sector and contributes to strengthening the market position of the Company. It actualizes its activities by evaluating research results and application areas.

Pinar Et has adopted the R&D project systematic into its company structure and some of the works performed by Pinar Et R&D Center in 2018 in parallel with its targets of monitoring technologic and innovative approaches in food sector closely and deepening the Company know-how are as follows:

- New product development
- * Improvements on existing products
- * Improving product cost
- * Alternative raw material
- * Auxiliary food additives
- Packaging material works
- * TUBITAK Projects

- * Shelf life works
- * Works on decreasing the use of import inputs
- * Works on decreasing food additives

In 2018, joint projects with universities and TÜBİTAK were carried out.

With its R&D projects performed during the year, Pinar Et offered 24 new products for sale.

While 11 of these products were offered for retail sales, 6 for special customers, 3 for exports and 4 for AFH consumption channel.

Innovative activities performed by the Company in 2018:

- * Works for the automation of packaging and palletization systems in delicatessen department were performed.
- * Works on "using natural additives in meat products" were realized.
- * Works to decrease the amount of import inputs were performed and use of such inputs was decreased 11% when compared to previous year.



- * With the works performed, the use of additives was decreased by 6% when compared to previous year.
- * In order to contribute environmental sustainability, researches on recyclable packages were continued. While innovations related to the recyclable packaging were monitored, packaging optimization works were performed on existing materials. As a result of these works, about 51,000 TL was saved in 2018. Packaging optimization works shall be expanded and continued in 2019.
- * Optimization works on palletization operations in logistics processes are continued.
- * As being R&D center; congresses, seminars and symposiums were attended in order to improve the collaboration between university and industry and monitor scientific developments closely.
- * Innovations in the food industry were followed with databases and R&D bulletin published within the Company, and the works on acting in compliance with the existing trends and the future tendencies are performed.



High Quality

Pınar Et deals with the concept of quality as a whole with its laboratory capable to render services for TSE and Food Safety and Quality Management System applied to all product processes.



With the food safety system established by itself on the basis of internationally accepted systems like FSSC 22000 Food Safety Management System, BRC and IFS, Pınar Et continues its operations on this issue in the most efficient manner.

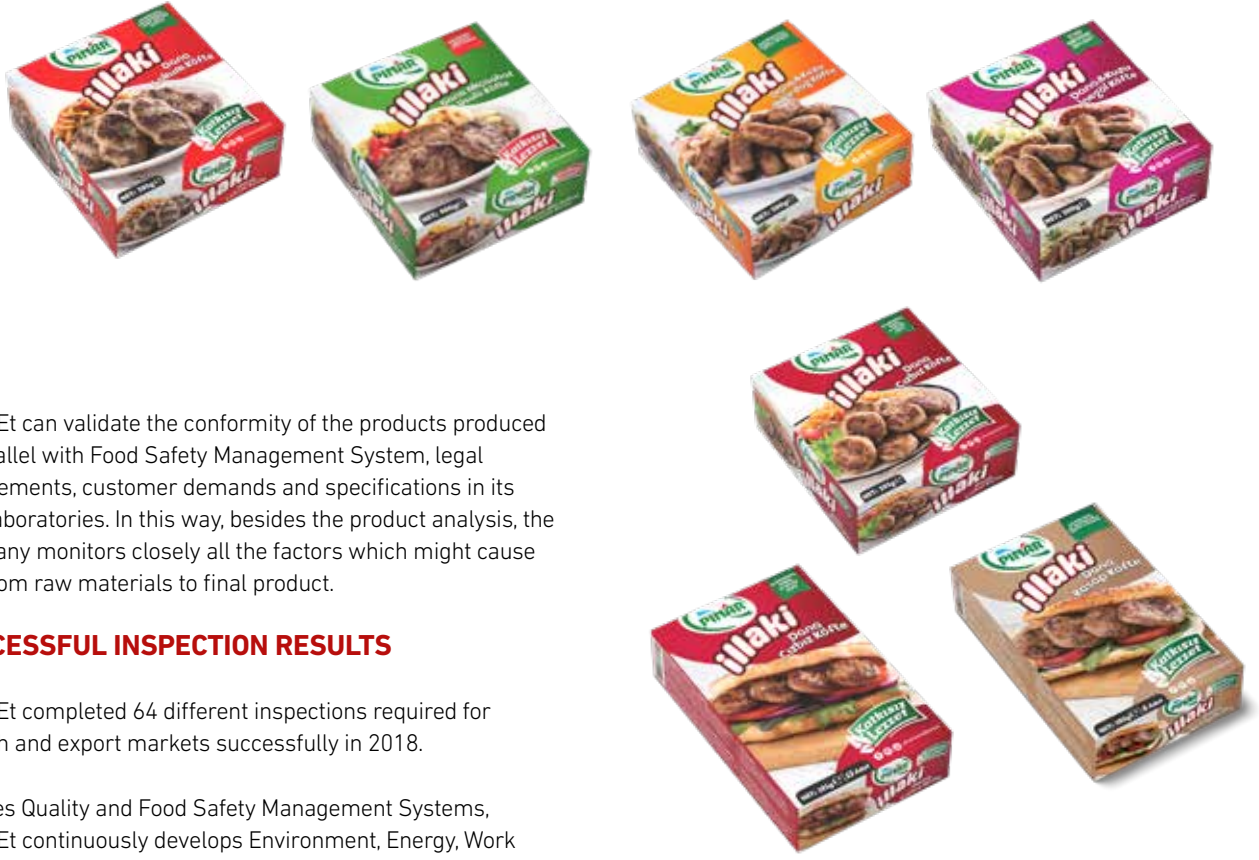
All the phases of production performed under safe, healthy and hygienic conditions and performance criteria for these processes are determined and monitored under the frame of process management.

All the deliberate and indeliberate risks which might treat food safety are assessed regularly and managed actively by HACCP (Hazard Analysis and Critical Control Points), TACCP (Treat Analysis and Critical Control Points) and VACCP (Authenticity Analysis and Critical Control Points) systems which form the fundamentals of food safety management system.

TSE CERTIFIED LABORATORY

Well equipped laboratory of Pınar Et has great contributions to production processes focusing on quality. Beyond the analysis defined in the regulations and announcements for the sector, the laboratory is capable of a lot of different chemical, microbiological, sensational and molecular analysis and experiments and has the Approval for Laboratory capable of rendering TSE Experiment Services.





Pinar Et can validate the conformity of the products produced in parallel with Food Safety Management System, legal requirements, customer demands and specifications in its own laboratories. In this way, besides the product analysis, the Company monitors closely all the factors which might cause risk from raw materials to final product.

SUCCESSFUL INSPECTION RESULTS

Pinar Et completed 64 different inspections required for Turkish and export markets successfully in 2018.

Besides Quality and Food Safety Management Systems, Pinar Et continuously develops Environment, Energy, Work Health and Safety and Laboratory Management Systems and the Company was undergone TSE Integrated Management Systems, TSE and System Patent Halal Food standard inspections. The inspections performed by market chains and specific customers were also completed successfully.

In addition to the regular inspection carried out by T.R. Ministry of Agriculture and Forestry for export markets, inspections carried out by the official authorities of the countries where the exports made were also completed successfully.

SUPPLIER SELECTION

The Company has the same degree of sensitivity for supplier selection processes as in the product and production processes. Food Safety, Quality, Environment, Work Health and Safety, Energy Management Systems and sense of sustainability of Yaşar Group are taken into consideration while selecting the suppliers.

Potential suppliers are supervised on site under the frame of Supplier Evaluation System. Following the inspections, cooperation is established in case of compliance and work is started.





Business Development

In 2018, Pinar Et continued productivity oriented projects started in 2017.

After the economic developments experienced in 2018, cost improvement activities have become issues required to be dealt with care. Pinar Et obtained savings up to 2 million TL with the project realized under the leadership of Purchase and R&D departments during the year. In the works performed by listening the customers in order to be innovative, simple, fast and efficient in processes and purchases, compliance with Company budget and strategies were taken forehand.

Within the frame of industry and university collaborations, multidisciplinary projects were started together with Yaşar University in 2018. With this regard, discussions were made with International Logistics Management and Industry Engineering departments and suitable projects were selected. These projects were studied as graduation thesis and Çamlı Yem, Pinar Et, Turkey Production, Purchase, Business Development, Stock Control and Planning Departments came together. The project results are scheduled to be obtained in 2019.

The preparation of the Supplier Principles Guidelines prepared as Yaşar Group within the scope of the "Global Compact" was completed and sustainability efforts were supported upon having them signed by Class A suppliers.

INNOVATIVE APPLICATIONS

E-tender application, which is an internet based purchase system running on data processing infrastructure, started to be used actively in 2018. E-sales applications in sales channel were actualized via alibaba.com and n11pro.com platforms.

The first stage of the works on direct distribution of unprocessed meat to restaurants and wholesalers with vehicles and forming hot sale model was completed.

"Project Management" trainings were given in compliance with 6 sigma philosophy in order to prevent wastage and to make all the employees and suppliers conscious above operational productivity improvements.

2019 Targets

Pinar Et plans to focus on works to increase productivity and improve cost effectiveness in 2019. While the projects for stock level optimization, decreasing returns, input cost optimization, productivity and cost improvement are going on, Pinar Et shall focus on improvements on net operation capital usage.

Production Facilities

Integrated Red Meat Production Facility:

Fresh/frozen beef and lamb meat
 Delicatessen product groups (bologna, salami, sausage, etc.),
 Frozen meat products (hamburger group)
 Frozen meat products (meatball group)
 Convenience food products group (döner, plated cooked products)

Integrated Turkey Production Plant:

Fresh/frozen turkey meats
 Frozen meat products (turkey and chicken group)

Processed Water Products Facility

Frozen fish meatballs, natural seafood

By-Products Production Facility

Feed raw materials



Investments

Pinar Et continued its investment projects focused on customer satisfaction and improving productivity in 2018. The Company realized an investment at an amount of 28.9 million TL within the year.

Pinar Et realized all its renovation and modernization investments from its own equities in 2018. The Company continued renovation and modernization investments in its production facilities and realized an investment at an amount of 28.9 million TL.

Principal Investments Realized in 2018

- Turgutlu Industrial Park Land and Plant Building
- Automation investments for packaging line
- Modernization investments for rendering lines
- Fish processing facility renovations investment

In 2018, Pinar Et invested 3,000 thousand TL on lands, 10,747 thousand TL on buildings, 10,869 thousand TL on machinery, 3,038 thousand TL on inventories, 242 thousand TL on vehicles, 98 thousand TL on rights and 852 thousand TL on R&D works.

2019 Investment Targets

Pinar Et plans to continue its automation and modernization works in 2019 and shall perform corporate projects for this purpose.

28.9 million TL
TOTAL INVESTMENT
IN 2018





Strong Cooperation with Suppliers

Besides the works performed to increase quality in business processes, Pinar Et continued their close collaboration with the suppliers during the year. While the suppliers are inspected within the frame of a sense of business focusing on health and quality, trainings contributing to their developments were organized.

Pinar Et makes long lasting collaborations with hundreds of suppliers from all over Turkey. In order to maintain the trust on Pinar brand and offer healthy and tasty products to consumers, the Company does not make concession from supplier selection and inspection principles and plays an efficient role in the growth of the suppliers with its expanding work volume.

Pinar Et meets its meat needs with live animals purchased from several local breeding farms in different regions of Turkey. The Company follows an efficient supply policy as being aware of the significance of the role of his business partners while offering "reliable and hygienic products". Pinar Et continuous to support breeders in parallel with the aim of expanding its purchase regions.



Cooperation with Çamlı Yem Besicilik

Pınar Et works in cooperation with Çamlı Yem Besicilik, which is the agricultural production company of Yaşar Group, in all live turkey purchases and some part of cattle purchases.

In order to maintain the diversity of the supply chain, Pınar Et procures significant part of raw materials by working in cooperation with the breeders within Turkey. Furthermore, production is also made from calf fed with up-to-date technology feed ratio and carefully from the cattle farm in Company's own breeding farm.

Slaughtering operations are performed with contemporary technological methods in the own facilities of the Company. Furthermore, the Company supports breeding and acting as a leader in this area in order to procure the highest quality cattle supply under the control of expert technical personnel which are active on site all the time.

Evaluation System

Pınar Et detailed Supplier Evaluation System criteria in 2017 and continued to apply them in 2018.

The Company works in cooperation with suppliers having principles in parallel with Food Safety, Quality, Environment, Work Health and Safety, Energy Management Systems and sense of sustainability of Yaşar Group.

Several criteria like compliance with Pınar Et supply rules, compliance with laws and using legal inputs, compliance with animal comfort, infrastructure and capacity have a significant role in supplier selection.

In order to maintain the quality of the raw materials procured and services received at the determined standards, Pınar Et continuously inspects its suppliers on the basis of the relevant criteria. The Company demands improvements in the required issues from the suppliers and support the improvement works of the institutions he received services.

Pınar Et visits its suppliers regularly and about 1000-1200 of such visits are made to farms. Site visit inspections are performed with regular intervals starting from the commencement of supplies. In this way, the most reliable raw materials with highest quality are procured and strong collaborations are established in order to offer safe foods from the farms to tables.

The Company inspects new and potential suppliers on site with expert team having the sufficient experience and training. The suppliers are worked with after their compliance with the determined criteria is approved. In the same way, risk assessments are made for the existing suppliers and supplier evaluation method and intervals are planned.

Pınar Et uses the information network established by the Company in order to have the suppliers informed about the possible developments and innovations in the sector. Pınar Et arranges quality and renovation cycles, makes collaborations and starts to apply subject renovations with priority and contributes to the growth of suppliers work volume, while expanding its own work volume.



8 AVERAGE
TRAINING GIVEN TO
EACH EMPLOYEE

110
NUMBER OF INTERN
STUDENTS



Pinar Et Family

Pinar Et believes that sustainable growth can be achieved with efficient and productive human resources and employed 813 people in average in 2018.

Pinar Et does not make concessions from the sense of "Human First" and continues its activities in order to include "qualified, creative, innovation, highly motivated and high performance labor force " into its structure with its efficient human resources strategy.

The Company invests on its employees by realizing periodic trainings and motivation programs in parallel with its basic business policies and strategies. Under the frame of this strategy, Pinar Et own human resources consisting of educated, experienced individuals with high sense of belongingness and concern, open for all developments based on science, appreciating knowledge sharing and team spirit and adopted participative management and success-oriented work.

Pinar Et believes that sustainable growth can be achieved with efficient and productive human resources and with this sense, the Company realized activities to improve personal, professional and management skills of employees in 2018:

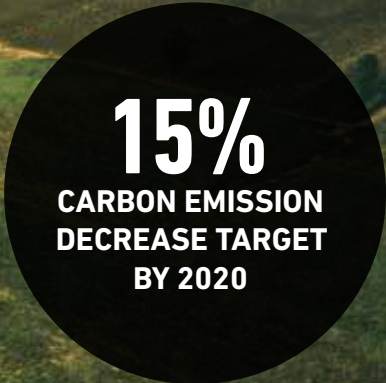
- Besides the trainings given within and out of the Company, Pinar Et offered trainings to its employees via Yaşar Academy Online Training Platform and gave training for 2,642 minutes in total in 2018. Average training given per employee was 8 hours. The trainings rendered by the Company are mainly categorized under three main groups: personal development, professional and management skills.
- The company gave sustainability trainings to his employees for 260 hours.
- In 2018, 813 people were employed in average.
- Pinar Et gave internship opportunity to 110 individuals-78 university students and 32 high school pupils.

Furthermore, with the "Employee Opinion Questionnaires" which have been organized since 1998, Pinar Et evaluates feedbacks in human resources. In 2018, the Company focused on increasing customer satisfaction taking the required actions with focus group works.

Pinar Et believes that peace in work place is a significant issue on the way going to social peace and the collective labor agreement executed with Single-Food Labor Union covers the period between 1 January 2018 and 31 December 2019.

Efficient Human Resources Policy

- Hiring employees creating difference within the company by increasing qualified and efficient human resources with a sufficiency based selection and placement process.
- Ensuring the integration of employee targets in the same direction with the Company targets in order to improve corporate performance with performance evaluation system.
- Awarding individual achievements and encouraging them for better performance by evaluating the employee performance according to their target achievement rates.
- Organizing compulsory or voluntary trainings in order to realize training and development plans.
- Organizing support trainings on healthy life issues by giving importance on physical and mental developments of the employees.
- Organizing Film Therapy and Productivity-Proposal System trainings for the personal development of the employees and changing and developing their focuses.
- By declaring sustainability and OHS days, offering Work Health and Safety Trainings efficiently with Forum Theater Method and having a content of work-life balance, male-female relations.
- Carrying out activities for the benefit of Children with Leukemia and Oncology Patients with the contributions of the employees under sustainability projects.
- Establishing a social facility containing reading halls and music rooms and suitable for activities like pilates/yoga for the relaxation of the employees.



15%
CARBON EMISSION
DECREASE TARGET
BY 2020

Sustainable Environment Understanding

Pınar Et aims to decrease its carbon footprint up to 15% by 2020 and to decrease its water footprint up to 5% and 10% by 2021 and 2023, respectively.

Pınar Et accepts economical, environmental and social sustainability as the key for long lasting, healthy and profitable performance. While planning the work processes, the Company continues its operations in order to eliminate or minimize the effects on environment.

With the sustainability team structured within Yaşar Group, improvement works to increase efficiency in production operations and energy consumption continued in 2018.

In 2018, Pınar Et established "Risk Management System" as a requirement of ISO 9001 Quality Management System in order to evaluate economic-social risks and received TSE certifications. The Company also includes water availability among the corporate risks.

In parallel with Yaşar Group approaches, Pınar Et categorizes its sustainability approach under the following five main headings and plans its operations accordingly

- Energy and Climate Change,
- Water use and waste water,
- Used materials and waste,
- Health and safety,
- Social Contribution

WATER AND ENERGY MANAGEMENT

Water consumption measurement and monitoring works continued in Company facilities in 2018. Pınar Et established TS EN ISO 14001 Environmental Management System and TSE EN ISO 50001 Energy Management System within its structure and determines its main target as carrying out production with "less energy, less water and less waste".

WASTE MANAGEMENT

Pınar Et closely monitors the developments in the world with an understanding that any kind of wastes are actually a potential energy source, and proceeds in waste management with its R&D activities.

Wastes formed as a result of production activities are managed with Waste Management System in compliance with Environmental Management System. Under the frame of the works performed with this regard; waste types are determined, wastes are collected at their source separately, stored temporarily and transported to the relevant licensed recycling facilities. Data related to waste management are recorded regularly into the information system of T.R. Ministry of Environment and Urbanization every year.

Works commenced by Pınar Et under the frame of Zero Waste project started by T.R. Ministry of Environment and Urbanization in 2018.

ENVIRONMENTAL POLICY

Pınar Et is subject to regular inspections performed by accreditation institutions, legal authorities and customers every year and obtains successful results. In 2018, combined inspections realized by T.R. Ministry of Environment and Urbanization were completed successfully.

The Company acts in compliance with its legal liabilities in parallel with Environmental Policies prepared under the frame of Environmental Management System and continues its operations focusing on protection of environment and decreasing pollution.

Pınar Et aims to disseminate the consciousness on these issues among its employees and organizes consciousness trainings on energy usage and environmental protection during the year. Furthermore, the Company shapes its existing processes and plans new investment projects in such a manner to decrease energy usage.

In the inspections made on supplier facilities under the frame of risk assessment, the Company questions the suppliers' environmental permission certificates and whether there are any problems that might cause serious environmental pollution in work areas.

Under the frame of the operations in 2018, inverse logistic process of Pınar Group companies and occupancy rate of vehicles given a return duty was realized as 98%. The dispatch ratio in semi-trailer trucks for durable product dispatches is 92%, use of semi-trailer trucks for frigorific vehicle types was 66%. The score of Dealer Satisfaction Questionnaire for 2018 was realized as 93%.

CARBON AND WATER FOOTPRINT CALCULATION

Yaşar Group started carbon footprint measurement works with a team formed under the leadership of Carbon Leader in 2010. Within this context, "Corporate Carbon Footprint" calculations were performed in 2018. Pınar Et aims to decrease carbon emissions 15% by 2020.

In addition to carbon footprint works, works aiming to decrease water consumption were commenced. Pınar Et started to calculate water footprint by taking 2016 as a base. The Company determined water footprint decrease target as 5% and 10% by 2021 and 2023, respectively.

CARBON DISCLOSURE PROJECT (CDP)

CDP is a non-profit international organization offering a platform accepted all over the world for the measurement, explanation, management and sharing of information about the environmental performances of the companies and cities and their strategies for climate changes.

Pınar Et applied to CDP for climate changes and water areas for the first time in 2017. In the same year, the Company obtained scores in "disclosure" and "management" levels for climate change and water issues, respectively.

In 2018, the Company applied for the second time and while its level for climate change increased from disclosure to management, its score was increased from D to B.

In water footprint, management level in 2017 was saved but its score was decreased from B to B-. The decrease on the water footprint score does not stem from a decrease in Company applications but from making the evaluation criteria more difficult.



