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

INDEPENDENT AUDITOR'S REPORT

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Pınar Entegre Et ve Un Sanayii A.Ş.
(the "Company"), which comprise the statement of financial position as at 31 December 2017 and the 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 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

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.

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Key audit matter	How our audit adressed the key audit matter
Fair value measurements of land, land improvements, buildings and machinery and equipment: **(Refer to the Notes 2.7.4 and 11)** In accordance with TAS 16, "Property, Plant and Equipment", land and land improvements, buildings and machinery and equipment are carried at fair value on the financial statements. The revaluation gain on property, plant and equipment amounting to TL74.374.870 before tax, was appraised by independent professional valuers at 31 December 2017. The related revaluation gains accounted in the statement of financial position as other comprehensive income under revaluation fund of equity after the deferred tax impact deducted. This was a key audit matter since the total amount of land, land improvements, buildings and machinery and equipment as of 31 December 2017 represents a significant share of the total assets of the Company, and these valuations include estimations and assumptions that are sensitive to the location and zoning status, benchmark prices per m2, and the construction costs per m2.	The following audit procedures were addressed in our audit work on the fair value measurement of land, land improvements, buildings and machinery and equipment: •We assessed the competency, capability and objectivity of the independent professional valuers who were appointed by Company management, in accordance with relevant audit standards. • We checked and confirmed completeness, and reconciled the input data on a sample basis, in terms of m2, location and zoning status of the properties used by the independent professional valuers with the Company's records. •In accordance with the provisions of "SIA 620: Use of Work of Expert", we involved our expert to evaluate the assumptions and methods used by Company management on a sample basis, as an addition to the evaluations performed by the independent professional valuers who were appointed by Company management. •We evaluated the compliance of the disclosures on the fair value determination of land and land improvements, buildings machinery and equipment in the financial statements in accordance with the relevant accounting standards.

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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 TAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to 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.

- 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.

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- 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 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 2017 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 1 March 2018.

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

Mehmet Karakurt, SMMM
Partner

İstanbul, 1 March 2018

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

CONTENTS

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEET)
FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

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

	Note Reference	31 December 2017	31 December 2016
ASSETS			
Current Assets			
Cash and cash equivalents	4	2.253.131	1.247.276
Trade receivables		95.912.444	100.975.081
- Trade receivables from related parties	5	80.942.438	80.267.399
- Trade receivables from third parties	6	14.970.006	20.707.682
Other receivables		13.942.558	197.587
- Other receivables from related parties	5	13.925.195	22.705
- Other receivables from third parties		17.363	174.882
Biological assets	9	14.116.600	13.005.644
Inventories	8	45.279.850	46.709.150
Current income tax assets	27	571.093	-
Prepaid expenses		1.911.389	2.297.885
- Prepaid expenses to third parties	10	1.911.389	2.297.885
Other current assets		298.055	227.560
- Other current assets from third parties	18	298.055	227.560
TOTAL CURRENT ASSETS		**174.285.120**	**164.660.183**
Non-Current Assets			
Financial Investments		726.611	676.977
- Available- for-sale financial investments	31	726.611	676.977
Investments in associates accounted for using equity method	3	173.905.352	159.359.258
Property, plant and equipment	11	300.622.470	221.779.692
- Land		144.800.000	85.109.400
- Land improvements		7.862.670	8.434.076
- Buildings		55.487.835	53.408.782
- Machinery and equipments		79.157.317	63.081.514
- Vehicles		671.401	852.936
- Furniture and fixtures		10.790.031	10.892.984
- Construction-in-progress		1.853.216	-
Intangible assets		487.666	339.524
- Other intangible assets	12	487.666	339.524
Prepaid expenses		298.129	147.738
- Prepaid expenses to third parties	10	298.129	147.738
TOTAL NON-CURRENT ASSETS		**476.040.228**	**382.303.189**
TOTAL ASSETS		**650.325.348**	**546.963.372**

These financial statements at 1 January - 31 December 2017 and for the year then ended were approved for issue by the Board of Directors of Pınar Entegre Et ve Un Sanayii A.Ş. on 1 March 2018. 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 OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEET) FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

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

	Note Reference	31 December 2017	31 December 2016
LIABILITIES			
Short-Term Liabilities			
Short-term borrowings		5.123.333	-
- Short-term borrowings to third parties		5.123.333	-
- Bank borrowings	14	5.123.333	-
Other financial liabilities	14	522.480	3.994.144
- Other miscellaneous financial liabilities		522.480	3.994.144
Trade payables		92.842.603	84.441.575
- Trade payables due to related parties	5	19.654.576	14.842.553
- Trade payables due to third parties	6	73.188.027	69.599.022
Payables Related to Employee Benefits	16	2.277.583	1.855.086
Other payables		6.726.728	5.660.179
- Other payables due to related parties	5	5.157.011	3.053.000
- Other payables due to third parties	7	1.569.717	2.607.179
Deferred income		178.224	23.691
- Deferred income from third parties	10	178.224	23.691
Current income tax liability	27	-	2.363.485
Short term provisions		512.143	413.059
- Provision for employee benefits	16	458.943	359.859
- Other short term provisions	15	53.200	53.200
Other current liabilities		16.538	20.959
- Other current liabilities due to third parties	18	16.538	20.959
TOTAL SHORT-TERM LIABILITIES		**108.199.632**	**98.772.178**
Long-Term Liabilities			
Long term provisions		20.647.112	18.486.015
- Long term provisions for employee termination benefits	16	20.647.112	18.486.015
Deferred income tax liabilities	27	19.986.423	10.772.244
TOTAL LONG-TERM LIABILITIES		**40.633.535**	**29.258.259**
TOTAL LIABILITIES		**148.833.167**	**128.030.437**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEET) FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

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

	Note Reference	31 December 2017	31 December 2016
EQUITY			
Equity attributable to owners of the parent company		**501.492.181**	**418.932.935**
Share capital	19	43.335.000	43.335.000
Adjustment to share capital	19	37.059.553	37.059.553
Other accumulated comprehensive income / (loss) that will not be reclassified to profit or loss		165.183.644	101.087.243
- Gains (losses) on revaluation and remeasurement		154.410.948	95.763.492
- Increases (decreases) on revaluation of property, plant and equipment	11	162.465.937	102.954.215
- Actuarial loss arising from defined benefit plans		(8.054.989)	(7.190.723)
- Share of other comprehensive income of investments in associates accounted for using equity method that will not be reclassified to profit or loss		10.772.696	5.323.751
Other accumulated comprehensive income (loss) that will be reclassified to profit or loss		14.746.364	12.496.195
- Gains (losses) on revaluation and reclassification		63.171	106.316
- Gains (losses) on remeasuring and/or reclassification of available-for-sale financial assets	31	63.171	106.316
- Share of other comprehensive income of investments in associates accounted for using equity method that will be reclassified to profit or loss		14.683.193	12.389.879
Restricted reserves		39.192.295	34.802.135
- Legal reserves	19	39.192.295	34.802.135
Retained earnings		142.663.229	130.463.628
Net profit for the year		59.312.096	59.689.181
TOTAL EQUITY		**501.492.181**	**418.932.935**
TOTAL EQUITY AND LIABILITIES		**650.325.348**	**546.963.372**

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED 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 2017 AND 2016

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

	Note Reference	1 January - 31 December 2017	1 January - 31 December 2016
PROFIT OR LOSS			
Revenue	20	649.566.141	637.519.970
Cost of sales (-)	20	(551.456.702)	(531.979.552)
Gross profit from trading operations		**98.109.439**	**105.540.418**
Change in fair value of biological assets	9	(235.497)	677.221
Gross Profit		**97.873.942**	**106.217.639**
General administrative expenses (-)	21	(20.960.608)	(21.886.172)
Marketing expenses (-)	21	(28.332.441)	(30.640.069)
Research and development expenses (-)	21	(2.210.980)	(1.675.215)
Other income from operating activities	22	2.380.887	2.227.702
Other expense from operating activities (-)	22	(1.296.280)	(2.041.011)
OPERATING PROFIT		**47.454.520**	**52.202.874**
Income from investment activities	23	365.218	1.006.733
Expense from investment activities (-)	23	(533)	(498.253)
Share of results of investment-in-associates	3	12.587.520	14.348.562
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSE)		**60.406.725**	**67.059.916**
Financial income	25	3.372.512	2.279.937
Financial expense (-)	25	(454.618)	(393.792)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**63.324.619**	**68.946.061**
Tax expense of continuing operations		(4.012.523)	(9.256.880)
- Current period tax expense	27	(6.971.852)	(8.731.395)
- Deferred tax income / (expense)	27	2.959.329	(525.485)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**59.312.096**	**59.689.181**
PROFIT FOR THE YEAR		**59.312.096**	**59.689.181**
Earnings per Share		**1,3687**	**1,3774**
- Earnings per 1 Kr number of 100 shares from continuing operations	28	1,3687	1,3774

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED 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 2017 AND 2016