IMPROVEMENT – ENERGY CONSUMPTION ACTIVITIES

Pinar Et updated TS EN ISO 14001 Environment Management System applications according to 2015 version and renewed its certificate on the basis of 2015 version.

In 2018, Environmental Commission including all processes was established in order to increase the improvement works. The aim of the Commission was determined as to create consciousness on environment, water and energy issues and to transform the improvements achieved into projects.

ENVIRONMENTAL RESPONSIBILITY

Pinar et aims to expand its environmental protection awareness in the company within the scope of the seedlings planting project, which has been continuing since 2014. The Company plants a dibble via Forestry Regional Management on the name of each employee who brings 10 waste batteries and gives them certificates issued for their name. Furthermore, the Company contributed to the activities of Environment and Forestry Commission established by KOSBI.

Within the scope of these activities, employees who take part in Waste Vegetable Oil Project avoid the waste oil they bought from their home mixing with water and canalization system.

OCCUPATIONAL HEALTH AND SAFETY PRACTICES

Ensuring a safe and healthy working environment, performing legal liabilities and dissemination of safety culture within the Company are the priority work areas for Pinar Et. Occupational health and safety trainings are organized for this purpose. In 2018, interactive OHS Theater plays were performed in 4 sessions with the participation of all the employees in order to increase awareness.

Risk analysis is made and plans are prepared to prevent occupational accidents and diseases that may occur. These activities are carried out with the participation of employees within the company.

By using active supervision mechanisms, Pinar Et continues its activities to avoid or minimize unsafe situations or acts which might cause work accidents. The working conditions are often reviewed with regular periods. When any failure is determined, measures are taken immediately and processes are kept under control.

Pinar Et owns OHSAS 18001 Work Health and Safety Management System and reviews its Occupational Health and Safety Policy on the basis of changing conditions. In 2018, Occupational Health and Safety Board meetings were realized by getting the opinions of the employees. The Company takes its corporate structure and safety of external service contractors and suppliers into consideration and checks whether the companies being or to be worked in collaboration with are in compliance with the legislations on this issue. Furthermore, the companies are notified about the amendments on legislations.

Pinar Et performs its operations with “Zero Accident Philosophy” target. For this purpose, trainings and presentations for the employees, visitors and collaborated companies are realized by the video produced. It is aimed to update knowledge, by playing this video at the beginning of each work, before each visit and in regular intervals.





Corporate Social Responsibility

Yaşar Group acts with the principle of being a corporate citizen, and continues its activities covering Pinar Su, Pinar Süt and Pinar Et under "Pinar" brand.

With its innovative products, employment opportunities created directly or indirectly, investments, good and services procurements and taxes paid, "Pinar" brand continued to create value for the society in 2018.

Social responsibility projects, which have been continued for years and become traditional, cover several areas from arts to health, from sports to education, from environment to sustainability.

Pinar works for a conscious and healthy society and adopts the principle of giving what gained from the society back to the society. For this purpose, Pinar Et actualizes social responsibility projects in different areas like arts, education, sports and protection of cultural assets.

PINAR CHILDREN'S THEATER

Pinar Children's Theater has reached more than 3 million children free of charge since its establishment in 1987. Pinar Children's Theater aims to contribute cultural and personal developments of children in each play performed and it has played the role of a school which has brought several famous players in the art of theater.

Pinar Children's Theater performed the play entitled "Tale Train" in several schools in Istanbul. The play performed at Profilo Shopping Center and had the little theater lovers experienced a visual fest. With the Turkish tour program of the new play, Pinar Children's Theater met up with about 12 thousand children in Çankırı, Afyon, Uşak, Tire, Ödemiş, İzmir and Çanakkale and it has become the first children's theater performed in all 81 provinces of Turkey.



INTERNATIONAL PINAR CHILDREN'S PAINTING CONTEST

The theme of International Pinar Children's Painting Contest, which is organized in order to improve the interest of primary and middle school children on painting and fine arts, was "My Dear Friend" in 2018. About 27,679 pictures and 2,900 schools from seven regions of Turkey and from TRNC, Germany and via social media took part in the contest.

16 little artists who deserved the awards came together at

3 million+
NUMBER OF PINAR
CHILDREN'S THEATRE
WATCHERS

65 thousand
NUMBER OF CHILDREN
ATTENDED TO PINAR
PAINTING WORKSHOP

Pınar Culture & Art Event conducted in İzmir in order to be granted their awards and certificates after the assessment of jury. During the event, children coming from Turkey and abroad had a chance to know İzmir. Award Ceremony for 37th International Pınar Children's Painting Contest was held at Ahmed Adnan Saygun Art Center and the works of little artists were exhibited at Ahmed Adnan Saygun Art Center during 11-24 June.

PINAR CHILDREN'S PAINTING WORKSHOP

Pınar Children's Painting Workshop is another project aiming to make children familiar with art, was realized for the third time in 2018. The workshop reached to the children in 9 different points in 8 provinces-- Istanbul, Trabzon, Şanlıurfa, Gaziantep, Antalya, İzmir, Eskişehir and Bursa. Within the scope of Pınar Children's Painting Workshop, 2,247 children were directed to take part at Pınar Children's Painting Contest. 65 thousand people were reached through workshop activities.

SUPPORT FOR SPORTS

Pınar is a sponsor for Turkish Basketball Federation and the main sponsor for Karşıyaka Basketball Team. The Company makes great contributions to the development of Turkish basketball with drink supplies and name sponsorship activities. In addition, sponsorship activities were realized with Turkish Sailing Federation and interest of youth on sports and their developments are supported.

Pınar KSK

With the sense of "social citizenship", Pınar contributes education, sports and protection of cultural assets within the scope of sports communication activities. With this corporate culture approach, the company continues to support Karşıyaka Sports Club under the leadership of Selçuk Yaşar, the Founder and Honorary President of Yaşar Holding. As being the main sponsor, thousands of little sportsmen in Karşıyaka Basketball Team and sports infrastructure have been supported since

1998. The recent achievements of Pınar Karşıyaka which was sponsored with the aim of making İzmir a city of basketball and integrating youth and children with sports include Turkish Cup Championship, Presidency Cup and Turkish Basketball League Championship. Pınar Karşıyaka also represented Turkey successfully in Euro Challenge and Euroleague. In addition to the full support given to Pınar Karşıyaka Basketball team, about 25 thousand children were given the opportunity to play basketball at infrastructure and sports schools together with Pınar Karşıyaka Basketball branch.

SPONSORSHIPS

Pınar takes part in and supports several congresses on several areas like R&D, sustainability and marketing. Furthermore, the Company sponsors activities supporting the development of cooking, gastronomy and cuisine culture. In this direction, Pınar Et sponsored 7 congresses/ summits/ forums, 1 symposium and 51 activities in 2018.



PUBLICATIONS

Live Well Magazine

Pınar Et actualized Live Well journal and internet platform which meets up "tasty and healthy life" principles with masses. The Company believes that the secret for living well is to adopt correct and healthy nutrition habits and continues its works to become a reference point with this project realized via social media channels. The magazine is published quarterly and reached to 3 thousand people consist of academicians, sportsmen, doctors, dieticians and businessmen.



Pınar Newspaper

Pınar Newspaper is a significant reference for the farmers and consists of issues like stock farming, milk technologies and livestock health. The newspaper is published quarterly and prepared for 4 thousand producers supplying milk to Pınar.

Life with Pınar Social Media Accounts

Pınar gives useful and up-to-date information to families about mother-children relations via Twitter, Instagram and Facebook accounts and illuminates youth about the issues like sports and environmental consciousness. Pınar includes social responsibility and sustainability issues in its social media accounts and aims to reach different target masses in this way.





Awards and Certificates

Pinar Et was given several awards in different areas like marketing, social responsibility, management and brand communication in 2018.

“Most Successful Team of the Year” Silver Award for Pinar Et

At Local Quality Awards under the frame of 19th Quest of Excellence Symposium organized by İzmir Branch of Turkish Quality Association (KALDER), which is the Turkish national cooperation partner of Europe Quality Management Foundation (EFQM), “Most Successful Team of the Year” Silver Award given to Pinar Et for “Packaging Sliced Products and Packaging Automation Product” realized by “Pinarobot” team.

“Package Moon Stars” Perfection Award

At 9th “Package Moon Stars” contest organized by Package Industrialists Association (ASD); Pinar Et was given “Perfection Award” for Pinar İllaki Fermented Bologna under Packaging Materials and Components Category.

Documents and Certificates

- ISO 9001:2015 Quality Management System
- FSSC 22000:2005 Food Safety Management System
- ISO 14001:2015 Environmental Management System
- ISO 50001:2011 Energy Management System
- OHSAS 18001:2007 Occupational Health and Safety
- ISO 17025:2012 Approval for Laboratory to Receive Experiment Service
- Halal Food Certificate
- Ecocert Organic Food Certificate

Milestones

Since its foundation in 1985, Pınar Et has broken many grounds in the sector, offering hygienic, delicious and innovative products for its consumers.

One of the Meat Products Sector Leaders

- 1983** ● The foundations of Pınar Et are laid.
- 1985** ● Pınar Et, Turkey's first fully-integrated and privately-owned meat plant, is established.
- 1987** ● The Company introduces Turkey's first hamburger mix specially made for the food trade.
- 1994** ● Pınar Et becomes the first in the industry to receive TS ISO 9002 Quality Management System certification.
- 1998** ● Yaşar Group sets up the country's first fully-integrated turkey plant, introducing the country to turkey meat.
- 2000** ● Pınar Et launches production of sliced delicatessen products for the first time, using clean-room technology and under hygienic conditions.
- 2001** ● Pınar Et launches döner, a classic of Turkish cuisine, on an industrial scale.
 - The Company also introduces frozen seafood products.
- 2003** ● Pınar Et moves to TS ISO 9001:2000 Quality Management System certification.
- 2004** ● Pınar Et is awarded ISO 14001 Environmental Management System certification.
 - The Company introduces "Turkey's meatballs" with nine different taste varieties to consumers.
- 2006** ● Pınar Et becomes the first company in its sector to receive TSE ISO 22000 Food Safety Management System certification.
- 2007** ● Pınar Et becomes the first company in its sector to receive TSE OHSAS 18001 Occupational Health & Safety Assessment Series certification.
 - He was awarded the Aegean region Achievement Award by Izmir branch of Turkish Quality Association.
- 2008** ● Pınar Et becomes the first company in its sector to receive TSE 17025 Food Safety Management System certification.
 - It is the first company in Turkey's food industry to start Lean Six Sigma works.
- 2009** ● Pınar Misket Meatball and Pizzato Alaturka (a thin crust pizza) are introduced.
- 2010** ● Product line of salami, sausages, and soudjouks is launched under "Aç Bitir" category which is practical and consumed in a lump.
- 2011** ● The Company created Pınar Profesyonel category focusing on the away-from-home consumption.
 - Gourmet soudjouks and sausages made from top-quality meat are introduced to the market.
- 2012** ● In a survey conducted by GfK Repman Reputation Research Center, Pınar is identified as one of Turkey's ten most highly-respected companies.
 - BrandSpark International awards Pınar Et "Best New Product" for its "Aç Bitir Salami" and "Gurme Burger" products.
 - According to researches carried out by Nielsen and Superbrands, Pınar Et is one of Turkey's top ten superbrands.
- 2013** ● Borek varieties are introduced to consumers.
- 2014** ● Production of "Pınar Gurme" salami, ham and smoked meats begins.
 - "Aç Bitir" communication campaign receives a Golden Effie, which is one of the advertising industry's most respected awards.
- 2016** ● Pınar is elected as the "Most Successful Brand of the Year" in food sector.
- 2017** ● Ecocert Organic Food Certificate is received.
 - R&D center is established.
- 2018** ● Pınar İltaki Delight Meatballs is introduced to consumers.
 - Pınar 3 Cheesy Tray Borek is released to the market.

CORPORATE GOVERNANCE PRACTICES AND FINANCIAL INFORMATION

BOARD OF DIRECTORS

Emine Feyhan Yaşar - Chairperson

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

İdil Yiğitbaşı - Vice Chairperson

Graduated from Boğaziçi University Business Administration Department in 1986 and completed MBA in Indiana University in 1989. Having started her professional life in Yaşar Group as President Assistant in 1986, İdil Yiğitbaşı held office as Vice Coordinator of System and Financial Analysis between 1990-1995, Yaşar Food Group Coordinator in 1995, Yaşar Food Group Marketing Vice Chairperson between 1997-2001 and Vice Chairperson of Pınar Süt between 1 February 2001 - 31 January 2006 and Board Member at Group companies. She acted as Vice Chairperson of Yaşar Holding Board of Directors between 2003-2009, Chairperson of Yaşar Holding between 2009-2015. İdil Yiğitbaşı continues her office as Vice Chairperson of the Board of Yaşar Holding since April 2015, Vice Chairperson of the Board of Hedef Ziraat, Chairperson of the Board at Pınar Süt ve Viking Kağıt companies and Board Member at Yaşar Group companies. İdil Yiğitbaşı is Vice Chairperson of Selçuk Yaşar Sports and Education Foundation, Board Member of Yaşar Education and Cultural Foundation, Pınar Institute Chairperson of the Board, Board Member of Turkish Industrialists and Businessmen Association (TÜSİAD) (until 20 February 2019), Board Member of Aegean Region Chamber of Industry (EBSO), Board Member of Izmir Culture, Art and Education foundation (İKSEV), Consultation Committee Member of Turkish Milk, Meat, Food industrialists and Producers Union Association (SETBİR), Aegean Industrialists and Businessmen Association (ESİAD), Aegean Young Businessmen Association (EGİAD), Izmir Economic Development Coordination Board (İEKK), Association of Advertisers (RVD), Turkish Corporate Management Association (TKYD) and DEİK UK Business Council Executive Committee.

Mustafa Selim Yaşar - Member

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

Kemal Semerciler - Independent Member

He was born in 1958. He graduated from Uludağ University Faculty of Economics and Administrative Sciences. Kemal Semerciler started his career at Yapı Kredi Bank as an assistant inspector in 1981 and worked as Manager in departments of Financial Control and Budget, General Accounting and Financial Affairs between 1990 and 2003. He worked as Chairperson of Board of Inspectors between 2004 and 2006. Semerciler served as Assistant General Manager of the Legislation Department from 2006 to 2008 and as the Consultant to the General Manager of Yapı Kredi Bank from 2008 to 2009. Acting as Member of Board of Directors and Inspector in many affiliates of the bank during his term in Yapı Kredi Bank, Semerciler served as Board Member in Abank between March 2010 and March 2016.

BOARD OF DIRECTORS

Yılmaz Attila - Independent Member

Yılmaz Attila graduated from Ege University, Faculty of Agriculture, Department of Agricultural Tools and Machinery in 1976. Yılmaz Attila, who worked as research assistant in Çukurova and Aegean Universities between 1977-1981, held office as project engineer at Göktepe Plastik A.Ş. and Beşikçioğlu Ltd. Yılmaz Attila, who joined Pinar Entegre Et ve Bağımsız Sanayi A.Ş. as Feed Factory Manager in 1985, held the office of Vice General Manager between 1988-1990. He held office of General Manager at respectively Cevher Jant ve Motor Ticaret A.Ş. and Abaloğlu Yem Sanayi A.Ş. between 1990-1994. He took various positions as General Manager, Member of Board and Executive Committee at Kipa Kitle Pazarlama Ticaret ve Gıda Sanayi A.Ş. and Tesco Kipa Kitle Pazarlama Ticaret ve Gıda Sanayi A.Ş. between 1994-2010.

Yılmaz Gökoğlu - Member

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

Cengiz Erol - Member

Cengiz Erol had his bachelor's degree in Business Administration from Ege University in 1974, his master's degree in finance and accounting from the State University of New York (SUNY) in 1979 and his doctorate degree in International Trade and Finance from State of New York University in 1983. Erol worked as an Assistant Professor of Finance at Çukurova University from 1983 to 1985, as Associate Professor of Finance at Yarmouk University in Jordan from 1985 to 1990 and in the Department of Business Administration at the Middle East Technical University (METU) from 1990 to 1993, and as Professor of Finance in Middle East Technical University from 1993 to 2010. Goods. A.S.board of directors consultancy, Interfarma Tibb between 2004-2008. Goods. A.S.Mr. Cengiz Erol served as the chairman of the Board of directors in Metu between 2008-2010 and served as the president of the Board of directors in Metu Rector consultancy and OSYM Executive Board membership. Cengiz Erol served as the head of the International Trade and Finance Department of Izmir University of economics between 2011-2013 and served as a lecturer at the International Trade and Finance Department of Izmir University of economics between 2010-2015 and as the director of the Institute of social sciences. Erol serves as Board Member for a number of Yaşar Group companies since March 2014.

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

RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

RISK MANAGEMENT

The scope, working principles and procedures applicable to the Corporate Risk Management activities carried out at Yaşar Group companies were formulated in accordance with the Regulations. In this respect, the scope of risk management activities, liabilities and duties about risk management, processes, reports, trust procedures and risk management terminology were created.

The "Corporate Risk Management" in the Company is being applied as a systematic process where risks are defined, analyzed, controlled and monitored. This method ensures minimizing the costs incurred in relation to contingencies that result negatively, as well as their impact upon the value of Group companies' assets.

Risk Management Policy

Adhering to risk management strategies to minimize the probability and impact of risks that may affect not just the shareholders but all the stakeholders of Group companies, Yaşar Holding Board of Directors also controls and follows up the required actions.

Works of Early Detection of Risk Committee

The Early Detection of Risk Committee carries out its activities in order to detect risks earlier and create an effective risk management system.

It creates risk inventory prioritized in line with risk management policies and procedures, and the works to carry out corporate risk management by the committee in order to follow up the results upon determining appropriate risk strategies and taking required actions, and required guidance is made.

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

Under the risk management policy and procedures adopted by Yaşar Holding companies, works are underway to create the risk inventory for all company activities and take necessary actions.

Along the line, the risks suffered by the Company are

- Classified under the headings of strategic, operational, financial, external and compliance risks, and analyzed according to their impact and probability,
- Existing controls for significant risks are reviewed with

respect to their design and implementation, and the most appropriate strategies and actions are identified,

- The results of the action application are followed and
- Results and possible developments are reported to related units and evaluated.

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

Implementations aimed at eliminating events that will adversely affect the achievement of the Group companies' goals, or at mitigating their impact and probability are reviewed under "controls". An internal control system composed of the definitions of standards for business processes, policies and procedures, job descriptions, and authorization structures is implemented. The management sets up control systems, including those that prevent/identify and improve, for efficient and productive conduct of the Group companies' businesses.

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

The accounting system of the Company, the public disclosure of financial information, independent auditing and survey of partnerships' internal control system and its activities are conducted through the Audit Committee set up by the Company's Board of Directors. While carrying out the said function, the Audit Committee benefits from findings of corporations conducting confirmation under Group Audit Directorate, Independent Audit and Certified Public Accountant.

Under the internal auditing activities; effectiveness of Company's current risk management system, sufficiency, effectiveness and productivity of internal audit system are assessed and recommendations are made to improve them. In addition, the processes of determining and implementing the necessary actions for determination and recommendations in this scope are closely monitored.

LEGAL DISCLOSURES

Information on The Extraordinary General Assembly Meetings within the Year, If Applicable

Resolutions taken in the Ordinary General Assembly meeting held on March 30, 2018 were applied. No Extraordinary General Assembly Meeting was held in 2018. Further information on the General Assembly meetings can be found in section 2.3. General Assembly Meetings of the Report for Corporate Governance Principles Compliance.

Affiliated Companies Report

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

Pursuant to Article 199 of the Turkish Commercial Code no. 6102 that went into force on July 1, 2012, within the first three months of the current operating year the Company's Board of Directors is obliged to issue a report on the Company's relations with the controlling company and the companies affiliated to the controlling company during the past operating year, and to incorporate the conclusion part of the said report in its annual report.

Necessary disclosures on the transactions our company carried out with the associated parties are covered in the present report. In this report prepared by the Company's Board of Directors concluded that in all transactions the Company carried out during 2018 with its controlling company or with its affiliates, an appropriate counter-performance was provided in each transaction according to the conditions and state known to us at the time the transaction and/or the action was realized or taken or avoided to be taken; that there were no actions taken or avoided which might potentially cause loss to the Company, and that there are no transactions or actions that would require equalization within this scope.

Donations and Grants

The Company may donate to foundations and such other persons and/or institutions established for various purposes in line with limitations set forth by Capital Markets Board and other relevant regulations.

In 2018, the company donated TL 1,563,952 to various institutions and organizations.

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

Disclosure on the matter is stated in footnote 16 of our financial statements issued for the period of January 1, 2018 - December 31, 2018.

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

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

Amendments of Articles of Association Made During the Year

None.

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

Financial rights provided to Chairperson, Board Members and Senior Executives are determined under wages policy stated in our web site. In the twelve months period that ended on December 31, 2018, remuneration and similar payments made to the members of the Board of Directors and senior executives amounted to TL 5,256,354.