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

	Note Reference	1 January - 31 December 2017	1 January - 31 December 2016
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other Comprehensive Income/ Expense that will not be reclassified to Profit or Loss:		**67.065.323**	**(2.586.463)**
Gains (losses) on revaluation of property, plant and equipment	11	74.374.870	-
Changes in tax rates	11	(3.390.880)	-
Gains (losses) on remeasurements of defined benefit plans	16	(1.080.332)	(2.727.198)
Share of other comprehensive income of associates accounted for using equity method that will not be reclassified to profit or loss		5.851.512	(404.705)
- Revaluation increases (decreases) of property, plant and equipments of associates accounted for using equity method	3	6.389.089	-
- Gains (losses) on remeasurements of defined benefit plans of associates accounted for using equity method	3	(537.577)	(404.705)
Taxes relating to other comprehensive income that will not be reclassified to profit or loss		(8.689.847)	545.440
- Gains (losses) on revaluation of property, plant and equipment, tax effect		(8.905.914)	-
- Gains (losses) on remeasurements of defined benefit plans, tax effect	27	216.067	545.440
Other Comprehensive Income that will be reclassified to Profit or Loss:		**2.250.169**	**234.036**
Gains (losses) on remeasuring and/or reclassification on available-for-sale financial assets		49.635	(5.840)
- Gains (losses) on revaluation of available-for-sale financial assets	31	49.635	(5.840)
Share of Other comprehensive income of associates accounted for using equity method that will be reclassified to profit or loss		2.293.314	238.709
- Gains (losses) on revaluation and/or reclassification of available-for-sale financial assets accounted for using equity method	3	528.100	(882.330)
- Gains (losses) on cash flow hedges of associates accounted for using equity method	3	-	19.853
- Gains (losses) on foreign currency translation differences of associates accounted for using equity method	3	1.765.214	1.101.186
Taxes relating to other comprehensive income that will be reclassified to profit or loss		(92.780)	1.167
- Gains (losses) on revaluation and/or reclassification of available-for-sale financial assets, tax effect	27	(92.780)	1.167
OTHER COMPREHENSIVE INCOME/ (EXPENSE)		**69.315.492**	**(2.352.427)**
TOTAL COMPREHENSIVE INCOME		**128.627.588**	**57.336.754**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2017 AND 2016

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

				Other Comprehensive Income/ (Expense) not to be Reclassified in Profit or Loss			Other Comprehensive Income/ (Expense) to be Reclassified in Profit or Loss				
	Share Capital	Adjustment to Share Capital	Gains (Losses) on Revaluation of Property, Plant and Equipments	Gains (Losses) on Remeasurements of Defined Benefit Plans	Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	Gains (Losses) on Revaluation and/or Reclassification Adjustments of Available-for-Sale Financial Assets	Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss	Restricted Reserves	Retained Earnings	Profit for the year	Total Equity
1 January 2016	**43.335.000**	**37.059.553**	**106.242.496**	**(5.008.965)**	**6.478.470**	**110.989**	**12.151.170**	**30.555.315**	**108.801.205**	**66.505.898**	**406.231.131**
Transfers	-	-	(3.288.281)	-	(750.014)	-	-	-	70.544.193	(66.505.898)	-
Dividend (Note 5.ii.m)	-	-	-	-	-	-	-	4.246.820	(48.881.770)	-	(44.634.950)
Total comprehensive income	-	-	-	(2.181.758)	(404.705)	(4.673)	238.709	-	-	59.689.181	57.336.754
- Profit for the year	-	-	-	-	-	-	-	-	-	59.689.181	59.689.181
- Other comprehensive income / (expense)	-	-	-	(2.181.758)	(404.705)	(4.673)	238.709	-	-	-	(2.352.427)
31 December 2016	**43.335.000**	**37.059.553**	**102.954.215**	**(7.190.723)**	**5.323.751**	**106.316**	**12.389.879**	**34.802.135**	**130.463.628**	**59.689.181**	**418.932.935**
1 January 2017	**43.335.000**	**37.059.553**	**102.954.215**	**(7.190.723)**	**5.323.751**	**106.316**	**12.389.879**	**34.802.135**	**130.463.628**	**59.689.181**	**418.932.935**
Transfers	-	-	(2.566.355)	-	(402.567)	-	-	-	62.658.103	(59.689.181)	-
Dividend (Note 5.ii.m)	-	-	-	-	-	-	-	4.390.160	(50.458.502)	-	(46.068.342)
Total comprehensive income	-	-	62.078.077	(864.266)	5.851.512	(43.145)	2.293.314	-	-	59.312.096	128.627.588
- Profit for the year	-	-	-	-	-	-	-	-	-	59.312.096	59.312.096
- Other comprehensive income / (expense)	-	-	62.078.077	(864.266)	5.851.512	(43.145)	2.293.314	-	-	-	69.315.492
31 December 2017	**43.335.000**	**37.059.553**	**162.465.937**	**(8.054.989)**	**10.772.696**	**63.171**	**14.683.193**	**39.192.295**	**142.663.229**	**59.312.096**	**501.492.181**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF CASH FLOWS
FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Note Reference	1 January - 31 December 2017	1 January - 31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		**66.952.471**	**36.400.710**
Profit (Loss) for the year		**59.312.096**	**59.689.181**
Profit (Loss) from Continuing Operations		**59.312.096**	**59.689.181**
Adjustments Related to Reconciliation of Net Profit for The Year:		**7.756.333**	**9.848.000**
Adjustments for tax expense	27	4.012.523	9.256.880
Adjustments for depreciation and amortisation expense	11,12	13.020.831	12.219.883
Adjustments for interest expense and interest gain		(1.240.529)	(404.187)
Adjustments for interest gain	22,23,25	(1.440.683)	(1.308.544)
Adjustments for interest expense	22,25	200.154	904.357
Adjustments for provisions		4.075.659	3.735.751
Adjustments for provisions related with employee benefits	21	3.920.615	3.735.751
Adjustments for other provisions		155.044	-
Adjustments for dividend (income) expense		(12.719)	(11.738)
Adjustments for undistributed profits of investments accounted for using equity method		(12.587.520)	(14.348.562)
Adjustments for undistributed profits of associates	3	(12.587.520)	(14.348.562)
Adjustments for fair value losses (gains)		912.718	(677.221)
Adjustments for fair value losses (gains) of biological assests or agricultural products	9	912.718	(677.221)
Adjustments for fair value loss (reversal)		(72.989)	36.874
Adjustments for decrease in fair value of inventories	3	(72.989)	36.874
Adjustments for fair value decrease (reversal) in receivables		-	-
Adjustments for losses (gains) arised from sale of fixed assets		(300.808)	337.652
Adjustments for losses (gains) arised from sale of tangible assets		(300.808)	337.652
Adjustments for unrealized foreign currency translation differences		(50.833)	(297.332)
Changes in Working Capital:		**12.763.097**	**(19.736.398)**
Adjustments related to (increase)/ decrease in trade receivables		5.473.452	(27.406.667)
Decrease (increase) in trade receivables from related parties	5	(604.243)	(27.854.568)
Decrease (increase) in trade receivables from non-related parties		6.077.695	447.901
Adjustments related to (increase)/ decrease in inventories		1.429.300	2.711.733
Adjustments related to (decrease)/increase in other receivables		157.519	(147.911)
Decrease (increase) in other receivables related with operations from non-related parties		157.519	(147.911)
Decrease (increase) in biological assets		(2.023.674)	(5.617.066)
Decrease (increase) in prepaid expenses		236.105	(56.423)
Adjustments for increase (decrease) in trade payable		8.025.743	9.443.468
Increase in trade payables to related parties	5	4.667.146	1.195.709
Increase (decrease) in trade payables to non-related parties		3.358.597	8.247.759
Increase (decrease) in payables related to employee benefits		422.497	852.340
Increase (decrease) in deferred income		154.533	(72.672)
Other adjustments for other increase (decrease) in working capital		(1.112.378)	556.800
Decrease (increase) in other assets related with operations		(70.495)	(79.219)
Increase (decrease) in other payables related with operations		(1.041.883)	636.019
Cash Flows from Operations		**79.831.526**	**49.800.783**
Payments related with provisions for employee benefits		(2.895.810)	(4.260.562)
Interest paid		(76.821)	(743.941)
Income taxes refund (paid)		(9.906.424)	(8.395.570)

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF CASH FLOWS

FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Note Reference	1 January - 31 December 2017	1 January - 31 December 2016
CASH FLOWS FROM INVESTMENT ACTIVITIES		**(23.525.919)**	**5.482.632**
Interest received		1.440.683	1.308.544
Dividends received	5	6.271.960	10.367.358
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		-	9.504.389
Paybacks from cash advances and loans made to related parties		-	9.504.389
Cash outflows due to purchase of fixed assets		(17.876.346)	(15.952.523)
Cash outflows due to purchase of tangible assets		(17.555.878)	(15.664.170)
Cash outflows due to purchase of intangible assets		(320.468)	(288.353)
Cash inflows from sales of fixed assets		540.274	254.864
Cash inflows from sales of tangible assets		540.274	254.864
CASH FLOWS FROM FINANCING ACTIVITIES		**(42.435.995)**	**(45.470.423)**
Cash inflows from financial borrowings		10.322.079	5.524.525
Cash inflows from loans		13.793.743	2.675.898
Cash inflows from other financial liabilities		(3.471.664)	2.848.627
Cash outflows from financial liabilities		(8.793.743)	(7.674.366)
Paybacks of borrowings		(8.793.743)	(7.674.366)
Dividends paid		(43.964.331)	(43.105.450)
Interest paid		-	(215.132)
Net Increase (Decrease) In Cash and Cash Equivalents Before Effect of Foreign Currency Translation Differences		**990.557**	**(3.587.081)**
EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		**15.298**	**25.487**
Net increase (decrease) in cash and cash equivalents		**1.005.855**	**(3.561.594)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**1.247.276**	**4.808.870**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**2.253.131**	**1.247.276**

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

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 appoximately 74% (2016: 75%) 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 2016: 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 2016: 54%) (Note 19).

The average number of personnel is 860 as of 31 December 2017 (31 December 2016: 908 personnel).

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

Akdeniz Mah. Şehit Fethi Bey Caddesi No: 120/101
Konak/ İzmir

NOTE 2 - BASIS OF 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").

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 1 January 2017 and are adopted by the Company:

- Amendments to TAS 7 "Statement of cash flows" on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments TAS 12, "Income Taxes"; effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- Annual improvements 2014-2016, effective from annual periods beginning on or after1 January 2017:

- TFRS 12, "Disclosure of interests in other entities"; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of TFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

b) Standards, amendments and interpretations applicable from 31 December 2017 are not listed as they are not related to the operations of the Company or do not have a material effect on the financial statements.

c) Standards, amendments and interpretations effective after 1 January 2018:

- TFRS 9 "Financial instruments", effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. TFRS 15, "Revenue from contracts with customers" is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to TFRS 15, "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

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

- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:

  - TFRS 1,' First-time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.

  - TAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

- TFRSI 22,' Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This TFRSI 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.