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

Ordinary audits were conducted by various public institutions during 2018 and there is no significant notice given to us officially.

Disclosure About the Company's Shareholders' Equity

It is seen that existence of issued capital in amount of TL 43,335,000 was protected greatly with an equity level of TL 553,680,556 as of December 31, 2018.

AGENDA

AGENDA OF ORDINARY GENERAL ASSEMBLY DATED 28TH MARCH 2019 FOR THE YEAR 2018 OF PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

1. Opening and Election of Meeting's Chairman,
2. Authorizing the Chairman to sign the minutes of General Assembly Meeting,
3. Reading, negotiations and approving the Annual Report for 2018 prepared by the Company's Board of Directors
4. Reading and negotiating the Independent Audit Report for 2018 fiscal year,
5. Reading, discussion and approval of 2018 Financial Statements,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2018 operations,
7. Laying down the Independent Audit Firm designated by the Board of Directors for the approval of the General Assembly pursuant to the Turkish Commercial Code and the Capital Markets Board requirements,
8. Determining the number of Board directors and their terms of office; making elections in accordance with the number of Board directors so determined; designating independent Board members,
9. Determining the rights provided to the Board directors such as compensation and attendance fees, bonuses and premiums pursuant to Article 408 of the Turkish Commercial Code,
10. Informing shareholders, pursuant to Article 12 of the Corporate Governance Communiqué no. II-17.1 issued by the Capital Markets Board, about guarantees, pledges, mortgages and sureties that have been granted by the Company in favor of third parties and about any income and benefits that may have been derived,
11. Informing shareholders about any donations that were made during the year and laying down the donation limit set under the Capital Market legislation for the approval of the General Assembly,
12. Deliberating and voting on matters pertaining to the year's profits,
13. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,
14. Wishes and opinions.

STATEMENT OF INDEPENDENCE

March 29, 2018

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

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

Best Regards,

KEMAL SEMERCİLER



STATEMENT OF INDEPENDENCE

March 29, 2018

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

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

Best Regards,

Yılmaz ATTİLA



PROFIT DISTRIBUTION PROPOSAL

At the Board of Directors meeting of our Company dated March 3, 2019;

for the calculation of net distributable profit of 2018, the Turkish Commercial Code, Capital Market Legislation, Corporate Tax, Income Tax and other legal regulations, articles in our articles of incorporation regarding profit distribution as well as our Profit Distribution Policy were considered, and according to the financial statements independently audited and prepared based on Turkish Accounting Standards and in accordance with Communiqué II-14.1 of Capital Markets Board, General Legal Reserves were not kept from the net period profit of 2018 which is TL 62,117,389 as it reached the legal limits, and the net distributable period profit was calculated as TL 62,117,389.

It was decided to present the following issues for the approval of the Ordinary General Assembly: out of the calculated distributable profit, to distribute the amount of TL 12,736,268 as First Dividend to Shareholders as equal to 20% of distributable profit, considering the donations in amount of TL 1,563,952 made within the year in line with CMB regulations, keeping the Board of Directors Allocation not exceeding 5% ratio in the articles of association over the remaining amount, and to distribute Second Dividend to Shareholders in amount of TL 28,865,332 as equal of 81.60% of total net nominal issued capital (TL 43,335,000) together with First Dividend Amount over the remaining amount (net amount of First and Second Dividend is TL 35,361,360), to keep General Legal Reserves in amount of TL 4,183,485, and to keep the entire remaining amount as Extraordinary Legal Reserves.

For each share that is traded on stock exchange with a nominal amount of TL 1, a cash dividend of TL 0,816 will be paid.

Please kindly be informed.

Best Regards,

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. PROFIT DISTRIBUTION TABLE FOR 2018 (TL)

1.	Paid-in/Issued Capital		43,335,000
2.	General Legal Reserves (According to Legal Records)		41,233,555
Information on the privileges if there is any privilege in profit distribution under Articles of Association			
		According to CMB	According to Legal Records
3.	Period Profit	64,755,852	49,881,809
4.	Taxes (-)	(2,638,463)	(1,402,460)
5.	Net Period Profit (=)	62,117,389	48,479,349
6.	Accumulated Losses (-)	0	0
7.	General Legal Reserves (-)	0	0
8.	NET DISTRIBUTABLE PERIOD PROFIT (=)	62,117,389	48,479,349
9.	Donations made within the Year (-)	1,563,952	
10.	Net Distributable Period Profit including Donations	63,681,341	
11.	First Dividend to Shareholders		
	- Cash	12,736,268	
	- For free		
	- Total	12,736,268	
12.	Dividend Distributed to Privileged Shareholders		
13.	Other Dividend Distributed		
	- To Board Members	2,400,000	
	- To Employees		
	- To Persons Other Than Shareholders		
14.	Dividend Distributed to Dividend Shareholders		
15.	Second Dividend to Shareholders	28,865,332	
16.	General Legal Reserves	4,183,485	
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	13,932,304	294,264
20.	Other Resources Anticipated to be Distributed		
21.	General Legal Reserves Kept for Other Resources Anticipated to be Distributed		

STATEMENT OF PROFIT SHARE RATIOS

	GROUP	TOTAL DISTRIBUTED DIVIDEND		TOTAL DISTRIBUTED DIVIDEND/NET DISTRIBUTABLE PERIOD PROFIT	DIVIDEND FOR 1 TL NOMINAL SHARE	
		CASH (TL)	FREE (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
NET	There is no privileged shareholders group for profits.	35,361,360		56.93%	0,8160	81.60
	TOTAL	35,361,360		56.93%	0,8160	81.60

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

a) During the operating period ended 31 December 2017, PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. ("theCompany") achieved compliance with the entirety of the mandatory articles of the Corporate Governance Principles appended to the "Communiqué No: II.17.1 on Corporate Governance ("the Communiqué ") issued by the Capital Markets Board of Turkey (CMB).

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

Justifications for currently non-implemented non-compulsory principles are presented herein below, and it is considered that the said matters do not lead to any major conflicts of interest under the current circumstances.

1.3.11 In the articles of association of our company, there is no article regarding the participation of stakeholders and the media in the General Assembly. Officers of independent auditing firms and officers of corporate governance grading institutions also participate in our General Assembly meetings and no request for participation from the stakeholders or the media has reached to our company.

1.4.2 in accordance with Article 19 of the articles of association, Group A registered shares have been granted 3 votes and Group B bearer shares have been granted 1 vote each.

1.5.2 In parallel with general practices, rights were granted to the minority within the framework of the provisions of general regulations. The company's capital structure and public disclosure ratio is expected to continue in this manner.

4.3.9 There has been no policy for the proportion of female members in the board of directors, but there is currently 1 female member in the board of directors.

4.4.7 The board members of our company are not limited for taking other duties outside the company and the duties of the board members are presented to the shareholders for information by including in the annual report.

4.5.5 Since there are two independent members in the company's board of directors, it is impossible for a board member to take part in only one committee.

4.6.1 There is no performance evaluation system for the board of directors.

4.6.5 In line with general practices, salaries paid to board members and managers with administrative responsibility are disclosed in the annual activity report collectively.

The Company's Corporate Governance Compliance Report (URF), Corporate Governance Information Form (KYBF), and the Corporate Governance Compliance Report (URF), for 2018, prepared as per the decision of CMB dated 10.01.2019 and no: 2/49 will also be disclosed to public on corporate website of Public Disclosure Platform (KAP) (www.kap.gov.tr). Since it is the first year of implementation, our Corporate Governance Compliance Report for 2018 is prepared in the old format and presented below.

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

PART II - SHAREHOLDERS

2.1. Investor Relations Department

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

Contact information for Investor Relations Department is presented below:

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

Investor Relations Department Officer: Mustafa Durgut (holds Capital Market Activities Advanced Level License)

Phone: 0 232 495 00 00

Fax: 0 232 484 17 89

E-mail: investorrelations@pinaret.com.tr

The Investor Relations Department is mainly charged with the following:

- Ensure that records of correspondence by and between the investors and the Company, and of other information and documents are maintained in

a reliable, secure and up-to-date manner,

- Respond to shareholders' written requests for information about the Company,
- Prepare the documents related to the general assembly meetings, which need to be made available for the information of, and review by, shareholders, and take necessary steps to make sure that the general assembly meetings are carried out in accordance with the applicable legislation, the Company's articles of incorporation and other bylaws
- Supervise and monitor that obligations arising out of the capital market legislation are fulfilled, including all aspects of corporate governance and public disclosure,
- Ensure that investor relations activities are properly conducted.

Having obtained the views of other units when necessary and in coordination with such units, the Investor Relations Department is responsible for providing shareholders and potential investors with information about the Company's activities, financial standing, and strategies, with the stipulations that it may not divulge any information which is confidential and/or in the nature of a trade secret and that it must not do so in any way that might lead to information asymmetry and for managing communication moving on both directions between shareholders and company managers.

During the reporting period, the Unit held one-on-one contacts with nearly 50 investors, and responded to more than 100 queries by phone or e-mail. Shareholders requested information about situation of their dematerialized shares and regarding changes of share values. In addition, two webcast meetings have been organized, which were open to all analysts and addressed the Company's activities and financial results for entire 2017 and first half of 2018, and "Investor Presentations" covering the Company's periodic operating results were published on the Company's website in Turkish and English languages. The website and investor presentations have been updated regularly to make sure that up-to-date information is made available to the investors at all times. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests.

2.2. Use of Shareholders' Rights to Obtain Information

The fundamental principle in shareholders exercising their right to obtain information is that there should be no discrimination among shareholders. All information and documents that shareholders may need to exercise their shareholders' rights in a sound manner are made equally available to all shareholders on the Company's corporate website. During 2018, utmost care was paid, under the supervision of the "Investor Relations Department", to respond to requests for information received from shareholders within the framework of the requirements of capital market laws and regulations and without delay.

Such requests for information are generally about such issues as general assembly meeting dates, information on financial statements that are disclosed, developments in the sector and profit distribution. All requests for information, except in the case of information that was in the nature of a trade secret and information that it was deemed to be in the Company's interest to keep confidential, were responded to without making any distinctions among shareholders and in line with any statements that may previously have been made within the framework of capital market laws and regulations. Information and disclosures that might affect the exercise of shareholders' rights are announced in the "Investor Relations" section on the Company website, and there have been no information or disclosures during the reporting period, other than those disclosed under the Capital Market legislation. While the request to have a special auditor appointed is not an individual right provided for under the Company's articles of incorporation, no such request was received during 2018.

2.3. General Assembly Meetings

Şirket esas sözleşmesinin "Toplantı Nisabı" başlıklı 18. maddesi uyarınca, olağan ve olağanüstü genel kurul toplantılarında nisap Pursuant to "Article 18 - Meeting Quorum" of the Company's articles of incorporation, the quorum requirements at annual and extraordinary General Assembly meetings are subject to the provisions of the Capital Market Law and of the Turkish Commercial Code.

Within 2018, ordinary general assembly meeting for 2017 was held on 30 March 2018 in Pınar Süt Plant at Kemalpaşa Caddesi No:317 Pınarbaşı/İzmir. At the 2017 ordinary general assembly meeting, 71.39% of the Company's capital was represented. During the meeting, shareholders electronically or physically attending the meeting or through their proxies expressed their comments and wishes. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

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

The Company's General Assembly meeting announcements were promulgated under "Article 21 - Announcements" of the Company's articles of incorporation, and in accordance with the relevant provisions of the Turkish Commercial Code and with other regulations, communiqués, Capital Markets Board requirements published under the said Code, as well as other applicable legislation. The meeting announcement was published in the Turkish Trade Registry Gazette minimum 21 days (excluding the dates of the meeting and announcement) in advance. The meeting announcement was also published on the corporate website, and shareholders whose addresses were on record with the Company were sent letters in which they were informed about the meeting date, location, and agenda. Prior to the general assembly meeting, the meeting date, place and agenda, the information that the Informational Document regarding the agenda is posted on the website, and the profit distribution proposal to be submitted by the Board of Directors to the general assembly were publicly disclosed in material event disclosures. The Informational Document drawn up for 2017 Ordinary General Assembly meeting covered detailed descriptions about each general meeting agenda item, as well as all the explanations, information and documents required by the legislation.

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

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The minutes of the General Assembly are always kept open for shareholders at the Company's headquarters. In addition, the minutes of the Company's General Assembly meetings for the past 12 years are also accessible in the Investor Relations section of the Company website at www.pinar.com.tr

At the Company's General Assembly meetings, information was presented to the shareholders on the amount and recipients of the donations and grants made during the reporting period. An upper limit was set for the donations to be made during 2018 at the meeting. The Donations Policy was approved by 2015 Ordinary General Assembly.

2.4. Voting Rights and Minority Rights

Article 7 of the Company's articles of incorporation grants the following privilege regarding nominations to the Board of Directors. "If the Board of Directors be constituted of five members, three of them shall be elected from among the nominees indicated by Group A shareholders, and other members shall be elected from among the nominees indicated by Group B shareholders. In case the Board consists of nine members, five of them shall be elected from among the nominees indicated by Group A shareholders, and the others shall be elected from among the nominees indicated by Group B shareholders.

The Board of Directors may elect Executive Member/s if they decide so. However, the Chairperson and the Executive Member/s are determined among members representing Group A.

Voting privileges are regulated at ordinary and extraordinary general assembly meetings as follows by article 19 of the Company's articles of incorporation: Each group (A) registered share grants 3 votes and group B share grants 1 vote.

The Company's articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. Article 22 of the Company's articles of incorporation, which governs the exercise of voting rights, reads as follows:

"Save for the votes to be cast in the Electronic General Meeting system, voting is conducted through open ballot and by raising hands during a General Assembly meeting. However, upon demand by those possessing at least one-tenth of the capital which shareholders present at a meeting represent, recourse must be had to secret ballot. In terms of the votes used by proxy, Capital Markets Board regulations are complied with."

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

2.5. Dividend Rights

There are no privileges with respect to participating in the Company's profit. The Company's annually reviewed policy for profit distribution is to pay out cash dividends and/or bonus shares corresponding to minimum 20% of the distributable profit for the period, which is calculated in accordance with the capital market regulations and other applicable legislation, taking into consideration the economic conjuncture, market projections, the Company's long-term strategies and long-term investment and financing policies, the Company's financial position, profitability and cash position, to the extent allowed by relevant regulations and finances. Unless otherwise decided in the relevant general assembly meeting, the profit distribution is intended to be realized in May, at the latest, and the date of profit distribution is decided by the General Assembly. The General Assembly or the Company's Board of Directors, if authorized, may decide to pay out the dividends in installments. The Company's articles of incorporation permit distribution of advances on dividends, and the Board of Directors may decide to distribute advances on dividends restricted to the relevant fiscal year, provided that it is authorized by the General Assembly.

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

The distribution of the company's profit for 2017 was completed on April 20, 2018.

2.6. Transfer of Shares

Transfer of shares is subject to the relevant provision of the Turkish Commercial Code (TCC).

PART III - PUBLIC DISCLOSURES AND TRANSPARENCY

3.1. Corporate Web Site and Its Content

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

3.2. Annual Report

The Company's annual reports contain all the information specified in the Corporate Governance Principles; however, remuneration of the board of

directors and senior executives and other benefits provided to them individually are disclosed not individually but as a cumulative amount.

PART IV - STAKEHOLDERS

4.1. Informing Stakeholders

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

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

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

4.2. Stakeholders' Participation in the Company's Management

Adopting the quality and food safety management systems in addition to social responsibility, Pinar Et effectively applies and constantly improves occupational health and safety management systems as well. The Company works on reducing its carbon footprint and water footprint.

Customer demands and complaints can be communicated via our toll-free 444 76 27 customer line which can be reached from any part of Turkey without dialing a city code, upon which the demands and complaints received are handled and resolved. To ensure customer satisfaction, various research studies and surveys are continually conducted by our Company and by independent firms. Efforts are taken on to improve the product and service quality based on the research outcomes and customer demands.

Pinar Communication Center Twitter account serves to review the requests and suggestions received via the social media, upon which the team gets back to the consumers.

Dealer meetings organized by the Company serve as a tool to convey the opinions and feedback of dealers that have a direct business relationship with the Company to the senior management.

The preparation of the Supplier Principles Guidelines prepared as Yaşar Group within the scope of the "Global Compact" was completed and sustainability efforts were supported upon having them signed by Class A suppliers.

Employee opinion surveys serve to gather the employees' views about changes in implementations which will be made in relation to working conditions, working environment, and rights provided to employees. The action committee formed of employee representatives carries out its activities during the year for conducting the improvement works in relation to the said processes. Occupational Health and Safety Board meetings were held in 2018 upon taking opinions of employees and improving the current system.

Moreover, Pinar Et takes parts in career days organized at universities, reaching potential employees and offering internship opportunity to students.

Within the framework of cooperation with industry and university, multidisciplinary projects were initiated with Yaşar University in 2018. The project results are scheduled to be obtained in 2019.

4.3. Human Resources Policy

The fundamental mission of the Company's human resources policy is to ensure the management of human resources who are innovative, who are committed to the principle of total quality, and who contribute towards the Company's competitive advantage by easily adapting to change and development at the Company. The Company did not receive any complaints about discrimination as of 2018.

The Company's basic human resources policies are set forth clearly in the Company's Personnel Regulations, which are issued to all non-contract employees against their individual signature. In addition to Personnel Regulations and basic policies, these regulations also contain information about working hours, employment principles and processes, termination, and discipline. Human resources policies and practices pertaining to employees within the scope are included in Collective Bargaining Agreement. All of our company employees have job descriptions. Performance and rewarding criteria for the white-collar employees are disclosed in the White Collar Employee Regulation, while the rewarding criteria for our blue-collar workers are described in the Collective Bargaining Agreement.

Basic policies:

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

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basis for employee evaluations.

g) Employee Opinion Surveys are conducted once in two years, seeking employees' views about the working environment, development and career, salaries and fringe benefits, job satisfaction, managers, engagement, corporate reputation, corporate structure and management policies. Improvements are made in line with the feedback that is received in this way.

h) A safe workplace and safe working conditions are matters to which the Company gives great importance. Under the Company's occupational health and safety regulations, all legally mandated measures are taken to prevent occupational risks, ensure health and safety, and eliminate risk and accident factors. An ongoing effort to make improvements is carried out through regularly conducted safety meetings.

i) Our management style is "... [to] maintain our existence as a company that acts fully respectful of the laws and ethical rules, and embrace total quality philosophy and participatory management."

j) An essential principle at the Company is that all employees will be treated equally and without making any discrimination among them with respect to language, race, color, sex, political beliefs or philosophy, creed, religion, sect, or similar reasons. Due measures have been taken to protect this fundamental constitutional right of employees.

The company has 4 workplace representatives at Kemalpaşa Factory.

These representatives are as follows:

- Turgay Metin : Production Foreman
- Zekai Zibak : Ancillary Facilities Foreman
- Umut Bayram Taşkaya :Dough Preparation Operator
- Sebahattin Demir : Fresh Meat Production Worker

The duties of these representatives are to,

a) Hear workers' wishes and resolve their complaints exclusively with respect to matters at the workplace,

b) Ensure continued labor peace through worker-employer cooperation and labor fairness,

c) Are mindful of workers' rights and interests; assist in the implementation of the working conditions which are provided for in labor laws and in collective bargaining agreements.

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

4.4. Rules of Ethics and Social Responsibility

Pınar Et seeks to comply with current environmental laws applicable to its business activities and with local regulations concerning environmental matters to which it is subject, to make productive use of natural resources, to control and reduce waste that causes environmental harm or else render it harmless, and to take other measures necessary to prevent pollution. In line with these goals, Pınar Et undertakes improvements to its production technologies in an effort to increase efficiency in its production operations and energy consumption. These efforts are carried out by a sustainability team organized under Yaşar Holding, which also covers Pınar Et.

"Carbon Footprint" and "Water Footprint" of our Company were calculated for 2018 under measurement works pioneered by Yaşar Group, Carbon Leadership. It is aimed to decrease the carbon emission value and water consumption of Pınar Et in line with such calculations. Within the scope of sapling planting project conducted with the aim of awareness-raising about environmental protection in 2018, saplings are planted via Regional Directorate of Forestry in the name of each employee who brings 10 waste batteries.

Pınar Et gives great importance to occupational health and safety to spread the culture of safety in addition to legal obligations with the aim to provide the safest and the most healthy occupational environment, and continues works to raise awareness uninterruptedly.

At the social responsibility projects conducted oriented to children, Pınar Children's Theatre, Pınar Children Painting Contest and Pınar Children Painting Workshop are conducted. In the event of Pınar Children Painting Workshop conducted for the second time in 2018, total 16,900 children were reached since the starting of the project.

In order to contribute to healthy development of the society, Pınar Et supports the Pınar Institute which is founded to carry out research, support researches and educations, publish results and conduct activities in this regard.

Pınar Et continues its contribution to sports with the support given to Pınar Karşıyaka Basketball Team.

It is aimed to provide contribution to employees and society with Pınar Newspaper and Yaşam Pınarım magazine in the fields of culture, art, sports and education.

It also supports education by collaborating with corporations such as Yaşar University and Yaşar Education and Culture Foundation.