- 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.

d) New and revised standards and interpretations issued by the IASB but not published by the POAASA:

- IFRS 10 and IAS 28 "Asset Sales or Contributions of Investor Entity to Associate or Joint Venture - Amendment"; The IASB has deferred the effective date of the amendments made in IFRS 10 and UIAS 28 in December 2015 for an indefinite period of time to be amended in accordance with the ongoing research project outputs on the equity method. However, it still permits early application.

- Annual Improvements - Period 2010-2012;

  - IFRS 13, "Fair Value Measurement"; Short-term trade receivables and payables with no interest rate on them, as explained in the Decision Reasons, can be shown in the invoice amount if the discount effect is insignificant. Changes will be applied immediately.

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

- IFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 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 IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 37, not IAS 12 '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.

The company will determine the effects of these amendments above on the financial statements and will apply after effective date. The amendments do not have significant impact on the Company's financial statements. New standards, amendments and interpretations issued and effective as of 31 December 2017 have not been presented since they are not relevant to the operations of the company or have insignificant impact on the financial statements.

2.3 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.

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

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 2.7.6.

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 2017 and 2016 (Note 3):

	Shareholding (%)	
	2017	**2016**
Investments-in-associates		
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 2017, the equivalent of EUR1 is TL4,5155 (31 December 2016: TL3,7099) and for the year then ended, the average equivalent of EUR1 is TL4,1180 (31 December 2016: TL3,3413). 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 seperate component.

2.5 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented seperately 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.

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 2017 on a comparative basis with balance sheet at 31 December 2016; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2017 on a comparative basis with financial statements for the period of 1 January - 31 December 2016.

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

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

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement (Note 20).

Revenue is recognized as follows:

Sales of goods:

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

Sales of services:

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

Interest Income:

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

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

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 monhtly 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".

2.7.4 Property, plant and equipment

Property, plant and equipment except for land, land improvements and buildings and machinery and equipment 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. Land, land improvements and buildings and machinery and equipment are stated at fair value less accumulated depreciation, based on valuations by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş. as of 31 December 2017 (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 s 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 any related deferred income tax.

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

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

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

	Years
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.

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

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.The Company derecognizes the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Major overhauls are depreciated over shorter of their useful lives or the remaining useful life of the related assets. Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and re included in the related income and expense accounts, as appropriate (Note 23). On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

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

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.

2.7.6 Impairment of assets

Impairment of financial assets:

- Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

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

The Company first assesses whether objective evidence of impairment exists.

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

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

- Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the statement of comprehensive income. On the other hand, if there is not a fair value change fund accounted for under equity, in order to change the fair value of available-for-sale financial assets, the permanent negative differences are related to the direct income statement. Impairment losses on equity instruments classified as available-for-sale financial assets reflected in the comprehensive income statement can not be reversed over the comprehensive income statement.

Impairment of non-financial assets:

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

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

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

2.7.7 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.

2.7.8 Financial assets

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

i. Classification

- *Loans and receivables*

  Loans and receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. If the maturity of these instruments are less than 12 months, these loans and receivables are classified in current assets and if more than 12 months, classified in non-current assets. The loans and receivables consist of trade receivables, due from receivables and cash and cash equivalents in the balance sheet.

- *Available-for-sale investments*

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

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

ii. Recognition and measurement

All financial assets other than those at fair value through profit or loss are initially recognized at fair value, including acquisition costs (transaction costs), and subsequently measured at fair value. Financial assets classified as available-for-sale financial assets with a controlling interest of less than 20% of the Company's share capital are accounted for at market prices in the financial statements if they are traded in the stock exchange and in the absence of an active market, by using generally accepted valuation methods. Available-for-sale financial assets that are not traded on a stock exchange and whose fair value can not be measured reliably because other methods used in the calculation of fair value are not feasible or feasible, and where the fair value can not be measured reliably are those items acquired before 1 January 2005 For the items acquired after 1 January 2005, at the acquisition cost, which is expressed in terms of the purchasing power of TL at 31 December 2004, less any impairment, if any. The Company recognizes the gains and losses on its available-for-sale financial assets that are not permanent (significant long-term and not significant), directly in equity until they are derecognized from the financial statements.

Fair value changes of securities classified as available-for-sale are calculated as the difference between the fair value at the balance sheet date and the amortized cost of those financial assets. When the Company is entitled to receive dividends from available-for-sale financial assets, dividend income from available-for-sale financial assets is recognized in the statement of comprehensive income by being accounted for under income from investment activities.

When available-for-sale financial assets are derecognised from the financial statements, the related gains or losses that are reported in equity are transferred to the statement of comprehensive income. Loans and receivables are accounted for at their discounted values using the effective interest rate method.

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 28).

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.

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

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 15). The Company does not recognize contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable.

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

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

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

ii. Provision for profit sharing and bonus plans

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

2.7.12 Accounting policies, errors and change in accounting estimates

Material changes in accounting policies and accounting errors are applied on a retrospective basis as if a prior period error had never occurred or the policy had always been applied. The effect of changes in accounting estimate shall be 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.

2.7.13 Related parties

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

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

2.7.14 Segment reporting

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

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

2.7.15 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 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.