The Company conducts its activities within the framework of values which are adhered to by Yaşar Group companies and whose approach to the production of goods and services involves compliance with laws and the rules of ethics, concerns itself with national problems without becoming

involved in politics, and values the environment and nature. These values are known to all company employees. A summary version of Yaşar Group Rules of Ethics is posted on the Company's website.

PART V – BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

Members of the Company's Board of Directors:

Name Surname	Title	Whether or Not Independent Member	Whether or Not Executive Member	Term
Emine Feyhan YAŞAR	Chairperson	Not Independent Member	Not Executive	1 year
İdil YİĞİTBAŞI	Vice Chairperson	Not Independent Member	Not Executive	1 year
Mustafa Selim YAŞAR	Member	Not Independent Member	Not Executive	1 year
Kemal SEMERCİLER	Independent Board Member	Independent Member	Not Executive	1 year
Yılmaz ATTİLA	Independent Board Member	Independent Member	Not Executive	1 year
Yılmaz GÖKÖĞLU	Member	Not Independent Member	Not Executive	1 year
Cengiz EROL	Member	Not Independent Member	Not Executive	1 year

Tunç Tuncer is the General Manager of the Company. Performance of the activities specified in articles 395 and 396 of Turkish Commercial Code by Board Members is subject to the approval of the General Assembly. Except for these activities, there are no other limitations imposed on what Board directors may do and external positions held, if any, are stated in their résumés covered in annual reports. Members of the Board of Directors of our company, which is affiliated to Yaşar Group, may hold seats on the boards of directors of other Group companies, and there may be various transactions by and between these companies that may be considered under the scope of Article 395/1 of the Turkish Commercial Code. However, the parties to such transactions are Group companies only, and necessary permissions are obtained at the general assembly meeting of each relevant company.

Resumes of the general manager are included in the company's annual report, resumes of the members of the Board of directors are included in both the company's Annual Report and on our website. In accordance with the Capital Market legislation, independent Board directors have submitted their declarations of independence to the Corporate Governance Committee that acts as the Nomination Committee and the declarations were published in the annual report.

Two independent member candidates were presented for 2018 to the Corporate Governance Committee that acts as the Nomination Committee. The declarations of independence and resumes of these individuals have been discussed in the Corporate Governance Committee meeting of March 30, 2018 and in the meetings of the Board of Directors, and it has been decided to nominate all of them as independent members. No situations arose that prejudiced independence as of 2018 operating period. There are 2 female members in the board of directors. Hence, the Company has secured a ratio of not less than 25% with respect to the number of women members on the Board of Directors.

5.2. Operating Principles of Activity of the Board of Directors

The operating principles of the Board of Directors are regulated in Article 9 of the Company's articles of incorporation. Accordingly;

"The board of directors convenes as required by the Company Affairs and operations. However, the Board must meet at least monthly. The Board of Directors meets with the majority of the full number of members and decisions are made by the majority of the members present at the meeting."

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

The details of the 2018 activities of the Board of Directors are provided below:

During the reporting period, the Board of Directors convened 41 times. The Board of Directors shall convene upon a summons in the form of a written request made by the Chairperson or by any Board Member. The agenda of the meeting is sent to the members minimum two weeks prior to the date of the meeting. All members participate in the meetings. During the period of 2018, there was no opposition. The questions asked during the meeting do not take place. No board directors have preferential voting or veto rights. An insurance coverage has been obtained for losses that the Company may sustain by reason of the faults committed by the Board of Directors members during the performance of their duties.

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

The Audit Committee, the Corporate Governance Committee and the Early Detection of Risk Committee have been formed in our company.

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

The Audit Committee is headed by Kemal Semerciler and its other member is Yılmaz Attila.

Both members are non-executive and independent Board directors. The Audit Committee meets at least on a quarterly basis and holds at least four meetings in one year. Within the scope of the Committee's activities, information has been obtained on operations and internal control systems from company executives and findings related to the audit from independent auditors. The committee supervises the functioning and effectiveness of the company's accounting system, public disclosure of financial information, independent audit and internal control system. It also oversees the selection of the independent audit provider, start of independent audit process and works of the independent audit provider. It notifies the Board of Directors on integrity and accuracy of the annual and interim financial tables which will be publicly disclosed.

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The chairman of the Corporate Governance Committee is non-executive and independent board member Mr. Kemal Semerciler, Non-Executive Board Member Mr. Cengiz Erol, Non-Executive Board Member Mr. Yılmaz Gökoğlu, and Investor Relations Department Director is Mr. Gökhan Kavur.

Corporate Governance Committee meets at least on a quarterly basis and holds at least four meetings in one year. The Corporate Governance Committee determines whether the corporate governance principles are applied in the company or not, and if not, the reasons and conflicts of interest arising from non-compliance with these principles and recommends that the board of directors take remedial measures. Corporate Governance Committee oversees the activities of the Investor Relations Department.

Within the scope of the duties of the Nominating Committee, the Corporate Governance Committee works on establishing a transparent system in the fields of identifying, evaluating, training and rewarding candidates for the Board of Directors and determining policies and strategies in this regard. In addition, the Committee evaluates the nominations for independent Board membership including the management and shareholders, taking into consideration whether the candidate bears the independence criteria or not, and presents its relevant assessment to the Board of Directors for approval.

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

The Early Detection of Risks Committee is responsible for early detection of risks that may endanger the existence, development and continuity of the company, taking the necessary measures and managing the risk. The Committee is head by Kemal Semerciler, non-executive independent board member and its other members are Cengiz Erol and Yılmaz Gökoğlu, non-executive board members.

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

Upon assessment held by Company's Board of Directors, it was determined that all committees of the company are created in accordance with the legislation, activities were effectively conducted in line with working principles created before and published in the Company's web site, periodically enough number of meetings was held during the year and as a result of such meetings; the Audit Committee provided efficiency of auditing company's accounting system and financial details and disclosing them to public and submitted their views, suggestions about this matter to board of directors regularly, that Corporate Audit Committee concluded determinations on strengthening the compliance to Corporate Management Principles and submitted to board of directors with their recommendations, that Early Detection of Risk Committee reviewed early warning systems and models for risks and determined risks. Effectively conducted in line with working principles created before and published in the Company's web site, periodically enough number of meetings was held during the year and as a result of such meetings; the Audit Committee provided efficiency of auditing company's accounting system and financial details and disclosing them to public and submitted their views, suggestions about this matter to board of directors regularly, that Corporate Audit Committee concluded determinations on strengthening the compliance to Corporate Management Principles and submitted to board of directors with their recommendations, that Early Detection of Risk Committee reviewed early warning systems and models for risks and determined risks.

5.4. Risk Management and Internal Control Mechanism

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

5.5. Strategic Targets of the Company

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

5.6. Financial Benefits

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

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

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY PREPARED IN ACCORDANCE WITH ARTICLE 9 OF THE PRINCIPLES NOTICE RELATING FINANCIAL REPORTING IN CAPITAL MARKET NO II-14.1 OF CAPITAL MARKETS BOARD

We declare that according to "Principles Notice Relating Financial Reporting in Capital Market" notice of Capital Market Board (CMB) with no II-14.1, statement of financial position, comprehensive income statement, cash flow statement and statement of changes in equity as well as activity report of board of directors along with the footnotes prepared in accordance with the formats stated by Turkish Accounting Standards/Turkish Financial Reporting Standards (TMS/TFRS) and CMB, prepared by our company, subjected to independent supervision by independent auditing and accepted with the Decision of Board of Directors of Pinar Entegre Et ve Un Sanayii A.Ş. with date February 28, 2019 and no 2019/07, belonging to financial year of January 1, 2018 - December 31, 2018;

1. Our company examined the reports,

2. Do not contain any deficiency which may result in any misleading situation as of the date when an explanation against the truth in important matters are made within the information which we have within our area of duty and liability in our company,

3. Within the framework of information we have on our duties and responsibilities in our company, the financial statements prepared in accordance with the communiqué reflect the true information on active and passive assets, financial status, profit and loss of the enterprise and our activity report honestly reflects the development and performance of work and financial status of the enterprise, including the significant risks and uncertainties.

In accordance with the CMB's decision dated January 10, 2019 No. 2/49, the Corporate Governance Compliance Report ("URF") prepared for the fiscal period January 1, 2018 - December 31, 2018 and the Corporate Governance Information Form ("KYBF") were examined by us and that these reports were prepared in accordance with the procedures and principles specified in the Corporate Governance Communiqué of CMB no: II-17.1 as well as in the decisions taken,

Best Regards,

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

Orkun NALDELEN
Financial Affairs and Finance Director

Tunç TUNCER
General Manager

Kemal SEMERCİLER
Audit Committee Chairperson

Yılmaz ATTİLA
Audit Committee Member



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

To the General Assembly of Pinar Entegre Et ve Un Sanayii A.Ş.

1. Opinion

We have audited the annual report of Pinar Entegre Et ve Un Sanayii A.Ş. (the "Company") for the 1 January - 31 December 2018 period.

In our opinion, the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements regarding the Company's position in the Board of Directors' Annual Report are consistent and presented fairly, in all material respects, with the audited full set financial statements and with the information obtained in the course of independent audit.

2. Basis for Opinion

Our independent audit was conducted in accordance with the Independent Standards on Auditing that are part of the Turkish Standards on Auditing (the "TSA") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities in the Audit of the Board of Directors' Annual Report section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Our Audit Opinion on the Full Set Financial Statements

We expressed an unqualified opinion in the auditor's report dated 28 February 2019 on the full set financial statements for the 1 January - 31 December 2018 period.

4. Board of Director's Responsibility for the Annual Report

Company management's responsibilities related to the annual report according to Articles 514 and 516 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" (the "Communiqué") are as follows:

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
- b) to prepare the annual report to reflect the Company's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Company may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
- c) to include the matters below in the annual report:
 - events of particular importance that occurred in the Company after the operating year,
 - the Company's research and development activities,
 - financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

When preparing the annual report, the Board of Directors considers secondary legislation arrangements enacted by the Ministry of Trade and other relevant institutions.

5. Independent Auditor's Responsibility in the Audit of the Annual Report

Our aim is to express an opinion and issue a report comprising our opinion within the framework of TCC and Communiqué provisions regarding whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements of the Company and with the information we obtained in the course of independent audit.

Our audit was conducted in accordance with the TSAs. These standards require that ethical requirements are complied with and that the independent audit is planned and performed in a way to obtain reasonable assurance of whether or not the financial information and the analysis made by the Board of Directors by using the information included in the audited financial statements in the annual report are consistent and presented fairly with the audited financial statements and with the information obtained in the course of audit.

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

Mehmet Karakurt, SMMM
Partner

İstanbul, 28 February 2019

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

**FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

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



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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Pinar Entegre Et ve Un Sanayii A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Pinar Entegre Et ve Un Sanayii A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2018 and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

Our audit was conducted in accordance with the Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We hereby declare that we are independent of the Company in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Fair value measurements land and land improvements, buildings, machinery and equipment:</p> <p>(Refer to the Notes 2.7.4 and 11)</p> <p>In accordance with TAS 16, "Property, Plant and Equipment", land and land improvements, buildings, machinery and equipment are measured at fair value on the financial statements .</p> <p>The fair values of land and land improvements and buildings as at 31 December 2018, and determined based on valuations by an independent professional valuer as of 31 December 2017. As a result of Company management assessment with another external independent professional valuer, the carrying amount of land and land improvements and buildings are assumed to approximate their fair values as of 31 December 2018 after deducting current year depreciation.</p> <p>On the other hand, as the carrying values of machinery and equipment as at 31 December 2018 differs materially from their fair values, the Company management had an independent professional valuer for the valuation of the machinery and equipment as of the same date. Based on the valuations performed by independent professional valuer as at 31 December 2018, the carrying values of the machinery and equipment before tax increased by TRY17 million.</p> <p>Increases in the carrying amount arising on the revaluation of machinery and equipment are credited to the revaluation reserve in equity, net of applicable deferred income tax in the financial position.</p> <p>The assessment of the carrying values of property, plant and equipment was a key audit matter since the total amount of property, plant and equipment as of 31 December 2018 represents a significant share of the total assets of the Company, and these valuations include significant estimations and assumptions.</p>	<p>The following audit procedures were addressed in our audit work on the fair value measurement of property, plant, equipment:</p> <ul style="list-style-type: none"> • We assessed the competency, capability and objectivity of the independent professional valuers who were appointed by Company management, in accordance with relevant audit standards. • The frequency of revaluation was evaluated in accordance with the relevant audit standards by taking into consideration of the conditions and periods set forth in TAS 16. • Estimates and assumptions of the Company management are considered together with our external expert in accordance with the relevant auditing standards to ensure that the carrying values of land, land improvements and buildings as of 31 December 2018 approximate to their fair values. • We checked and confirmed completeness, and reconciled the input data on a sample basis, used by the independent professional valuers with the Company's records. • In accordance with the provisions of "ISA 620: Use of Work of Expert" standard, we got our auditor expert involved on a sample basis to evaluate the assumptions and methods used by the Company management and the independent professional valuers who were appointed by the Company management. • The compliance of the disclosures of fair value determination of related assets in the financial statements in accordance with the relevant accounting financial reporting standards were evaluated.



4. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

5. Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error.

Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

5. Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**B. Other Responsibilities Arising From Regulatory Requirements**

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 28 February 2019.

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

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Mehmet Karakurt,
Partner

İstanbul, 28 February 2019

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEET)
FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

	Note Reference	31 December 2018	31 December 2017
ASSETS			
Current Assets			
Cash and cash equivalents	4	3,599,385	2,253,131
Trade receivables		101,845,706	95,912,444
- Trade receivables from related parties	5	81,316,540	80,942,438
- Trade receivables from third parties	6	20,529,166	14,970,006
Other receivables		17,577,715	13,942,558
- Other receivables from related parties	5	17,530,330	13,925,195
- Other receivables from third parties		47,385	17,363
Biological assets	9	18,028,475	14,116,600
Inventories	8	67,109,520	45,279,850
Current income tax assets	28	3,016,840	571,093
Prepaid expenses		968,249	1,911,389
- Prepaid expenses to third parties	10	968,249	1,911,389
Other current assets		196,911	298,055
- Other current assets from third parties	19	196,911	298,055
TOTAL CURRENT ASSETS		212,342,801	174,285,120
Non-Current Assets			
Financial Investments	32	1,278,274	726,611
Investments in associates accounted for using equity method	3	182,680,727	173,905,352
Investment Property	13	19,155,000	-
Property, plant and equipment	11	316,296,032	300,622,470
- Land		134,830,000	144,800,000
- Land improvements		9,019,029	7,862,670
- Buildings		59,969,845	55,487,835
- Machinery and equipments		99,066,381	79,157,317
- Vehicles		699,400	671,401
- Furniture and fixtures		10,834,100	10,790,031
- Construction-in-progress		1,877,277	1,853,216
Intangible assets		1,176,176	487,666
- Other intangible assets	12	1,176,176	487,666
Prepaid expenses		4,363	298,129
- Prepaid expenses to third parties	10	4,363	298,129
TOTAL NON-CURRENT ASSETS		520,590,572	476,040,228
TOTAL ASSETS		732,933,373	650,325,348

These financial statements at 1 January - 31 December 2018 and for the year then ended were approved for issue by the Board of Directors of Pinar Entegre Et ve Un Sanayii A.Ş. on 28 February 2019. General Assembly and specified regulatory bodies have the right to make amendments after statutory consolidated financial statements issued.

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEET)
FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

	Note Reference	31 December 2018	31 December 2017
LIABILITIES			
Short-Term Liabilities			
Short-term borrowings		5,269,154	5,123,333
Short-term borrowings to third parties		5,269,154	5,123,333
- Bank borrowings	15	5,122,778	5,123,333
- Financial Lease Payables		146,376	-
Other financial liabilities	15	2,491,148	522,480
- Other miscellaneous financial liabilities		2,491,148	522,480
Trade payables		111,381,850	92,842,603
- Trade payables due to related parties	5	26,082,474	19,654,576
- Trade payables due to third parties	6	85,299,376	73,188,027
Payables Related to Employee Benefits	17	1,580,418	2,277,583
Other payables		7,098,348	6,726,728
- Other payables due to related parties	5	5,087,011	5,157,011
- Other payables due to third parties	7	2,011,337	1,569,717
Deferred income		243,260	178,224
- Deferred income from third parties	10	243,260	178,224
Short term provisions		800,004	512,143
- Provision for employee benefits	17	398,122	458,943
- Other short term provisions	16	401,882	53,200
Other current liabilities		9,685	16,538
- Other current liabilities due to third parties	19	9,685	16,538
TOTAL SHORT-TERM LIABILITIES		128,873,867	108,199,632
Long-Term Liabilities			
Long term provisions		25,997,926	20,647,112
- Long term provisions for employee termination benefits	17	25,997,926	20,647,112
Deferred income tax liabilities	28	24,381,024	19,986,423
TOTAL LONG-TERM LIABILITIES		50,378,950	40,633,535
TOTAL LIABILITIES		179,252,817	148,833,167

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
 STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEET)
 FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

	Note Reference	31 December 2018	31 December 2017
EQUITY			
Equity attributable to owners of the parent company		553,680,556	501,492,181
Share capital	20	43,335,000	43,335,000
Adjustment to share capital	20	37,059,553	37,059,553
Other accumulated comprehensive income / (loss)			
that will not be reclassified to profit or loss		181,377,516	165,183,644
- Gains (losses) on revaluation and remeasurement		163,172,175	154,410,948
- Increases (decreases) on revaluation of property, plant and equipment	11	172,986,907	162,465,937
- Actuarial loss arising from defined benefit plans		(9,814,732)	(8,054,989)
- Share of other comprehensive income of investments in associates accounted for using equity method that will not be reclassified to profit or loss		17,702,259	10,772,696
- Revaluation or classification earnings of assets at fair value through other comprehensive income	32	503,082	-
Other accumulated comprehensive income (loss) that will be reclassified to profit or loss		7,797,614	14,746,364
- Revaluation or classification earnings of assets at fair value through other comprehensive income	32	-	63,171
- Share of other comprehensive income of investments in associates accounted for using equity method that will be reclassified to profit or loss		7,797,614	14,683,193
Restricted reserves		41,329,035	39,192,295
- Legal reserves	20	41,329,035	39,192,295
Retained earnings		180,664,449	142,663,229
Net profit for the year		62,117,389	59,312,096
TOTAL EQUITY		553,680,556	501,492,181
TOTAL EQUITY AND LIABILITIES		732,933,373	650,325,348

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED AT 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

	Note Reference	1 January - 31 December 2018	1 January - 31 December 2017
PROFIT OR LOSS			
Revenue	21	700,745,642	649,566,141
Cost of sales	21	(603,260,959)	(551,456,702)
Gross profit from trading operations		97,484,683	98,109,439
Change in fair value of biological assets	9	(179,167)	(235,497)
Gross Profit		97,305,516	97,873,942
General administrative expenses	22	(22,851,872)	(18,660,740)
Marketing expenses	22	(31,712,480)	(28,332,441)
Research and development expenses	22	(2,167,712)	(2,210,980)
Other income from operating activities	23	5,436,741	2,380,887
Other expense from operating activities	23	(3,664,753)	(1,296,280)
OPERATING PROFIT		42,345,440	49,754,388
Income from investment activities	24	5,210,954	365,218
Expense from investment activities	24	(91,442)	(533)
Share of results of investment-in-associates	3	18,827,656	12,587,520
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSE)		66,292,608	62,706,593
Financial income	26	4,293,401	3,372,512
Financial expense	26	(5,830,157)	(2,754,486)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		64,755,852	63,324,619
Tax expense of continuing operations		(2,638,463)	(4,012,523)
- Current period tax expense	28	(1,402,460)	(6,971,852)
- Deferred tax income / (expense)	28	(1,236,003)	2,959,329
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		62,117,389	59,312,096
PROFIT FOR THE YEAR		62,117,389	59,312,096
Earnings per Share		1,4334	1,3687
- Earnings per 1 Kr number of 100 shares from continuing operations	29	1,4334	1,3687

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

FOR THE PERIODS ENDED AT 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

	Note Reference	1 January - 31 December 2018	1 January - 31 December 2017
OTHER COMPREHENSIVE (LOSS) / INCOME			
Other Comprehensive (Expense) / Income that will not be reclassified to Profit or Loss:		(4,457,107)	67,065,323
Gains (losses) on			
revaluation of property, plant and equipment	11	17,433,916	74,374,870
Changes in tax rates	11	-	(3,390,880)
Gains (losses) on			
remeasurements of defined benefit plans	17	(2,199,679)	(1,080,332)
Share of other comprehensive income of associates accounted for using equity method that will not be reclassified to profit or loss		(17,084,408)	5,851,512
- Revaluation increases (decreases) of property, plant and equipments of associates accounted for using equity method	3	2,707,560	6,389,089
- Gains (losses) on remeasurements of defined benefit plans of associates accounted for using equity method	3	(783,293)	(537,577)
- Share of other comprehensive income of investments in associates accounted for using equity method that will not be reclassified to profit or loss		(19,008,675)	-
- Revaluation or classification earnings of assets at fair value through other comprehensive income		439,911	-
Taxes relating to other comprehensive income that will not be reclassified to profit or loss		(3,046,847)	(8,689,847)
- Gains (losses) on revaluation of property, plant and equipment, tax effect		(3,486,783)	(8,905,914)
- Gains (losses) on remeasurements of defined benefit plans, tax effect	28	439,936	216,067
Other Comprehensive Income that will be reclassified to Profit or Loss:		3,347,737	2,250,169
- Gains / (losses)/ on remeasuring and/or reclassification of available-for-sale financial assets	3	-	484,955
Gains (losses) on foreign currency translation differences of associates accounted for using equity method	3	3,347,737	1,765,214
OTHER COMPREHENSIVE (EXPENSE) / INCOME		(1,109,370)	69,315,492
TOTAL COMPREHENSIVE INCOME		61,008,019	128,627,588

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2018 AND 2017**

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

	Other Comprehensive Income/ (Expense) not to be Reclassified in Profit or Loss		Share of Other Comprehensive Income of Associates		Other Comprehensive Income/ (Expense) to be Reclassified in Profit or Loss		Total Equity
	Gains (Losses) on Revaluation of Property, Plant and Equipments	Gains (Losses) on Remeasurements of Defined Benefit Plans	Revaluation or Classifications of Assets at Fair Value Through Other Comprehensive Income	Revaluation or Accounting for Using Equity Method that will not be Reclassified to Profit or Loss	Reclassification Adjustments of Available-for-Sale Financial Assets	Reclassified to Profit or Loss	
1 January 2017	43,335,000	37,059,553	102,954,215	(7,190,723)	106,316	12,389,879	418,932,935
Transfers Dividend (Note 5.i,ii,m)	-	-	(2,566,355)	(402,567)	-	-	-
Total comprehensive income - Profit for the year	-	-	62,078,077	(864,266)	(43,145)	2,293,314	(46,068,342)
- Other comprehensive income / (expense)	-	-	62,078,077	(864,266)	(43,145)	2,293,314	128,627,588
31 December 2017	43,335,000	37,059,553	162,465,937	(8,054,989)	63,171	14,683,193	501,492,181
1 January 2018	43,335,000	37,059,553	162,465,937	(8,054,989)	63,171	14,683,193	501,492,181
Classifications on Mandatory Changes in Accounting Policies (Note 2)	-	-	-	-	(63,171)	(10,233,316)	-
Adjustments related to required changes in TFRS 9	-	-	-	63,171	(63,171)	(10,233,316)	14,714,508
Amount after adjustments	43,335,000	37,059,553	162,465,937	(8,054,989)	-	4,449,877	516,206,689
Transfers Dividend (Note 5.i,ii,m)	-	-	(3,426,163)	(933,853)	-	-	-
Total comprehensive income - Profit for the year	-	-	13,947,133	439,911	-	3,347,737	(23,534,152)
- Other comprehensive income / (expense)	-	-	13,947,133	(1,759,743)	-	3,347,737	61,008,019
31 December 2018	43,335,000	37,059,553	172,986,907	(9,814,732)	503,082	7,797,614	553,680,556

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
 STATEMENTS OF CASH FLOWS
 FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

	Note Reference	1 January - 31 December 2018	1 January - 31 December 2017
CASH FLOWS FROM			
OPERATING ACTIVITIES:			
		39,727,723	66,952,471
Profit (Loss) for the year		62,117,389	59,312,096
Profit (Loss) from Continuing Operations		62,117,389	59,312,096
Adjustments Related to Reconciliation of			
Net Profit for The Year:			
		(1,599,725)	7,756,333
Adjustments for tax expense	28	2,638,463	4,012,523
Adjustments for depreciation and amortisation expense	11.12	13,944,776	
13,020,831			
Adjustments for interest expense and interest gain		(2,654,765)	(1,240,529)
Adjustments for interest gain	23.24.26	(3,805,433)	(1,440,683)
Adjustments for interest expense	23.26	1,150,668	200,154
Adjustments for provisions		7,308,362	4,075,659
Adjustments for provisions related with employee benefits	22.26	6,961,125	3,920,615
Adjustments for other provisions		(1,445)	155,044
Revisions on Litigation and / or Penalty Provisions	16	348,682	-
Adjustments for dividend (income) expense		(21,922)	(12,719)
Adjustments for undistributed profits of investments			
accounted for using equity method		(18,827,656)	(12,587,520)
Adjustments for undistributed profits of associates	3	(18,827,656)	(12,587,520)
Adjustments for fair value losses (gains)		(3,508,546)	912,718
Fair Value of Investment Property			
Revisions on Losses (Gains)	24	(3,452,216)	-
Adjustments for fair value losses (gains) of biological			
assets or agricultural products	9	(56,330)	912,718
Adjustments for fair value loss (reversal)		11,969	(72,989)
Adjustments for decrease in fair value of inventories		(9,093)	(72,989)
Adjustments for fair value decrease (reversal) in receivables	6	21,062	-
Adjustments for losses (gains) arised from sale of fixed assets		31,017	(300,808)
Adjustments for losses (gains) arised from sale of tangible assets	24	31,017	(300,808)
Adjustments for unrealized foreign currency translation differences		(521,423)	(50,833)
Changes in Working Capital:		(11,921,700)	12,763,097
Adjustments related to (increase)/ decrease in trade receivables		(4,933,442)	5,473,452
Decrease (increase) in trade receivables from related parties	5	266,630	(604,243)
Decrease (increase) in trade receivables from non-related parties		(5,200,072)	6,077,695
Adjustments related to (increase)/ decrease in inventories		(21,829,670)	1,429,300
Adjustments related to (decrease)/increase in other receivables		(30,022)	157,519
Decrease (increase) in other receivables related with operations			
from non-related parties		(30,022)	157,519
Decrease (increase) in biological assets		(3,855,545)	(2,023,674)
Decrease (increase) in prepaid expenses		1,236,906	236,105
Adjustments for increase (decrease) in trade payable		17,586,291	8,025,743
Increase in trade payables to related parties	5	6,217,803	4,667,146
Increase (decrease) in trade payables to non-related parties		11,368,488	3,358,597
Increase (decrease) in payables related to employee benefits		(697,165)	422,497
Increase (decrease) in deferred income		(283,646)	154,533
Other adjustments for other increase (decrease) in working capital		884,593	1,112,378)
Decrease (increase) in other assets related with operations		101,142	(70,495)
Increase (decrease) in other payables related with operations		783,451	1,041,883)
Cash Flows from Operations		48,595,964	79,831,526
Payments related with provisions for employee benefits		(3,869,366)	(2,895,810)
Interest paid		(1,150,668)	(76,821)
Income taxes refund (paid)		(3,848,207)	(9,906,424)

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF CASH FLOWS

FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

	Note Reference	1 January - 31 December 2018	1 January - 31 December 2017
CASH FLOWS FROM INVESTMENT ACTIVITIES		(17,345,305)	(23,525,919)
Interest received		3,805,433	1,440,683
Dividends received	5	11,061,131	6,271,960
Cash advances and loans made		-	(13,902,490)
Cash advances and loans made to related parties		-	(13,902,490)
Paybacks from cash advances and loans made		(3,605,135)	-
Paybacks from cash advances and loans made to related parties		(3,605,135)	-
Cash outflows due to purchase of fixed assets		(28,869,810)	(17,876,346)
Cash outflows due to purchase of tangible assets		(27,920,108)	(17,555,878)
Cash outflows due to purchase of intangible assets		(949,702)	(320,468)
Cash inflows from sales of fixed assets		263,076	540,274
Cash inflows from sales of tangible assets		263,076	540,274
CASH FLOWS FROM FINANCING ACTIVITIES		(21,419,663)	(42,435,995)
Cash inflows from financial borrowings		13,521,980	10,322,079
Cash inflows from loans		11,406,936	13,793,743
Cash inflows from other financial liabilities		2,115,044	(3,471,664)
Cash outflows from financial liabilities		(11,407,491)	(8,793,743)
Paybacks of borrowings		(11,407,491)	(8,793,743)
Dividends paid		(23,534,152)	(43,964,331)
Net Increase (Decrease) In Cash and Cash Equivalents Before Effect of Foreign Currency Translation Differences		962,755	990,557
EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		383,499	15,298
Net increase (decrease) in cash and cash equivalents		1,346,254	1,005,855
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		2,253,131	1,247,276
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		3,599,385	2,253,131

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH
PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
BETWEEN 1 JANUARY - 31 DECEMBER 2018

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Pınar Entegre Et ve Un Sanayii A.Ş. (the "Company") was established in 1985 and is engaged in production of meat and by-products of cattle, sheep, poultry and fish, frozen dough and packaged food. The Company sells its products under "Pınar" brand, which is one of the leading brands in food and beverages business in Turkey.

The Company is a member of Yaşar Group. Majority of the Company's sales in the domestic market amounting approximately 70% (2017: 74%) are made to its investment-in-associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), and majority of the exports are made to Yaşar Dış Ticaret A.Ş. ("YDT"), which are both Yaşar Group companies (Note 5).

The Company is subject to the regulations of the Capital Market Board ("CMB") and 33% (31 December 2017: 33%) of its shares are quoted on the Borsa Istanbul ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 54% shares of the Company (31 December 2017: 54%) (Note 20).

The average number of personnel is 813 as of 31 December 2018 (31 December 2017: 860 personnel).

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

Kemalpaşa OSB Mahallesi, 503 Sokak, No:224
Kemalpaşa/ İzmir

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Accounting Standards ("TAS") and its addendum and interpretations 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 are presented in accordance with the "Announcement on TAS Taxonomy" issued by the POAASA on 2 June 2016 and the formats specified in the Financial Statement Examples and Usage Guidelines issued by CMB.

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

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD
BETWEEN 1 JANUARY - 31 DECEMBER 2018

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

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

2.2 Amendments in International Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective for the financial year beginning 31 December 2018 and are adopted by the Company

- **IFRS 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.
- **IFRS 15 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. IFRS 15, "Revenue from contracts with customers" is a converged standard from the TASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- **Amendment to IFRS 15, "Revenue from contracts with customers"**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The TASB has also included additional practical expedients related to transition to the new revenue standard.
- **Amendment to TAS 40, 'Investment property'** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- **Annual improvements 2014–2016**, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
 - IFRS 1, 'First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, TAS 19, and IFRS 10 effective 1 January 2018.
 - TAS 28, 'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- **IFRSI 22, 'Foreign currency transactions and advance consideration'**, effective from annual periods beginning on or after 1 January 2018. This IFRSI addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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

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

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2018:

- **Amendment to TFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
- **Amendment to TAS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.
- **TFRS 16, 'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The TASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the TASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.
- An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

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BETWEEN 1 JANUARY - 31 DECEMBER 2018

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

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

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - TFRS 3, 'Business combinations'; – a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - TFRS 11, 'Joint arrangements'; – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - TAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.
 - TAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- **Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements,'and TAS 8, 'Accounting policies, changes in accounting estimates and errors,' and consequential amendments to other TFRSs:
 - use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
 - clarify the explanation of the definition of material; and
 - incorporate some of the guidance in TAS 1 about immaterial information.

The Company will evaluate the effects of the above amendments on its operations and apply them from the effective date. As of December 31, 2018, the standards and amendments that have been published but not yet effective and not related to the Company's operations have not been stated above.

2.3 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 recognised 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.

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

Change in the useful lives of tangible assets

The Company has reviewed the useful lives of its property, plant and equipment as of 1 January 2018 and has updated the useful lives of a number of underground and aboveground regulations, buildings, facilities, machinery and equipment, vehicles and furniture and fixtures. As a result of these useful lives being updated, depreciation expenses for the period 1 January - 31 December 2018 were realized as TL 2,443,902 less than the amount to be calculated over the previous useful lives.

2.4 Basis of Consolidation

The Company does not have any subsidiary to be consolidated in the financial statements. The investments-in-associates are accounted for using the equity method and are initially recognised at cost. 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 which not control. Unrealised gains on transactions between the Company has significant influence, but which not control. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates; unrealised 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 recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves, such as fair value changes in available-for-sale financial assets, revaluation of property, plant and equipments, depreciation transfer and derecognition of such reserves, is recognised in statement of changes in equity and statement in comprehensive income. Dividends to be received or receivable from associates are accounted for as a reduction of the carrying amount of the investment.

Changes in ownership interests in subsidiaries without change of control or significant influence

Acquisitions of subsidiary acquisitions that do not result in the loss of significant activity or control gain are accounted for as goodwill in the value of the associate as the difference between the fair value of the associate's identifiable net assets and the fair value of the consideration paid for the asset as of the acquisition date.

The accounting policies of the investing entity accounted for using the equity method of accounting have been amended accordingly to ensure consistency with the accounting policies applied by the Company.

The equity method is not continued on the basis of the fact that the registered value of the investment in the associate is zero or the significant effect of the Group is terminated as long as the Group does not make any commitment or obligation in relation to the subsidiary. The recorded value of the investment in the date on which the significant effect is ended is shown as cost after that date. The amount previously recognized in comprehensive income / (expense) is related to net period profit / (loss) if appropriate in accordance with the provisions of the related TAS / TFRS, in proportion to the decrease in the proportion of the equity participations that do not result in loss of significant activity.

The book value of the investment accounted for by the equity method is tested for impairment according to the policy described in Note 2.7.7.

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

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

The table below sets out the associates and the proportion of ownership interest as of 31 December 2018 and 2017 (Note 3):

<u>Investments-in-associates</u>	Shareholding (%)	
	2018	2017
YBP	42.78	42.78
Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş. ("Çamlı Yem")	23.38	23.38
Pınar Foods GmbH ("Pınar Foods")	44.94	44.94
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	26.41	26.41

Foreign currency translation

i) Functional and reporting currency

The financial statements of the Company and each subsidiary are measured in terms of the currency in which the entity is located and the main currency in which the operations are carried out ("functional currency"). The financial statements have been prepared in Turkish Lira ("TL"), which is the functional currency of the Company.

ii) 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 recognised in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

iii) Translation of financial statements of foreign associate

Financial statements of Pınar Foods operating in Germany are prepared according to the legislation of the country in which it operates, and adjusted to the financial reporting standards issued by the TAS/TFRS. The assets and liabilities of foreign associate are translated into TL from the foreign exchange rates at the balance sheet date, and the statement of comprehensive income items of foreign associate are translated into TRY at the average foreign exchange rates in the period. As of 31 December 2018, the equivalent of EUR1 is TL6,0280 (31 December 2017: TL4,5155) and for the year then ended, the average equivalent of EUR1 is TL5,6581 (31 December 2017: TL4,1180). Exchange differences arising from re-translation of the opening net assets of investment-in-associate and the differences between the average and year-end rates are included in the share of other comprehensive income of investments in associates accounted for using equity method that will be reclassified to profit or loss under the equity as a separate component.

2.5 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items 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 revenue described in the section "Revenue Recognition" are presented as net if the nature of the transaction or the event qualify for offsetting.

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

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

2.6 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 2018 on a comparative basis with balance sheet at 31 December 2017; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2018 on a comparative basis with financial statements for the period of 1 January - 31 December 2017.

The accounting policies of the financial statements for the accounting period 1 January - 31 December 2018, which entered into force on 1 January 2018, are as follows except for TFRS 9 "Financial Instruments" and TFRS 15 "Revenue from Customer Contract" Standards in keeping with the financial statements as of 31 December 2017 have been applied consistently.

2.6.1 Revenue recognition

The Company transfers the committed goods or services to its customers and records the revenue in its financial statements as it fulfills or fulfills the performance obligation. When an asset is checked (or passed) by the customer, the asset is transferred.

The Company records the proceeds in accordance with the following basic principles:

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of the transaction price in the contract,
- Dividing the transaction price into the contractual performance obligations,
- Revenue recognition when each performance obligation is fulfilled.

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation. Then, it is determined whether the performance obligations will be fulfilled in time or at a certain time. If the company transfers the control of a good or service over time and thus fulfills the performance obligations related to the sales in time, it measures the progress of the fulfillment of the performance obligations in full and takes the proceeds to the financial statements. Revenue is recognized when customers are in control of goods or services related to performance obligations, such as goods or services transfer commitments.

In the event that all of the following conditions are met, the Company recognizes a contract with its customer as revenue:

- The parties to the contract have approved the contract (in writing, orally or in accordance with other customer business practices) and are committed to perform their respective obligations,
- Company can identify each party's rights regarding the goods or services to be transferred,
- Company can identify the payment terms for the goods or services to be transferred;
- The contract has commercial substance,
- It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

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

Revenue from product sales

The company generates proceeds by selling frozen dough and ready-to-eat products with the production of meat and by-products of cattle and sheep and poultry and fish. Revenue is recognized when product control is transferred to the customer.

The Company evaluates the transfer of control of the goods or services sold to the customer,

- present right to payment for the good or service
- the customer has legal title to the asset
- transfer physical possession of the asset
- the customer has the significant risks and rewards of ownership of the good
- the customer has accepted the asset

For each performance obligation, the Company determines whether it has fulfilled its performance obligation at the beginning of the contract or whether the performance obligation fulfilled at a certain point in time. The Company records revenue from product sales in the financial statements following the transfer of control to the customer.

In the event that the Company has the right to collect a price directly corresponding to the value of its customer (from the delivery of products), the Company pays the revenue to the financial statements for the amount that it has the right to invoice.

The Company reflects a return obligation to the financial statements if the company expects to pay back some or all of the amount charged to a customer to this customer. The obligation of return is calculated over the part of the enterprise (or the cost) that is collected by the entity. The obligation to return is updated at the end of each reporting period, taking into account the changes in the conditions.

TFRS 15 "Revenue from customer contracts" standard

TFRS 15 'Revenue from contracts with customers' effective from annual periods beginning on or after 1 January 2018. TFRS 15, "Revenue from contracts with customers" is a converged standard from the TASB 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.

2.6.2. TFRS 9 - Financial assets

Classification and measurement

The Company classifies its financial assets as financial assets that are accounted for at amortized cost and fair value differences as assets recorded in other comprehensive income. The classification is based on the business model and expected cash flows, which are determined according to the purpose of benefiting from financial assets. The Company makes the classification of its financial assets on the date of purchase.

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

a. Financial assets recognized at amortized cost;

Financial assets with fixed or determinable payments that are not quoted in an active market and which are not traded in an active market are classified as assets that are accounted at amortized cost value. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. Assets that are accounted for at amortized cost include "trade receivables" , "cash and cash equivalents" and "other receivables" in the statement of financial statements.

Impairment

The Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Company measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Company and its expectations for the future indications. The Company management has evaluated the effect of the calculation as of 31 December 2018 and the expected credit losses calculation has no significant effect on the year-end financial statements.

b. Financial assets whose fair value is reflected in other comprehensive income

Assets that management adopts contractual cash flows and / or sales business model are classified as assets that are recognized at fair value. Such assets are classified as non-current assets unless management intends to dispose of the related assets within 12 months after the balance sheet date. The Company makes an invariable choice as investment in equity investments reflected to the other comprehensive income or profit or loss statement of the fair value difference of the investment at initial recognition for investments in equity-based financial assets.

Financial assets carried at fair value through other comprehensive income include "financial investments" in the statement of financial position. In the event that the assets recorded in other comprehensive income are sold in the fair value difference, the valuation difference classified in other comprehensive income is classified into prior year profits. As of 31 December 2018, the Company does not have any financial assets that it has measured at cost. In this context, the Company has recognized all of its financial assets at fair value in the financial statements.

Where there is no fair value of assets recorded in other comprehensive income, generally accepted valuation methods used in the calculation of fair value include certain assumptions based on the best estimates of management and the values that may occur in the case of purchase / sale transactions may differ from these values.

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

c. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are comprised of financial assets measured at amortized cost except for the financial assets at fair value through profit or loss. Gains and losses arising from the valuation of such assets are recognized in the income statement.

Changes in the classification of financial assets and liabilities under TFRS 9 are summarized below. Changes in the classifications made do not have an impact on the measurement of financial assets.

	According to TAS 39 previous classification	According to TFRS 9 new classification
Financial assets		
Cash and cash equivalents	Loans and receivables	Amortization cost
Derivative instruments	Fair value through statement of profit or loss	Fair value through statement of profit or loss
Trade receivables	Loans and receivables	Amortization cost
Other receivables	Loans and receivables	Amortization cost
	According to TAS 39 previous classification	According to TFRS 9 new classification
Financial liabilities		
Financial liabilities	Amortization cost	Amortization cost
Trade payables	Amortization cost	Amortization cost
Other payables	Amortization cost	Amortization cost

Transition to TFRS 9 "Financial instruments"

Group has applied TFRS 9 "Financial instruments", which has replaced TMS 39 on the transition date, 1 January 2018. The amendments include the classification and measurement of financial assets and liabilities and the expected credit risk model which will replace incurred credit risk model. The Company assessed the effect of transition based on the simplified approach and concluded that the standard does not have significant effect on the financial statements.