2.7.16 Taxation on income

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

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.

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

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 27).

2.7.17 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.

2.7.18 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.

2.7.19 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.

The Company provides government incentive in scope of Turquality Project to support brandization of products made in Turkey in foreign markets and to settle the image of Turkish goods and the incentive amount is presented in other income (Note 22).

2.7.20 Critical accounting estimates and judgements

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

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

a) Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company 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 27).

b) Fair value determination of available-for-sale financial assets

The generally accepted valuation techniques used in fair value determination of available-for-sale investments for which there is no quoted market price exists, consist of several assumptions, which are based on the management's best estimates and fair value available-for-sale investments could be different when the purchase/ sales of the transactions incurred (Note 31). If generally adopted valuation techniques are not used, it is assumed that fair value of the asset approximates the carrying value.

c) Fair value determination of biological assets

Biological assets consist of cattle held for slaughtering and such biological assets are reflected to the financial statements using the fair values determined by using certain assumptions, especially the live animal purchase offers, of the values carried in the financial statements.

d) 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. Land, land improvements and buildings and machinery and equipment are stated at fair value less accumulated depreciation, based on valuations by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş. as of 31 December 2017 (Note 11).

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

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings, land improvements and machinery and equipment were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.

- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m^2 sale value was determined for lands subject to the valuation. The similar pieces of land found were compared in terms of location, accessibility, size, settlement status, changes in settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.

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

- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation (adding if there is any gain or loss eliminating depreciation). In the cost approach method, method of reference was used for determination of fair value of land which is component of buildings.

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

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

As of initial recognition and as of balance sheet date, the Group performs impairment assessment for buildings, land improvements and machinery and equipment of which valuations are based on cost approach, in accordance with the "TAS 36 Impairment of Assets", and no impairment indicator is identified.

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

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

NOTE 3 - INTEREST IN OTHER ENTITIES

Investments-in-associates:

	31 December 2017		**31 December 2016**	
	TL	**(%)**	**TL**	**(%)**
YBP	112.476.294	42,78	110.524.681	42,78
Çamlı Yem	39.330.138	23,38	29.404.184	23,38
Desa Enerji	12.126.273	26,41	11.476.564	26,41
Pınar Foods	9.972.647	44,94	7.953.829	44,94
	173.905.352		**159.359.258**	

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NOTE 3 - INTEREST IN OTHER ENTITIES (Continued)

Movement in investments-in-associates during the years 2017 and 2016 are as follows:

	2017	2016
1 January	**159.359.258**	**155.569.186**
(Decrease) / increase in fair value reserves of investments-in-associates - net	528.100	(882.330)
Share of profit before taxation of investments-in-associates - net	12.587.520	14.348.562
Increase in revaluation reserve of investments-in-associates	6.389.089	-
Changes in cash flow hedge	-	19.853
Actuarial loss arising from defined benefit plans of investments-in associates-net	(537.577)	(404.705)
Dividend income from investments-in-associates (Note 5.ii.e)	(6.259.241)	(10.355.620)
Currency translation reserve	1.765.214	1.101.186
Elimination of net effect of unrealized profits on inventory	72.989	(36.874)
31 December	**173.905.352**	**159.359.258**

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

	Assets	Liabilities	Net profit	Net sales	Other Comprehensive Income/ (Expense)
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
31 December 2016					
- YBP	454.542.466	304.953.442	17.817.119	1.633.551.020	(2.595.831)
- Çamlı Yem	341.885.833	216.117.043	18.229.852	405.531.331	(653.745)
- Desa Enerji	50.694.926	7.241.666	6.240.801	50.217.035	-
- Pınar Foods	18.540.603	841.827	1.815.896	55.556.297	2.450.156

Details of significant investment-in-associates of the Company as of 31 December 2017 and 2016 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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash in hand	20.428	31.729
Banks	1.062.149	405.172
- Demand deposits	447.149	155.172
- Time deposits	615.000	250.000
Other	1.170.554	810.375
	2.253.131	**1.247.276**

As of 31 December 2017 time deposits amounting to TL615.000 (31 December 2016: TL250.000) mature less than one month and bear the effective weighted average interest rates of 14,40% per annum ("p.a.") (31 December 2016: 7,25% p.a.).

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

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 2017 and 2016 are as follows:

i) ***Balances with related parties:***

a) **Trade receivables from related parties-current:**

	31 December 2017	31 December 2016
YBP	78.315.988	76.513.164
YDT	3.417.407	4.368.081
Other	51.775	27
	81.785.170	**80.881.272**
Less: Unearned finance income	(842.732)	(613.873)
	80.942.438	**80.267.399**

The effective weighted average interest rate on short-term trade receivable from related parties is 13,78% p.a. as of 31 December 2017, (31 December 2016: 9,02%) and mature within two months (31 December 2016: two months).

As of 31 December 2017, total of overdue trade receivables from related parties over which no provision for impairment is provided is amounting to TL651.658 (31 December 2016: TL1.986.507) and aging is shown in Note 32.a.