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The Company management has made these assessments for the financial investments of the Company, which is included in TFRS 9 as of 1 January 2018, and has classified these financial instruments and related equity funds into appropriate TFRS 9 categories. As a result of this classification, the difference between the carrying amount of the financial assets carried at cost and the fair value at the beginning of the first application date is recorded in the related fund under shareholders' equity by taking the deferred tax effect into consideration. The effects of the related classification on the financial statements for the year end are as follows:

1 January 2018	Note Reference	Financial assets available for sale	Fair value through other comprehensive income	Total effect
Closing balance - 31 December 2017 - TAS 39		726,611	-	726,611
Financial assets available for sale fair value gains that are reclassified to other comprehensive income	32	(726,611)	726,611	-
Opening balance - 1 January 2018 - TFRS 9	32	-	726,611	726,611

1 January 2018	Revaluation and/or reclassification gains/(losses) fund of financial investments	Fair value fund of assets that fair value difference recorded in other comprehensive income	Total effect
Closing balance - 31 December 2017 - TAS 39	63,171	-	63,171
Reclassification of assets that fair value differences recorded in other comprehensive income to fair value fund from financial investments revaluation or reclassification gains/(losses) fund	(63,171)	63,171	-
Opening balance - 1 January 2018 - TFRS 9	-	63,171	63,171

Financial investments – 1 January 2018	Shares from other comprehensive income that will be classified to profit/(loss) of investments valued with equity method	Shares from other comprehensive income that will not be classified to profit/(loss) of investments valued with equity method
Closing balance 31 December 2017 - TMS 39	14,683,193	10,772,696
Transfer of shares from other comprehensive income that will be classified to profit/(loss) of investments valued with equity method, to shares from other comprehensive income that will not be classified to profit/(loss) of investments valued with equity method	(10,233,316)	10,233,316
TFRS 9 measurement effect due to policy change, net	-	14,714,508
Opening balance - 1 January 2018 - TFRS 9	4,449,877	35,720,520

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

2.7 Summary of Significant Accounting Policies

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

2.7.1 Revenue - Non-product sales

Interest Income:

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

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

Rental income- recognized evenly on an accrual basis.

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

2.7.2 Inventories

Raw materials of the Company mainly consist of meat and turkey meat as well as spices and animal fats, which are used in production of meat. Work in progress stocks mainly consists of processed turkey, cattle and sheep meat, finished goods consist of delicatessen, frozen and fresh meat product, other stocks mainly consists of spare parts.

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories comprise all costs of purchase of material and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the monthly weighted average basis (Note 8).

2.7.3 Biological Assets

Biological assets are livestock stocks made up of fattening dentists for the purpose of slaughtering (Note 9).

Biological assets are reflected in the financial statements taking into consideration the principles of TAS 41 "Agricultural Activities" standard. TAS 41 presents a hierarchical method of prioritizing measurement methods for the measurement of living entities. The basic principle used in the measurement of biological assets is the reflection of such assets to the financial statements over the fair values determined using unit price included in live animal purchase offers.

Changes in the fair value of biological assets are reflected in the income statement as "changes in fair value of biological assets".

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

2.7.4 Property, plant and equipment

Property, plant and equipment except for land, land improvements and buildings and machinery and equipment are stated at cost less accumulated depreciation and if exists provisions. Land, land improvements and buildings as of 31. December 2018 and machinery and equipment as of 31 December 2017 are stated at fair value less accumulated depreciation, based on valuations made by external independent expert TSKB Gayrimenkul Değerleme A.Ş. (Note 11). 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 and buildings and machinery and equipment are credited to the revaluation reserve in equity, net of applicable deferred income tax. For certain assets, the increase was recognized in the statement of comprehensive income to the extent that it reversed the impairment of the same asset previously recognized in the statement of comprehensive income. Decreases that offset previous increases of the revalued asset are charged against that reserve; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings, and the amount transferred is net of applicable deferred income tax.

Buildings, land improvements, machinery and equipment are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. Residual values of property, plant and equipment are deemed as negligible.

The advances given for the property, plant and equipment purchases are classified in prepaid expenses under 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 11). Land is not depreciated as it is deemed to have an indefinite life.

Approximate useful lives of property, plant and equipment are as follows:

	<u>Years</u>
Buildings and land improvements	5-30
Machinery and equipments	5-20
Furniture and fixtures	5-10
Motor vehicles	5

The assets' useful lives are reviewed and adjusted if appropriate, at each balance sheet date.

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

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

Maintenance and repair expenses are recognized as an expense in the statement of comprehensive income. The Company removes the carried values from the balance sheet, regardless of whether or not the replacement parts are depreciated independently of other segments. Major renewals are depreciated based on the remaining life of the related tangible asset or the shorter economic life of the renewal itself. Gains or losses on disposals of property, plant and equipment are determined by the value of tangible assets and recorded in the related income and expense accounts (Note 24). In the disposal of revalued tangible fixed asset, the amount in revaluation fund related to disposed tangible asset is transferred to retained earnings account by deducting deferred tax effect.

2.7.5 Intangible assets

Intangible assets have finite useful lives and mainly comprise acquired rights and information processing software. Intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any. 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 12). Costs associated with maintaining computer software programs are recognized as an expense when incurred. Gain or losses on disposals or on impairments of intangible assets with respect to their amounts are included in the related income and expense accounts. Residual values of intangible assets are deemed as negligible. Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

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

2.7.6 Investment property

Instead of being used in the production of goods and services or for administrative purposes or sold during the normal course of business, land and buildings held for the purpose of obtaining a lease or for appreciation or both are classified as investment properties. Investment property is reflected to the financial statements at fair value as of 31 December 2018 by independent professional appraisal company TSKB Gayrimenkul Değerleme A.Ş. Changes in the fair value of investment properties are accounted for under profit / loss and comprehensive income from investment activities under income / expenses (Note 24).

When the use and purpose of a tangible asset changes and is transferred to investment properties that are measured on a fair value basis, the Company applies TAS 16 "Property, Plant and Equipment" until the date of change in use.

2.7.7. Impairment of Non-Financial Assets

The Company assesses for each asset whether there is any indication of impairment in the asset at the date of each statement of financial position. If any such indication exists, the recoverable amount of that asset is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. The recoverable amount of the intangible assets that are not ready for use is estimated on the date of each statement of financial position. An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount by its use or sale. Impairment losses are recognized in profit or loss and other comprehensive income.

Impairment loss on an asset is reversed in such a way that the subsequent increase in the recoverable amount of that asset can be associated with an event that occurred in subsequent periods after the impairment was recognized.

2.7.8. Borrowing and borrowing cost

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 25). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 14).

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.

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

2.7.9 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 29).

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.

2.7.10 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 authorised 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.

2.7.11 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. The Company does not recognise contingent assets and liabilities (Note 16). 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.

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

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

ii. Provision for profit sharing and bonus plans

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

2.7.12. Related parties

For the purpose of these financial statements, shareholders having control, joint control or significant influence over the Company, Yaşar Group Companies, key management personnel of the Company or Yaşar Holding as main shareholder 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 5).

a) A person or a close member of that person's family is related to a reporting entity if that person:

The person concerned,

- (i) has control or joint control over the reporting entity,
- (ii) has significant influence over the reporting entity, or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) If any of the following conditions exists, the entity is considered to be associated with the Company:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others),
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member),
- (iii) Both entities are joint ventures of the same third party,
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity,
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity,
- (vi) The entity is controlled or jointly controlled by a person identified in (a),
- (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity). A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

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2.7.13 Segment reporting

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

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

2.7.14 Leases

(1) *The Company as the lessee*

Finance Leases

Finance leases are capitalised 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 off 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 11).

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 lesser*

Operating Leases

In operating leases, leased assets are classified under property, plant and equipment in the balance sheet and rental income is recognized to the other comprehensive income on a straight-line basis over the lease term.

2.7.15 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. The adjustments related to prior period tax liabilities are recognised in other operating expenses.

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

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

Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly (Note 28).

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 records the tax liabilities incurred by the supplemental tax that is estimated to be paid as a result of tax events. The tax deductions that arise from the investment incentives the Company has and are likely to benefit in the coming periods are reflected in the financial statements as it is highly probable that such incentives will be utilized in the future. Where the ultimate tax consequences arising from these items differ from those initially recorded, these differences could affect income tax provision and deferred tax liabilities in the periods in which they are set (Note 28).

2.7.16 Statement of cash flow

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

2.7.17 Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on shares are recognised 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. In the event that the existing ordinary shares or the number of potential ordinary shares are increased as a result of capitalization, bonus issuance or share division, or if the share of shares decreases as a result of a change in shareholders' equity, the calculation of earnings per share for each period presented is corrected retrospectively.

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

2.7.18 Government grants and incentives

Government incentives and grants are recognized at fair value if the Company has a reasonable assurance that the incentives will be received and the Company meets minimum requirements.

2.7.19 Trade Receivables

Trade receivables that are created by the Company by the way of providing goods or services to a buyer are carried at amortized cost. Short-term receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant (Note 6).

In case there is objective evidence that the Company has no possibility of collecting, the provision for doubtful receivables is allocated for the related trade receivable. Objective evidence is that the receivable is in the litigation or execution phase, the buyer is in significant financial difficulty, the buyer is in default, or the significant and the duration is unforeseeable. The amount of this provision is the difference between the carrying amount of the receivable and the amount of the recoverable amount.

The recoverable amount is the value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the trade receivable. In addition, since the Company does not include an important financing component, trade receivables that are accounted at amortized cost included in the financial statements, use the provisioning matrix by selecting the simplified application for the impairment calculations. With this application, the Company measures the expected credit loss provision from an amount equal to the expected credit losses of the lifetime when the trade receivables are not impaired due to certain reasons. In the calculation of the expected credit losses, the Company's future forecasts are taken into consideration along with the past loan loss experiences.

In case of collection of doubtful receivable against the amount of doubtful receivable, in case of collecting all or part of the doubtful receivable amount, the amount collected is deducted from the provision for doubtful receivable and recorded as income in the income statement (Note 23).

2.7.20 Going Concern

The Company has prepared its financial statements in accordance with the going concern principle.

2.7.21 Trade Payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.7.22 Significant accounting assessments, estimates and assumptions

The preparation of the financial statements requires the measurement of assets and liabilities reported as of the balance sheet date, disclosure of contingent assets and liabilities and using of estimates and assumptions that may affect the amounts of income and expenses reported during the accounting period. Although these estimates and assumptions are based on the Company management's best knowledge of current events and transactions, actual results may differ from the assumptions. The Company's significant accounting assumptions and estimates include:

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

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

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

Due to the fact that the machinery, facilities and equipment are mainly imported as a result of the evaluations made by the Company, the Company desired that there may be significant changes due to the changes in the market data taken into consideration in the cost approach method and the carried values will not converge to their fair values as of 31 December 2018. In this context, machinery, facilities and devices have been assigned to TSKB Gayrimenkul Değerleme A.Ş. has been reflected to the financial statements based on the fair value determined by the valuation studies.

In addition, as of December 31 2017, land, land improvements and buildings of TSKB Gayrimenkul Değerleme A.Ş. the fair values of the valuation studies are assumed to approximate the fair values as of 31 December 2018 after deducting the current period depreciation.

Details of the methods and assumptions used for valuation are as follows:

- Revaluation of investment property was based on the method of reference by considering highest and best use approach.
- Regarding the valuation of the machinery and equipment, technologic conditions, actual depreciation, commercial attributes and industrial positions as well as demounting and assembling costs were taken into account. 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.

The values that may occur during the purchase / sale transactions may differ from these values.

In accordance with the provisions of TAS 36 "Impairment of Assets", as of the date of initial recognition of the values determined by the cost approach method and at the end of the related period, whether there is any indication of impairment, it is concluded that there is no impairment.

2.8 Compliance declaration to resolutions published by POAASA and TAS/IFRS

The Company's Management is responsible for the preparation and fair presentation of these financial statements in accordance with the TAS/IFRS published by the POAASA 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 TAS/IFRS published by the POAASA.

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NOTE 3 - INTEREST IN OTHER ENTITIES

Investments-in-associates:

	31 December 2018		31 December 2017	
	TL	(%)	TL	(%)
YBP	118,824,376	42.78	112,476,294	42.78
Çamlı Yem	36,048,198	23.38	39,330,138	23.38
Desa Enerji	13,652,462	26.41	12,126,273	26.41
Pınar Foods	14,155,691	44.94	9,972,647	44.94
	182,680,727		173,905,352	

Movement in investments-in-associates during the years 2018 and 2017 are as follows:

	2018	2017
1 January	173,905,352	159,359,258
Measurement effect of TFRS 9 accounting due to policy change, net	14,714,508	-
Amount After Adjustment	188,619,860	159,359,258
(Decrease) / increase in fair value reserves of investments-in-associates - net	-	528,100
Share of profit before taxation of investments-in-associates - net	18,827,656	12,587,520
Increase in revaluation reserve of investments-in-associates	2,707,560	6,389,089
Losses on remeasurements of investment defined benefit plans (783,293)	(537,577)	
Dividend income from investments-in-associates (Note 5.ii.e)	(11,039,209)	(6,259,241)
Currency translation reserve	3,347,737	1,765,214
Elimination of net effect of unrealized profits on inventory	9,091	72,989
Other gains (losses) of associates accounted for using equity method	(19,008,675)	-
31 December	182,680,727	173,905,352

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NOTE 3 - INTEREST IN OTHER ENTITIES (Continued)

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

	Assets	Liabilities	Net profit	Net sales	Other Comprehensive Income/ (Expense)
31 December 2018					
- YBP	602,667,726	433,278,443	35,191,208	2,014,722,720	(39,799,770)
- Çamlı Yem	576,691,307	422,504,090	6,688,267	596,858,474	(1,714,898)
- Desa Enerji	59,763,155	8,071,818	5,201,922	66,896,365	3,284,067
- Pınar Foods	32,548,960	1,049,856	1,858,729	86,444,830	7,448,771
31 December 2017					
- YBP	519,969,805	365,990,246	11,861,282	1,805,583,299	4,231,228
- Çamlı Yem	432,380,177	264,156,219	27,781,347	449,694,831	13,965,455
- Desa Enerji	54,259,637	8,346,540	2,894,294	53,102,539	4,272,192
- Pınar Foods	22,536,552	345,526	564,317	63,683,911	3,927,631

Details of significant investment-in-associates of the Company as of 31 December 2018 and 2017 are as follows:

Associates	Nature of business	Business location
- YBP	Marketing and distribution	Turkey
- Çamlı Yem	Livestock and feed production	Turkey
- Desa Enerji	Energy production	Turkey
- Pınar Foods	Marketing and distribution	Germany

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash in hand	29,524	20,428
Banks	2,897,287	1,062,149
- Demand deposits	2,897,287	447,149
- Time deposits	-	615,000
Other	672,574	1,170,554
	3,599,385	2,253,131

As of 31 December 2018, the Company has no time deposits (31 December 2017: The average maturity of time deposits amounting to TL 615,000 is less than one month and the effective weighted average annual interest rate is 14.40%).

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

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NOTE 5 - 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 2018 and 2017 are as follows:

i) Balances with related parties:

a) Trade receivables from related parties-current:

	31 December 2018	31 December 2017
YBP	77,037,981	77,473,256
YDT	4,188,492	3,417,407
Other	90,067	51,775
	81,316,540	80,942,438

As of December 31, 2018, the average maturity of short-term trade receivables from related parties is two months (31 December 2017: two months).

As of 31 December 2018, total of overdue trade receivables from related parties over which no provision for impairment is provided is amounting to TL 704,782 (31 December 2017: TL 651,658) and aging is shown in Note 33.a.

b) Other short-term receivables from related parties:

Yaşar Holding	17,525,607	13,903,911
Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("Dyo Boya")	4,723	21,284
	17,530,330	13,925,195

As of 31 December 2018, the Company has non-trade receivables amounting to TL17,525,607 from Yaşar Holding with an effective interest rate of 25,5% and 4.25% for TL and USD denominated receivables, respectively. (31 December 2017: non-trade receivables amounting to TL 13,903,911 with and effective interest rate of 15% ve 3.90% for TL and USD)

c) Short-term trade payables to related parties:

Çamlı Yem	17,283,773	16,448,503
Dyo Boya	6,800,000	-
Yaşar Holding	1,536,834	1,700,556
Hedef Ziraat Tic. ve San. A.Ş. ("Hedef Ziraat")	385,929	244,522
Yadex Export-Import und Spedition GmbH ("Yadex")	-	836,496
Other	75,938	424,499
	26,082,474	19,654,576

The Company's debts to Çamlı Yem consist mainly of turkey purchases. TL 6,800,000 of short-term trade payables to related parties consist of land and building value purchased from Dyo Boya.

Average maturity of short-term trade payables to related parties as of 31 December 2018 is two months (31 December 2017: two months).

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NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

d) Other short-term payables to related parties:

Other short-term payables to related parties consist of the Board of Directors' appropriation amounting to TL5,087,011, TL2,300,000, TL2,270,000 and TL517,011, respectively, to be paid in respect of the decision taken at the Ordinary General Assembly Meetings held on 30 March 2018, 30 March 2017 and 29 March 2016 (31 December 2017: Other short-term payables to related parties consist of the Board of Directors' appropriation amounting to TL2,300,000, TL2,600,000 and TL 257,011 respectively, to be paid in respect of the decision taken at the Ordinary General Assembly Meetings held on 30 March 2017, 29 March 2016 and 25 March 2015).

ii) Transactions with related parties:

a) Product sales:

	1 January - 31 December 2018	1 January - 31 December 2017
YBP	496,331,400	482,176,254
YDT	28,050,021	25,281,524
Çamlı Yem	4,973,062	2,774,563
Other	840,070	71,805
	530,194,553	510,304,146

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

b) Service sales:

YDT	1,087,184	959,577
Çamlı Yem	221,554	378,016
YBP	167,216	258,192
Pınar Süt	48,928	169,555
Other	325,367	59,586
	1,850,249	1,824,926

c) Income from investment activities:

Yaşar Holding	2,470,088	1,808,713
Other	-	15,697
	2,470,088	1,824,410

The majority of finance income consists of bail commission charges amounting to TL2,470,088 (31 December 2017: TL1,824,410), for the borrowings obtained by Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company (Note 26.i). The commission rates of bail and financing used in the associated intercompany charges is 0.50% p.a. (31 December 2017: 0.50 % p.a.).

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NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

d) Income from investment activities:

	1 January - 31 December 2018	1 January - 31 December 2017
Yaşar Holding	1,667,197	-
Dyo Boya	9,100	24,095
Pınar Süt	805	-
	1,677,102	24,095

Income from investment activities consist of interest and delay interest income that are related to non-trade receivables of the Company.

e) Dividends received:

Çamlı Yem (*)	7,016,951	-
YBP (*)	3,306,972	5,015,920
Desa Enerji (*)	715,286	1,243,321
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	21,922	12,719
	11,061,131	6,271,960

(*) Subsidiary (Note 3).

f) Other incomes from related parties:

YDT	1,957,752	786,546
YBP	1,775,634	590,259
Çamlı Yem	142,277	195,351
Other	15,814	30,752
	3,891,477	1,602,908

Other incomes are related to foreign exchange gain from YDT, rent income of cars and building from YBP and Çamlı Yem.

g) Product purchases:

Çamlı Yem	132,200,202	106,105,141
Hedef Ziraat	4,590,027	4,900,558
Yadex	1,876,266	4,691,408
Pınar Süt	599,252	702,596
Other	230,322	54,715
	139,496,069	116,454,418

The product purchases performed from Çamlı Yem are mainly related to turkey and fish.

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NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

h) Service purchases:

	1 January - 31 December 2018	1 January - 31 December 2017
Yaşar Holding	9,102,591	8,414,751
YBP	3,462,243	2,039,495
YDT	2,234,845	2,272,778
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yabim")	1,355,255	1,016,879
Bintur	182,923	239,751
Other	1,631,903	1,889,310
	17,969,760	15,872,964

Service purchases from YBP are related to promotion and advertisement. Service purchases from Yaşar Holding are related to sundry and consultancy services. Service purchases from Yabim are related to IT services. Service purchases from YDT include expenses for export costs and commission services.