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

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

	31 December 2017	31 December 2016
Yaşar Holding	13.903.911	-
Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("Dyo Boya")	21.284	22.705
	13.925.195	**22.705**

As of 31 December 2017, the Company has non-trade receivables amounting to TL13.903.911 from Yaşar Holding with an effective interest rate of 15% and 3,90% for TL and USD denominated receivables, respectively.

c) Trade payables to related parties - current:

Çamlı Yem	16.601.203	12.057.751
Yaşar Holding	1.700.556	1.721.244
Yadex Export-Import und Spedition GmbH ("Yadex")	836.496	647.103
Hedef Ziraat Tic. ve San. A.Ş. ("Hedef Ziraat")	244.522	391.642
Other	424.499	111.563
	19.807.276	**14.929.303**
Less: Unincurred finance cost	(152.700)	(86.750)
	19.654.576	**14.842.553**

Trade payables to Çamlı Yem mainly consist of purchases turkey and fresh fish.

As of 31 December 2017, the effective weighted average interest rate applied to those payables is 14,75% (31 December 2016: 9,02%) and mature within 2 months (31 December 2016: 2 months).

d) Other short-term payables to related parties:

Other short-term payables to related parties consist of the Board of Directors' appropriation amounting to TL 2.300.000, TL 2.600.000 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 (31 December 2016: Other short-term payables to related parties consist of the Board of Directors' appropriation amounting to TL 2.600.000 and TL 453.000, respectively, to be paid in respect of the decision taken at the Ordinary General Assembly Meetings held on 29 March 2016 and 25 March 2015).

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

ii) *Transactions with related parties:*

a) Product sales:

	1 January - 31 December 2017	**1 January - 31 December 2016**
YBP	482.176.254	480.253.917
YDT	25.281.524	20.917.632
Çamlı Yem	2.774.563	4.968.025
Other	71.805	9.194
	510.304.146	**506.148.768**

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	959.577	673.694
Çamlı Yem	378.016	329.482
YBP	258.192	91.534
Pınar Süt	169.555	157.631
Other	59.586	135.950
	1.824.926	**1.388.291**

c) Income from financing activities:

Yaşar Holding	1.808.713	1.530.263
Other	15.697	66.228
	1.824.410	**1.596.491**

The majority of finance income consists of bail commission charges amounting to TL 1.824.410 (31 December 2016: TL 1.596.491), for the borrowings obtained by Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company (Note 25.i). The commission rates of bail and financing used in the associated intercompany charges is 0,50% p.a. (31 December 2016: 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 2017	1 January - 31 December 2016
Dyo Boya	24.095	28.973
Pınar Süt	-	804.581
Other	-	840
	24.095	**834.394**

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

e) Dividends received:

YBP (*)	5.015.920	10.355.620
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")(*)	1.243.321	-
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	12.719	11.738
	6.271.960	**10.367.358**

(*) Subsidiary (Note 3).

f) Other incomes from related parties:

YDT	786.546	709.892
YBP	590.259	542.600
Çamlı Yem	195.351	164.695
Other	30.752	4.252
	1.602.908	**1.421.439**

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	106.105.141	90.746.237
Hedef Ziraat	4.900.558	2.599.685
Yadex	4.691.408	3.075.259
Pınar Süt	702.596	669.498
Other	54.715	36.943
	116.454.418	**97.127.622**

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

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

h) Service purchases:

	1 January - 31 December 2017	**1 January - 31 December 2016**
Yaşar Holding	8.414.751	8.165.941
YDT	2.272.778	924.969
YBP	2.039.495	1.833.249
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yabim")	1.016.879	950.162
Bintur	239.751	198.735
Other	1.889.310	1.016.625
	15.872.964	**13.089.681**

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:

YBP	241.930	134.554
Yaşar Holding	22.275	169.538
Pınar Süt	19.269	-
Çamlı Yem	10.016	56.587
	293.490	**360.679**

j) Other operating expenses:

Yadex	69.354	-
Yaşar Holding	39.982	48.267
Çamlı Yem	-	676.870
Other	13.114	18.805
	122.450	**743.942**

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

YBP	1.875	7.500
	1.875	**7.500**

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

l) Other expenses from related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
Çamlı Yem	221.000	122.784
YDT	199.328	60.216
YBP	116.650	172.500
Other	98.040	99.817
	635.018	**455.317**

m) Dividends to related parties (*):

Yaşar Holding	23.711.664	22.772.588
Pınar Süt	5.506.270	5.288.200
Other	2.300.000	2.600.000
	31.517.934	**30.660.788**

(*) In the Ordinary General Assembly Meeting for the year 2017 as of 30 March 2017, it has been decided to distribute dividend amounting to TL 46.068.342 (31 December 2016: TL 44.634.950). TL 14.550.408 portion of this dividend (31 December 2016: TL 13.974.162) was paid to other shareholders.

n) Donations:

Yaşar Eğitim Vakfı	261.350	581.575
Yaşar Üniversitesi	-	200.000
	261.350	**781.575**

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	5.226.621	6.125.241
Post-employment benefits	144.891	126.489
Other long-term benefits	71.762	88.166
	5.443.274	**6.339.896**

The portion of total short-term benefits amounting to TL 2.300.000 (31 December 2016: TL 2.600.000) consists of Board of Directors appropriation according to the decision taken at the Ordinary General Assembly.