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

DYO Boya (Footnote 5.i.c.)	6,800,000	-
YBP	64,206	241,930
Pınar Süt	10,148	19,269
Other	67,151	32,291
	6,941,505	293,490

j) Other operating expenses:

Çamlı Yem	811,161	-
Yaşar Holding	99,674	39,982
Yadex	-	69,354
Other	-	13,114
	910,835	122,450

Other operating expenses of the Company consist of interest expense on term sales and interest expense related with operating activities.

k) Financial expenses from related parties:

YDT	317,194	-
YBP	507,672	1,875
	824,866	1,875

l) Other expenses from related parties:

YDT	1,307,250	199,328
Çamlı Yem	268,656	221,000
YBP	60,510	116,650
Other	109,045	98,040
	1,745,461	635,018

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NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

m) Dividends to related parties (*):

	1 January - 31 December 2018	1 January - 31 December 2017
Yaşar Holding	11,503,686	23,711,664
Pınar Süt	2,671,362	5,506,270
Other	2,300,000	2,300,000
	16,475,048	31,517,934

(*) In the Ordinary General Assembly Meeting for the year 2018 as of 30 March 2018, it has been decided to distribute dividend amounting to TL 23,534,152 (31 December 2017: TL 46,068,342). TL7,059,104 portion of this dividend (31 December 2017: TL 14,550,408) was paid to other shareholders.

n) Donations:

Yaşar Eğitim Vakfı	1,552,868	261,350
	1,552,868	261,350

o) Key management compensation:

Key management includes, members of board of directors, general manager and directors. The compensation paid or payable to key management are shown below:

Total short-term employee benefits	5,124,452	5,226,621
Post-employment benefits	-	144,891
Other long-term benefits	131,902	71,762
	5,256,354	5,443,274

The portion of total short-term benefits amounting to TL 2,300,000 (31 December 2017: TL 2,300,000) consists of Board of Directors appropriation according to the decision taken at the Ordinary General Assembly.

p) Bails given to related parties:

As of 31 December 2017 Pınar Et, Pınar Süt, 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 TL1,315,225,000 (31 December 2017: USD250,000,000 equivalent of TL942,975,000) due on 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.

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NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables:

	31 December 2018	31 December 2017
Customer current accounts	18,292,221	13,305,706
Cheques and notes receivable	2,597,786	2,004,079
	20,890,007	15,309,785
Less: Provision for impairment of receivables	(360,841)	(339,779)
	20,529,166	14,970,006

The average maturity of checks, notes and customer accounts is 2 months (31 December 2017: 2 months).

The agings of trade receivables as of 31 December 2018 and 2017 are as follows:

Overdue	2,182,851	1,414,022
0 - 30 days	7,641,076	4,948,971
31 - 60 days	8,584,200	6,921,337
61 - 90 days	1,653,236	1,552,242
91 days and over	467,803	133,434
	20,529,166	14,970,006

As of 31 December 2018, trade receivables of TL 2,182,851 (31 December 2017: TL 1,414,022), over which no provision for impairment is provided, were past due. The Company Management does not expect any collection risk regarding those receivables based on its past experience (Note 33.a).

As of 31 December, 2018 and 2017, the aging of the overdue receivables are as follows:

	31 December 2018	31 December 2017
0 - 30 days	1,851,286	1,396,759
30 days and over	331,565	17,263
	2,182,851	1,414,022

b) Short-term trade payables:

Supplier current accounts	85,299,376	73,188,027
	85,299,376	73,188,027

The average maturity of trade payables is one month (31 December 2017: one month).

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NOTE 7 - OTHER RECEIVABLES AND PAYABLES

a) Short-term other payables:

	31 December 2018	31 December 2017
Taxes and funds payable	1,965,549	1,517,836
Other	45,788	51,881
	2,011,337	1,569,717

NOTE 8 - INVENTORIES

	31 December 2018	31 December 2017
Raw materials	11,936,839	9,607,122
Raw materials in transit	2,670,634	2,381,119
Work in progress	23,365,270	13,667,826
Finished goods	22,183,367	15,274,563
Spare parts	5,998,769	3,561,129
Other	954,641	788,091
	67,109,520	45,279,850

The costs of inventories recognised as expense and included in cost of sales amounted to TL506,875,297 (31 December 2017: TL466,020,603) (Note 18). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell.

NOTE 9 - BIOLOGICAL ASSETS

	31 December 2018	31 December 2017
Cattle	18,028,475	14,116,600
	18,028,475	14,116,600

The Company raises of livestock comprising calf for slaughter. As of 31 December 2018, there are total of 2,229 units (31 December 2017: 2,303 units).

The movement of biological assets during the year is as follows:

	2018	2017
Beginning of the period (1 January)	14,116,600	13,005,644
Increase due to production and purchases	27,283,953	34,012,573
Sales and mortality during the year	(23,428,408)	(31,988,899)
Gain arising from changes in fair value less estimated point-of-sale costs-net	(179,167)	(235,497)
Current year realization of previous year fair value differences through current year sales	235,497	(677,221)
Period end (31 December)	18,028,475	14,116,600

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NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses:

	31 December 2018	31 December 2017
Prepaid expenses	616,925	1,491,689
Advances given	351,324	419,700
	968,249	1,911,389

b) Long-term prepaid expenses:

Advances given	4,363	298,129
	4,363	298,129

c) Deferred income:

Advances received	243,260	178,224
	243,260	178,224

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and accumulated depreciation between 1 January and 31 December 2018 were as follows:

	1 January 2018	Additions	Disposals	Transfers	Investment Property Transfers (*)	Net off Accumulated Depreciation Before Revaluation	Increase in Revaluation	31 December 2018
Cost/ revaluation:								
Land	144,800,000	3,000,000	-	-	(12,970,000)	-	-	134,830,000
Buildings and land improvements	63,350,505	4,696,684	(181,767)	6,050,805	(3,059,618)	-	-	70,856,609
Machinery and equipment	79,157,317	10,619,455	(210,835)	249,054	-	(8,182,526)	17,433,916	99,066,381
Furniture and fixtures	42,431,434	3,037,791	(233,952)	-	-	-	-	45,235,273
Motor vehicles	2,427,312	242,256	(135,992)	-	-	-	-	2,533,576
Construction in progress	1,853,216	6,323,920	-	(6,299,859)	-	-	-	1,877,277
	334,019,784	27,920,106	(762,546)	-	(16,029,618)	(8,182,526)	17,433,916	354,399,116
Accumulated depreciation:								
Buildings and land improvements	-	(2,194,686)	117	-	326,834	-	-	(1,867,735)
Machinery and equipment	-	(8,297,507)	114,981	-	-	8,182,526	-	-
Furniture and fixtures	(31,641,403)	(2,977,133)	217,363	-	-	-	-	(34,401,173)
Motor vehicles	(1,755,911)	(214,257)	135,992	-	-	-	-	(1,834,176)
	(33,397,314)	(13,683,583)	468,453	-	326,834	8,182,526	-	(38,103,084)
Net book value	300,622,470							316,296,032

(*) As of 31 December 2017, the transferred property is carried over the current period's depreciation and the carrying amount is estimated to approximate to the fair value as of the transfer date.

As of 31 December 2018, additions to land, buildings and land improvements and machinery and equipment mainly consist of plant investments in Turgutlu Organized Industrial Site and machineries purchased for modernization.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment and accumulated depreciation between 1 January and 31 December 2017 were as follows:

	1 January 2017	Additions	Disposals	Transfers	Net off Accumulated Depreciation Before Revaluation	Increase in Revaluation	31 December 2017
Cost/ revaluation:							
Land	85,109,400	-	-	-	-	59,690,600	144,800,000
Buildings and land improvements	63,703,887	1,239,166	(212,047)	789,858	(3,817,099)	1,646,740	63,350,505
Machinery and equipment	68,518,635	10,996,207	(171,171)	-	(13,223,884)	13,037,530	79,157,317
Furniture and fixtures	40,516,880	1,987,527	(736,491)	663,518	-	-	42,431,434
Motor vehicles	2,960,628	26,386	(559,702)	-	-	-	2,427,312
Construction in progress	-	3,306,592	-	(1,453,376)	-	-	1,853,216
	260,809,430	17,555,878	(1,679,411)	-	(17,040,983)	74,374,870	334,019,784
Accumulated depreciation:							
Buildings and land improvements	(1,861,029)	(1,992,234)	36,164	-	3,817,099	-	-
Machinery and equipment	(5,437,121)	(7,922,134)	135,371	-	13,223,884	-	-
Furniture and fixtures	(29,623,896)	(2,752,615)	735,108	-	-	-	(31,641,403)
Motor vehicles	(2,107,692)	(181,521)	533,302	-	-	-	(1,755,911)
	(39,029,738)	(12,848,504)	1,439,945	-	17,040,983	-	(33,397,314)
Net book value	221,779,692						300,622,470

As of 31 December 2017, additions to land, buildings and land improvements and machinery and equipment mainly consist of plant investments and machineries purchased for modernization.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current year's depreciation and amortisation charges were allocated to cost of goods sold by TL9,622,101 (2017: TL9,212,725), to the cost of inventories by TL701,837 (2017: TL619,075), to general administrative expenses by TL1,160,997 (2017: TL943,001) (Note 22.b), to selling and marketing expenses by TL2,282,830 (2017: TL2,195,792) (Note 22.a), to research and development expenses by TL138,181 (2017: TL50,238) (Note 22.c)

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipments as of 31 December 2018 and 2017 were as follows:

1 January 2017 **102,954,215**

Increase in revaluation reserve arising from revaluation of land, buildings and land improvements, machinery and equipments - net	65,468,956
Change in tax rates	(3,390,880)
Depreciation transfer due to revaluation increase classified in retained earnings	(3,146,064)
Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings	629,213
Revaluation fund decrease due to sale of property, plant and equipment - net	(49,503)

31 December 2017 **162,465,937**

Increase in revaluation reserve arising from revaluation of land, buildings and land improvements, machinery and equipments - net	13,947,133
Depreciation transfer due to revaluation increase classified in retained earnings	(4,237,111)
Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings	847,422
Revaluation fund decrease due to sale of property, plant and equipment - net	(36,474)

31 December 2018 **172,986,907**

The carrying amounts of each class of property, plant and equipments that would have been recognised if the assets have been carried under the cost model at 31 December 2018 and 2017, are as follows:

	Land	Land improvements and buildings	Machinery and equipment
31 December 2018:			
Cost	16,941,447	59,839,866	159,070,398
Less: Accumulated depreciation	-	(18,987,709)	(102,598,165)
Net book value	16,941,447	40,852,157	56,472,233
31 December 2017:			
Cost	16,926,447	49,274,142	148,412,722
Less: Accumulated depreciation	-	(17,719,902)	(97,725,987)
Net book value	16,926,447	31,554,240	50,686,735

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NOTE 12 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the years ended 31 December 2018 and 2017 were as follows:

	1 January 2018 Opening	Additions	31 December 2018 Closing
Costs:			
Rights	18,584,058	949,702	19,533,760
Accumulated amortisation	(18,096,392)	(261,192)	(18,357,584)
Net book value	487,666		1,176,176
	1 January 2017 Opening	Additions	31 December 2017 Closing
Costs:			
Rights	18,263,590	320,468	18,584,058
Accumulated amortisation	(17,924,066)	(172,326)	(18,096,392)
Net book value	339,524		487,666

NOTE 13 - INVESTMENT PROPERTIES

Investment property independent professional appraisal company TSKB Gayrimenkul Değerleme A.Ş. has been reflected in the financial statements as of 31 December 2018 with the assumption that the fair value of the assets amounting to TL 19,155,000 will approximate to the fair value of the asset as of 31 December 2018.

The movements of investment properties in the accounting periods of 1 January - 31 December 2018 are as follows:

	1 January 2018	Transfers	Additions	Fair Value Increase (Note 24)	31 December 2018
Fair value:					
Land, buildings and building improvements	-	15,669,333	33,451	3,452,216	19,155,000
	-	15,669,333	33,451	3,452,216	19,155,000

There is no rental income from investment properties in 2018 (2017: None).

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NOTE 14 - GOVERNMENT GRANTS AND INCENTIVES

There are government incentives provided by Undersecretariat of Foreign Trade to the Company in the scope of Turquality project applied for support brandization of products made in Turkey in foreign markets and settle the image of Turkish goods. In the respect of the World Trade Organization Agriculture Agreement, incentive which is related with agricultural products are sold in foreign markets was given with the Minister of Council decision. In 2018, the Company recognized the government grant amounting to TL177,758 (31 December 2017: TL161,998) which was presented in other income.

The Company has various investment incentive certificates obtained in different dates and the Company utilizes these investment incentive certificates according to current legislation (Note 28).

NOTE 15 - BORROWINGS AND BORROWING COSTS

Short-term Borrowings From Third Parties:

a) Borrowings:

	31 December 2018	31 December 2017
Short-term borrowings		
- TL borrowings (*)	5,122,778	5,123,333
Short term financial lease payables	146,376	-
	5,269,154	5,123,333

(*) As of 31 December 2018, short-term borrowings consist of agricultural credits with an annual average interest rate of 4% (31 December 2017:4%).

As of 31 December 2018, fair value of borrowings approximates to carrying amount.

The guarantees given by the Company regarding loans and financial liabilities are disclosed in Note 16.

b) Other financial liabilities:

Other financial liabilities	2,491,148	522,480
	2,491,148	522,480

As of 31 December 2018 and 2017, other financial liabilities consist of credit card debt.

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NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

a) Short-term provisions:

	31 December 2018	31 December 2017
Provision for litigations	401,882	53,200
	401,882	53,200

b) Guarantees given:

Bails	1,315,225,000	942,975,000
Letters of guarantee	199,713	4,987,884
	1,315,424,713	947,962,884

As of 31 December 2018 Pınar Et, Pınar Süt, 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 TL1,315,225,000 (31 December 2017: USD250,000,000 equivalent of TL942,975,000) due on 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.

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NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2018 and 2017 were as follows:

	31 December 2018			31 December 2017		
	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	199,713	199,713	TL	4,987,884	4,987,884
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			1,315,225,000			942,975,000
i. Total amount of CPM given to on behalf of the majority shareholder			1,315,225,000			942,975,000
	USD	250,000,000	1,315,225,000	USD	250,000,000	942,975,000
ii. Total amount of CPM given to on behalf of other Group companies which are not in scope of B and C	EUR	-	-	EUR	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
TOPLAM			1,315,424,713			947,962,884

The ratio of total amount of other CPM to Equity

238%

188%

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NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

c) Guarantees received:

	31 December 2018			31 December 2017		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
Mortgages	TL	20,000	20,000	TL	20,000	20,000
Letters of guarantee	TL	12,196,000	12,196,000	TL	11,530,250	11,530,250
	EUR	427,450	2,576,669	EUR	163,150	736,704
	TL	218,000	218,000	TL	190,000	190,000
Guarantee notes and cheques	USD	50,000	263,045	USD	50,000	188,595
			15,273,714			12,665,549

The Company does not have any guarantees received from related parties as of 31 December 2018 (31 December 2017: None).

NOTE 17 - EMPLOYMENT TERMINATION BENEFITS

a) Payable due to employee benefits:

	31 December 2018	31 December 2017
Social security premiums payable	1,321,334	2,245,995
Payables to personel	259,084	31,588
	1,580,418	2,277,583

b) Short-term provisions due to employee benefits:

Provision for seniority incentive bonus	398,122	458,943
	398,122	458,943

c) Long-term provisions due to employee benefits:

Provision employment termination benefits	25,290,293	19,998,855
Provision for seniority incentive bonus	707,633	648,257
	25,997,926	20,647,112

Under the Turkish Labour 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 TL 5,434.42 as of 31 December 2018 (31 December 2017: TL 4,732.48). The liability is not funded, and 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 based on actuarial assumptions.

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NOTE 17 - EMPLOYMENT TERMINATION 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 TL6,017.60 which is effective from 1 January 2019 (1 January 2018 TL5,001.76) 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 2018	31 December 2017
Discount rate (%)	5.00	4.50
Probability of retirement (%)	98.43	98.35

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

	2018	2017
1 January	19,998,855	17,885,707
Interest costs	4,000,396	2,299,868
Actuarial losses	2,199,679	1,080,332
Paid during the year	(3,869,366)	(2,887,799)
Current service cost	1,944,683	1,620,747
31 December	24,274,247	19,998,855

The total of interest costs, actuarial losses and current service cost for the year is TL8,144,759 (31 December 2017: TL5,000,947). TL1,944,683 portion (31 December 2017: TL1,620,747) of this amount was included in general administrative expenses and TL2,199,679 (31 December 2017: TL1,080,332) portion was included in other comprehensive income.

NOTE 18 - EXPENSES BY NATURE

	1 January - 31 December 2018	1 January - 31 December 2017
Direct material costs	506,875,297	466,020,603
Staff costs	61,867,644	55,751,505
Outsourced services	21,636,776	18,061,885
Utilities	16,035,203	11,665,231
Depreciation and amortisation	13,823,184	12,909,893
Repair and maintenance	12,038,616	10,681,968
Advertisement	10,518,838	10,175,584
Consultancy charges	9,555,900	8,653,444
Rent	1,963,562	1,666,809
Other	9,678,399	5,073,941
	663,993,419	600,660,863

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NOTE 19 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2018	31 December 2017
Income accrual	196,911	280,288
Deferred VAT	-	17,767
	196,911	298,055

b) Other current liabilities:

Expense accrual	9,685	16,538
	9,685	16,538

NOTE 20 - 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 Kr 1. The Company's historical authorised registered capital at 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Registered share capital (historical values)	100,000,000	100,000,000
Authorised registered share capital with a nominal value	43,335,000	43,335,000

The compositions of the Company's share capital at 31 December 2018 and 2017 were as follows:

Shareholders	31 December 2018		31 December 2017	
	Share Amount (TL)	Share (%)	Share Amount (TL)	Share (%)
Yaşar Holding (A,B)	23,476,895	54	23,476,895	54
Pınar Süt (A,B)	5,451,752	13	5,451,752	13
Public quotation (A,B)	14,406,353	33	14,406,353	33
Share Capital	43,335,000	100	43,335,000	100
Adjustment to share capital	37,059,553		37,059,553	
Total share capital	80,394,553		80,394,553	

Adjustment to share capital amounting to TL37,059,553 (31 December 2017: TL37,059,553) 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).

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NOTE 20 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

The companies registered in Turkey can exceed authorized registered share capital by the way of increasing bonus shares from capital reserves, except for by cash, at once. However, capital increase by cash shall not exceed authorized registered share capital.

As at 31 December 2018, there are 4,333,500,000 (31 December 2017: 4,333,500,000) shares with 1 Kr each.

The Company's capital is composed of 1,500,000 units of A type bearer share and 4,332,000,000 units of B type bearer share, and the B type bearer shares are traded on ISE. The business and administration of the Company shall be carried out by a Board of Directors consisting of 5, 7 and 9 members to be elected by the General Assembly under the provisions of the Turkish Commercial Code and Capital Markets Board regulations. If the Board of Directors consists of 5 members, if it consists of 3 or 7 members, if it consists of 4 or 9 members, 5 members will be selected among the candidates to be shown by the shareholders of group "A" and among the candidates to be shown by shareholders "B" group. If the Board of Directors decides, the Managing Director / Members may be elected. However, the Chairman of the Board of Directors and the Managing Director / Members are selected among the members representing group "A".

The Board of Directors is authorized to issue shares above or below the privileged and nominal value to restrict new capital requirements in separate groups in accordance with the provisions of the Capital Markets Law and to restrict shareholders' rights to acquire new shares or to restrict the rights of privileged shareholders. At the end of the capital increases to be made from internal sources, bonus shares are given to existing shareholders in proportion to their shares.

Retained earnings and certain reserves according to the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below.

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves out of their profits. According to the Turkish Commercial Code, the first legal reserve is appropriated as 5% of the statutory net profit up to 20% of the paid-up capital of the company. The second legal reserve is 10% of the distributed profit exceeding 5% of the paid-up capital. According to the Turkish Commercial Code, the legal reserves can only be used to offset losses, unless they exceed 50% of the paid capital, and it is not possible to use them any other way.

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with Turkish Financial Reporting Standards ("TFRS"). At 31 December 2018, the restricted reserves of the Company amount to TL 41,329,035 (31 December 2017: TL39,192,295). The unrestricted reserves of the Company, amounting to TL123,919,014 (31 December 2017: TL90,277,810), is classified in the "Retained Earnings".

In accordance with the announcements of CMB "Share Capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences (e.g. the differences raises from 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 "Inflation 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".

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NOTE 20 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

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

Companies distribute dividends in accordance with their dividend payment policies numbered II-19.1 settled by CMB on 1 February 2014.

Companies shall distribute their profits in accordance with the profit distribution policies to be determined by the general assemblies and in accordance with the provisions of the relevant legislation. Within the scope of the aforementioned notification, a minimum distribution rate has not been determined. Companies pay dividends as set out in their articles of association or profit distribution policies. In addition, dividends may be paid in installments of equal or different amounts and may distribute advance dividend in cash on the profit in the year-end financial statements.

Based on CMB Communiqué, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations. Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of their articles of association and their previously publicly declared profit distribution policies.

In line with Article 26 of the Company's Articles of Association, previous year losses, if any, are deducted from the net period profit and then overall legal reserve and the first dividend are allocated according to the Capital Markets Board legislation. Of the remaining portion, an amount up to 5% can be set aside as allocation provision for the members of board of directors and for other items which the board of directors will determine and deem necessary in line with the decision made by the General Assembly.

Dividend is distributed for shares available as of accounting period of all of them equally without regarding to the dates of issue and acquisition.

In accordance with the decision taken at the Ordinary General Assembly held on 30 March 2018, the Company has decided to distribute the distributable profit amounting to TL23,534,152 (31 December 2017: TL 46,068,342) as dividend and board of directors. It was decided to pay the payments on 20 April 2018 in order to distribute dividends. In consideration of this profit distribution decision, the Company has allocated "Restricted Reserves" which is amounting to TL2,136,740 from the profit of year 2017. Since the general assembly for 2018 has not been made yet, no profit distribution decision has been taken.

NOTE 21 - REVENUE AND COST OF SALES

	1 January - 31 December 2018	1 January - 31 December 2017
Domestic sales	819,141,002	766,749,876
Export sales	28,050,021	25,281,524
Gross Sales	847,191,023	792,031,400
Less: Discounts	(132,038,130)	(128,147,723)
Returns	(14,407,251)	(14,317,536)
Net Sales	700,745,642	649,566,141
Cost of Sales	(603,260,959)	(551,456,702)
Change in fair value of biological assets	(179,167)	(235,497)
Gross Profit	97,305,516	97,873,942

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NOTE 22- GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) Marketing expenses:

	1 January - 31 December 2018	1 January - 31 December 2017
Advertisement	10,517,738	10,175,584
Staff costs	4,872,921	4,492,575
Consultancy charges	3,644,044	3,366,995
Outsourced services	2,470,498	1,975,471
Depreciation and amortisation	2,282,830	2,195,792
Utilities	2,066,345	1,500,165
Repair and maintenance	2,063,441	1,739,618
Rent	667,357	502,150
Other	3,127,306	2,384,091
	31,712,480	28,332,441

b) General administrative expenses:

Staff costs	6,500,874	5,906,539
Consultancy charges	5,737,512	5,106,326
Outsourced services	4,085,922	2,985,066
Employment termination benefits	1,944,683	1,620,747
Depreciation and amortisation	1,160,997	943,001
Utilities	390,374	368,981
Taxes (except for corporate tax)	384,874	318,439
Repair and maintenance	145,706	84,328
Other	2,500,930	1,327,313
	22,851,872	18,660,740

c) Research and development expenses:

Staff costs	1,235,397	1,134,112
Outsourced services	202,048	191,522
Depreciation and amortisation	138,181	50,238
Other	592,086	835,108
	2,167,712	2,210,980

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NOTE 23 - OTHER OPERATING INCOME AND EXPENSES

a) Other operating income:

	1 January - 31 December 2018	1 January - 31 December 2017
Interest income on term sales	1,206,584	29,294
Foreign exchange gain	1,137,970	483,195
Rent income	804,201	749,668
Income from sales of scrap	644,220	431,355
Unearned financial income	558,228	243,905
Other	1,085,538	443,470
	5,436,741	2,380,887

b) Other operating expense:

Donations	(1,563,952)	(266,670)
Interest expense on term purchases	(912,096)	(76,821)
Unincurred financial expense	(598,016)	(270,818)
Other	(590,689)	(681,971)
	(3,664,753)	(1,296,280)

NOTE 24 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

a) Income from investment activities:

	1 January - 31 December 2018	1 January - 31 December 2017
Investment property value increase	3,452,216	-
Interest income calculated on other receivables from related parties	1,676,392	24,095
Income from sales of property, plant and equipment	60,425	301,341
Other	21,921	39,782
	5,210,954	365,218

b) Expense from investment activities:

Loss from sales of property, plant and equipment	(91,442)	(533)
	(91,442)	(533)

NOTE 25 - EXPENSES CLASSIFIED

Please refer to Note 18.

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NOTE 26 - FINANCIAL INCOME AND EXPENSES

i. Financial Income:

	1 January - 31 December 2018	1 January - 31 December 2017
Bail income from related parties (Note 5.ii.c)	2,470,088	1,824,410
Interest income	922,457	1,360,231
Foreign exchange gain	900,856	187,871
	4,293,401	3,372,512

ii. Financial Expense:

Defined benefit plans interest cost	(4,000,396)	(2,299,868)
Foreign exchange loss	(911,648)	(233,528)
Interest expense	(238,572)	(123,333)
Bank commission expense	(171,869)	(95,882)
Other	(507,672)	(1,875)
	(5,830,157)	(2,754,486)

NOTE 27 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please refer to Comprehensive Income.

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

As of 31 December 2018 and 2017, corporation taxes currently payable are as follows:

	31 December 2018	31 December 2017
Corporation taxes currently payable	1,402,460	6,971,852
Less: Prepaid corporate tax	(4,419,300)	(7,542,945)
Current income tax (assets)/ liabilities	(3,016,840)	(571,093)

Within the scope of the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%.

Corporation tax is payable at a rate of 22% for 2018. (2017: 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 (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

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NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Dividends paid 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% (2017: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% (2017: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2017: 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.

The tax authorities can review the accounting records within five years and if the faulty transaction is detected, the tax amounts may change due to tax assessment. According to Turkish tax legislation, financial losses shown on the tax return can be deducted from the corporate income for a period of 5 years. However financial losses can not be offsetted from retained earnings.

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.

The exemption to be applied over the capital gains derived by corporate taxpayers from the sale of immovable property held for at least two years is reduced from 75% to 50% by the regulation published in the Official Gazette on 5 December 2017. Therefore, the corporate and deferred tax calculations for the capital gains derived from the sale of immovable property in 2018, 2019 and 2020 shall be 22% of the remaining 50%, and for 2021 and after 20% of the remaining 50%.

75% of the profits from sale of preferential right certificates and share premiums generated from sale of shares at a price exceeding face values of those shares during incorporations or capital increases of joint stock companies are exempt from corporate tax.

Accordingly, the aforementioned gains/(losses) which have been included in trade profit / (loss) have been taken into consideration in calculation of Company's corporate tax.

Apart from the exemptions mentioned in the preceding paragraphs, the deductions granted in 8th article of Corporate Tax Law, and 40th article of the Income Tax Law, together with other deductions mentioned in 10th article of Corporate Tax Law, have been taken into consideration in calculation of the Company's corporate tax.

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NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Transfer Pricing

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

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially, will be assessed as distributed profit share 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.

The amount of disguised earnings will be finalized as the payment amount.

Taxation on income in the statement of comprehensive income for the years ended 31 December 2018 and 2017 are as follows:

	1 January - 31 December 2018	1 January - 31 December 2017
Current corporation tax expense	(1,402,460)	(6,971,852)
Deferred tax income/ (expense)	(1,236,003)	2,959,329
Total taxation on income	(2,638,463)	(4,012,523)

The reconciliation of tax expense is as follows:

Profit before tax	64,755,852	63,324,619
Tax calculated at tax rates applicable to the profit	(14,246,287)	(12,664,924)
Expenses not deductible for tax purpose	(370,609)	(412,693)
Income not subject to tax	342,404	88,834
Tax effect upon the results of investments-in-associates	4,142,084	2,517,504
Deferred tax assets are capitalized and used during the period	8,393,288	3,894,435
Additional deferred tax asset calculated on investment incentive	(2,366,502)	2,291,035
Other	1,467,159	273,286
Total taxation on income	(2,638,463)	(4,012,523)

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NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Deferred income taxes

The company recognises 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.

Within the scope of the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2018, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. In accordance with this Act entering into force, deferred tax assets and liabilities are calculated with a tax rate of 22% for those periods when assets are realized or liabilities are fulfilled. Realisations of temporary differences for 2021 and subsequent periods will be calculated at 20%.

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2018 and 2017 using the enacted tax rates at the balance sheet dates are as follows:

	Taxable cumulative temporary differences		Deferred income tax assets/ (liabilities)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Revaluation of property, plant and equipment	200,233,863	187,082,651	(27,263,289)	(24,633,046)
Differences between carrying cost before revaluation and tax base	19,934,818	17,381,028	(3,695,799)	(3,152,377)
Provision for employment termination benefits	(24,274,247)	(19,998,855)	4,854,849	3,999,771
Deferred tax calculated from financial assets held for sale	(922,105)	(1,473,768)	188,877	294,754
Investment incentives (*)	(3,059,570)	(13,816,397)	673,105	3,039,607
Investment property revaluation	3,452,216	-	(345,220)	-
Other	(2,424,156)	(2,113,039)	1,206,453	464,868
Deferred income tax assets			6,923,284	7,799,000
Deferred income tax liabilities			(31,304,308)	(27,785,423)
Deferred income tax liabilities-net			(24,381,024)	(19,986,423)

(*) The company has investment incentive certificates related to production line investment. The Company management expects to benefit from the investment allowance amounting to TL 673,105 as of 31 December 2018 (31 December 2017: TL 3,039,607) in accordance with the related investment incentive certificates.

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NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

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

1 January 2017 **(10,772,244)**

Credited to statement of comprehensive income	2,959,329
Charged to actuarial loss arising from defined benefit plans	216,067
Fair value difference credited to other comprehensive income	(92,780)
Calculated on revaluation fund	(8,905,915)
Change in tax rate	(3,390,880)

31 December 2017 **(19,986,423)**

Credited to statement of comprehensive income	(1,236,003)
Charged to actuarial loss arising from defined benefit plans	439,936
Fair value difference credited to other comprehensive income	(111,751)
Calculated on revaluation fund	(3,486,783)

31 December 2018 **(24,381,024)**

NOTE 29 - EARNINGS PER SHARE

		1 January - 31 December 2018	1 January - 31 December 2017
Profit for the period	A	62,117,389	59,312,096
Weighted number of 100 shares with a Kr1 face value (Note 20)	B	4,333,500,000	4,333,500,000
Earnings per share with a Kr1 face value	A/B	1,4334	1,3687

There are no differences between basic and diluted earnings per share. Since the General Assembly meeting of the year 2018 has not been performed yet, dividend distribution decision has not been taken.

NOTE 30 - EFFECTS OF CHANGES IN FOREIGN CURRENCY RATES

The foreign currency exposure of the Company is presented in Note 33.c.i.

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NOTE 31 - REPORTING IN HYPERINFLATIONARY ECONOMIES

Please refer to Note 2.

NOTE 32 - FINANCIAL INSTRUMENTS

Available for sale-investments:

	31 December 2018		31 December 2017	
	TL	(%)	TL	(%)
YDT	1,148,863	1.76%	590,111	1.76%
Bintur	129,411	1.33%	136,500	1.33%
	1,278,274		726,611	

YDT and Bintur were stated at their fair values which were determined based on one of the generally accepted valuation methods, based on discounted cash flows. As of 31 December 2018, nominal discounts and growth rates are used in the fair value calculations.

As of 31 December 2018 and 2017, the discount and growth rates used in discounted cash flow models are as follows:

	Discount Rate		Growth Rate	
	2018	2017	2018	2017
Bintur	24.48%	19.50%	1%	1%
YDT	23.28%	18,30%	1%	1%

Movements of available for sale investments in 2018 and 2017 are as follows:

	2018	2017
1 January	726,611	676,977
Fair value change- YDT	558,752	10,075
Fair value change- Bintur	(7,089)	39,559
31 December	1,278,274	726,611

Movements of fair value reserve of available-for-sale investments in 2018 and 2017 are as follows:

	2018	2017
1 January	63,171	106,316
Change in fair value	551,662	49,635
Deferrred income tax effect on fair value reserve of available for sale investments (Note 28)	(111,751)	(92,780)
31 December	503,082	63,171

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

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

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

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

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

a) Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risks arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Majority of the Company's sales in domestic market are made to its investments in associate, YBP, and its exports are made to YDT, which are both Yaşar Group Companies. In line with past experiences and current condition trade receivables are monitored by the Company Management and necessary provisions for impairment is recognised. The Company management believes that credit risk arises from receivables is well managed. The Company management believes that there is no risk for non-trade receivables from related parties since they are mainly comprised of receivables from shareholders. The credit risk analysis of the Company as of 31 December 2018 and 2017 is as follows:

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2018

	Receivables				
	Trade Receivables (1)		Other Receivables		Bank Deposits
	Related Parties	Third Parties	Related Parties	Third Parties	
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	81,316,540	20,529,166	17,530,330	47,385	
- The part of maximum credit risk covered with guarantees	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	80,611,758	18,346,315	17,530,330	47,385	2,897,287
B. Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired	-	-	-	-	-
C. Net book value of assets past due but not impaired (3)	704,782	2,182,851	-	-	-
- The part covered by guarantees	-	-	-	-	-
D. Net book value of assets impaired					
- Past due amount (gross book value)					
- Impairment amount (-)	-	360,841	-	-	-
- Collateral held as security and guarantees received	-	(360,841)	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

- (1) The Company's receivables are mainly stemming from meat and by-products, frozen dough products and packaged food.
- (2) In determining the related amounts, factors that increase the credit reliability such as the collateral received are not considered.
- (3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

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31 December 2017

	Receivables				
	Trade Receivables (1)		Other Receivables		Bank Deposits
	Related Parties	Third Parties	Related Parties	Third Parties	
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	80,942,438	14,970,006	13,925,195	17,363	
- The part of maximum credit risk covered with guarantees	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	80,290,780	13,555,984	13,925,195	17,363	1,062,149
B. Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired	-	-	-	-	-
C. Net book value of assets past due but not impaired (3)	651,658	1,414,022	-	-	-
- The part covered by guarantees	-	-	-	-	-
D. Net book value of assets impaired					
- Past due amount (gross book value)	-	339,779	-	-	-
- Impairment amount (-)	-	(339,779)	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

- (1) The Company's receivables are mainly stemming from meat and by-products, frozen dough products and packaged food.
- (2) In determining the related amounts, factors that increase the credit reliability such as the collateral received are not considered.
- (3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2018

	Receivables		Total
	Related Parties	Third Parties	
1 - 30 days overdue	586,802	1,851,286	2,438,088
1 - 3 months overdue	79,727	256,050	335,777
3 - 6 months overdue	38,253	75,515	113,768
6 - 12 months overdue	-	-	-
The part of credit risk covered with guarantees	-	-	-
	704,782	2,182,851	2,887,633

31 December 2017

	Receivables		Total
	Related Parties	Third Parties	
1 - 30 days overdue	432,689	1,396,759	1,829,448
1 - 3 months overdue	25,455	9,045	34,500
3 - 6 months overdue	149,244	8,218	157,462
6 - 12 months overdue	44,270	-	44,270
The part of credit risk covered with guarantees	-	-	-
	651,658	1,414,022	2,065,680

c) 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, take actions to minimise the effect of delay in collections and arranges cash and non-cash credit lines from financial institutions in case of requirement.

The liquidity risk analysis of financial liability types as of 31 December 2018 and 2017 is as follows :

	31 December 2018				1 - 5 years (III)
	Carrying Value	Total Cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	
Financial Liabilities					
Bank borrowing	5,122,778	5,200,000	-	5,200,000	-
Trade payables	111,381,850	112,681,226	109,260,749	3,420,477	-
Other payables and other financial liabilities	9,735,872	9,735,872	5,424,535	4,311,337	-
	126,240,500	127,617,098	114,685,284	12,931,814	-

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2017				
	Carrying Value	Total Cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contractual maturity dates:					
Financial Liabilities					
Bank borrowing	5,123,333	5,218,795	-	5,218,795	-
Trade payables	92,842,603	93,583,752	91,282,203	2,301,549	-
Other payables and other financial liabilities	7,249,208	7,249,208	7,249,208	-	-
	105,215,144	106,051,755	98,531,411	7,520,344	-

c) Market risk:

i) Foreign exchange risk

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

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	Foreign Currency Position							
	31 December 2018				31 December 2017			
	TL Equivalent	USD	EUR	Other (TL Equivalent)	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Receivables	3,250,579	617,875	-	-	2,900,101	666,463	85,543	-
2a. Monetary Financial Assets (Cash, Bank Accounts included)	2,425,553	455	401,984	-	401,953	104,979	1,325	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	56,634	10,765	-	-	104,140	9,074	15,483	-
4. Current Assets (1+2+3)	5,732,766	629,095	401,984	-	3,406,194	780,516	102,351	-
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)	5,732,766	629,095	401,984	-	3,406,194	780,516	102,351	-
10. Trade Payables	-	2,787,213	4,705	414,650	262,950	3,377,782	1,489	-
746,798	-	-	-	-	-	-	-	-
11. Financial Liabilities	-	-	-	-	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	2,787,213	4,705	414,650	262,950	3,377,782	1,489	746,798	-
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (15+16)	-	-	-	-	-	-	-	-
18. Total Liabilities (13+17)	2,787,213	4,705	414,650	262,950	3,377,782	1,489	746,798	-
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)	2,945,553	624,390	(12,666)	(262,950)	28,412	779,027	(644,447)	-
21. Net Foreign Currency Asset (Liability)								
Position of Monetary Items (IFRS 7.B23)								
(=1+2a+5+6a-10-11-12a-14-15-16a)	2,888,919	613,625	(12,666)	(262,950)	(75,728)	769,953	(659,930)	-
22. Total Fair Value of Financial Instruments								
Used for Foreign Currency Hedging	-	-	-	-	-	-	-	-
23. Amount of Foreign Currency Denominated								
Assets Hedged	-	-	-	-	-	-	-	-
24. Amount of Foreign Currency Denominated								
Liabilities Hedged	-	-	-	-	-	-	-	-
25. Export	28,050,021	4,978,706	14,850	4,910,268	25,281,524	4,417,610	1,289,560	4,764,231
26. Import	24,664,703	2,605,852	2,386,922	566,045	20,233,346	992,732	3,991,785	-

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

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2018

	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	328,485	(328,485)	328,485	(328,485)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect Net (1+2)	328,485	(328,485)	328,485	(328,485)
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(7,635)	7,635	(7,635)	7,635
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect Net (4+5)	(7,635)	7,635	(7,635)	7,635
Change of other currencies by average 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	(26,295)	26,295	(26,295)	26,295
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	(26,295)	26,295	(26,295)	26,295
TOTAL (3+6+9)	294,555	(294,555)	294,555	(294,555)

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2017

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	293,841	(293,841)	293,841	(293,841)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect Net (1+2)	293,841	(293,841)	293,841	(293,841)
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(291,000)	291,000	(291,000)	291,000
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect Net (4+5)	(291,000)	291,000	(291,000)	291,000
Change of other currencies by average 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	-	-	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	-	-	-	-
TOTAL (3+6+9)	2,841	(2,841)	2,841	(2,841)

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

ii) *Interest rate risk*

The Company does not have financial instrument with variable interest rate as of 31 December 2018 and 2017.

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 unprocessed meat 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 unprocessed meat 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 are 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 2018	31 December 2017
Financial liabilities (Note 15)	7,760,302	5,645,813
Less: Cash and cash equivalents (Note 4)	(3,599,385)	(2,253,131)
Net debt	4,160,917	3,392,682
Total equity	553,680,556	501,492,181
Net debt / equity ratio	0,7%	0,7%

The Company management regularly monitors the debt/ equity ratio. The Company Management regularly monitors the debt / equity ratio.

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NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Classification of financial assets

The Company classifies its financial assets and liabilities as loans and receivables. Cash and cash equivalents, trade receivables and other receivables from the Company's financial assets are classified as loans and receivables and are measured at cost. The Company's financial liabilities consist of financial liabilities (Note 15), other financial liabilities, trade payables and other payables.

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, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

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

Financial assets

The fair 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.

Financial liabilities

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

The table below analyses financial instruments 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).

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NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2018 and 2017 :

31 December 2018

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	-	-	1,278,274	1,278,274
Total assets	-	-	1,278,274	1,278,274

31 December 2017

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	-	-	726,611	726,611
Total assets	-	-	726,611	726,611

(*) As of 31 December 2018 and 2017, there has been no transfer between Level 1 and 2 within the years ended.

The following table presents the Company's non-financial assets that are measured fair value at 31 December 2018 and 2017;

31 December 2018

	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
Land	-	134,830,000	-	134,830,000
Buildings and land improvements	-	68,988,874	-	68,988,874
Machinery and equipment	-	99,066,381	-	99,066,381
Investment Properties:				
Investment Property	-	19,155,000	-	19,155,000
Biological Assets:				
Biological Assets	-	18,028,475	-	18,028,475
Total Assets	-	340,068,730	-	340,068,730

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NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

31 December 2017

	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
Land	-	144,800,000	-	144,800,000
Buildings and land improvements	-	63,350,505	-	63,350,505
Machinery and equipment	-	79,157,317	-	79,157,317
Biological Assets:				
Biological Assets	-	14,116,600	-	14,116,600
Total Assets	-	301,424,422	-	301,424,422

NOTE 35 - SUBSEQUENT EVENTS

None (31 December 2017: None).

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INFORMATION FOR INVESTORS

Stock Exchange

Pınar Entegre Et ve Un Sanayii A.Ş. shares are traded at Borsa İstanbul Star Market under the ticker symbol PETUN.

Initial Public Offering Date: 03.02.1986

Ordinary General Assembly Meeting

As per the resolution by the Board of Directors of Pınar Entegre Et ve Un Sanayii A.Ş., the Company's Ordinary General Assembly

Meeting will be held on March 28, 2018, Thursday at 14:30 at Yunus Emre Mah. Kemalpaşa Caddesi No: 317 Bornova/İzmir.

Profit Distribution Policy

The general profit distribution policy of Pınar Entegre Et ve Un 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 Entegre Et ve Un Sanayii A.Ş.

Investor Relations Department

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To access Pınar Et investor relations web site:



Pınar Et Share Performance (Compared to BIST ALL Index)