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

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

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 TL942.975.000 (31 December 2016: USD250.000.000 equivalent of TL879.800.000) 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.

As of 31 December 2016, the Company jointly guarantees the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR11.111.111, equivalent of TL41.221.111 (Note 15). As of 31 December 2017 there is no guarantee amount for the Company.

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables:

	31 December 2017	**31 December 2016**
Customer current accounts	13.460.570	17.726.458
Cheques and notes receivable	2.004.079	3.433.908
	15.464.649	**21.160.366**
Less: Provision for impairment of receivables	(339.779)	(339.779)
Unearned finance income	(154.864)	(112.905)
	14.970.006	**20.707.682**

The effective weighted average interest rate on TL denominated trade receivable is 12.27% as of 31 December 2017 (31 December 2016: 9,24%) maturing within two months (31 December 2016: within two months).

The agings of trade receivables as of 31 December 2017 and 2016 are as follows:

Overdue	1.414.022	2.349.838
0 - 30 days	4.948.971	10.663.610
31 - 60 days	6.921.337	6.549.737
61 - 90 days	1.552.242	1.044.497
91 days and over	133.434	100.000
	14.970.006	**20.707.682**

As of 31 December 2017, trade receivables of TL 1.414.022 (31 December 2016: TL 2.349.838), 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 32.a).

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

The aging of overdue receivables as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
0 - 30 days	1.396.759	2.338.041
30 days and over	17.263	11.797
	1.414.022	**2.349.838**

b) Short-term trade payables:

Supplier current accounts	73.776.476	68.974.335
Cheques	-	1.035.180
	73.776.476	**70.009.515**
Less: Unincurred finance cost	(588.449)	(410.493)
	73.188.027	**69.599.022**

As of 31 December 2017, the effective weighted average interest rate on TL denominated trade payable is 9,75% p.a. (31 December 2016: 9,30% p.a). Trade payables mature within one month (31 December 2016: one month).

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

a) Short-term other payables:

	31 December 2017	31 December 2016
Taxes and funds payable	1.517.836	2.461.349
Other	51.881	145.830
	1.569.717	**2.607.179**

NOTE 8 - INVENTORIES

	31 December 2017	31 December 2016
Raw materials	9.607.122	9.897.424
Raw materials in transit	2.381.119	2.079.849
Work in progress	13.667.826	16.691.467
Finished goods	15.274.563	12.007.068
Spare parts	3.561.129	5.325.000
Other	788.091	708.342
	45.279.850	**46.709.150**

The costs of inventories recognised as expense and included in cost of sales amounted to TL 466.020.603 (31 December 2016: TL453.071.052) (Note 17). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell.

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

NOTE 9 - BIOLOGICAL ASSETS

	31 December 2017	31 December 2016
Cattle	14.116.600	13.005.644
	14.116.600	**13.005.644**

The Company raises of livestock comprising calf for slaughter. As of 31 December 2017, there are total of 2.303 units (31 December 2016: 2.479 units).

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

	2017	2016
Beginning of the period (1 January)	**13.005.644**	**6.711.357**
Increase due to production and purchases	34.012.573	17.903.983
Sales and mortality during the year	(31.988.899)	(12.286.917)
Gain arising from changes in fair value less estimated point-of-sale costs-net	(235.497)	677.221
Current year realization of previous year fair value differences through current year sales	(677.221)	-
Period end (31 December)	**14.116.600**	**13.005.644**

NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses

	31 December 2017	31 December 2016
Prepaid expenses	1.491.689	1.266.893
Advances given	419.700	1.030.992
	1.911.389	**2.297.885**

b) Long-term prepaid expenses

Advances given	298.129	147.738
	298.129	**147.738**

c) Deferred income

Advances received	178.224	23.691
	178.224	**23.691**

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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 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.

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

DİPNOT 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	1 January 2016	Additions	Disposals	Transfers	31 December 2016
Cost or valuation:					
Land	85.109.400	-	-	-	85.109.400
Buildings and land improvements	60.116.734	2.665.066	-	922.087	63.703.887
Machinery and equipment	61.992.519	9.054.867	(2.560.082)	31.331	68.518.635
Furniture and fixtures	39.674.604	2.440.884	(1.669.608)	71.000	40.516.880
Motor vehicles	2.385.171	575.457	-	-	2.960.628
Construction in progress	96.522	927.896	-	(1.024.418)	-
	249.374.950	**15.664.170**	**(4.229.690)**	**-**	**260.809.430**
Accumulated depreciation:					
Buildings and land improvements	-	(1.861.029)	-	-	(1.861.029)
Machinery and equipment	-	(7.412.853)	1.975.732	-	(5.437.121)
Furniture and fixtures	(28.648.973)	(2.636.365)	1.661.442	-	(29.623.896)
Motor vehicles	(2.009.621)	(98.071)	-	-	(2.107.692)
	(30.658.594)	**(12.008.318)**	**3.637.174**	**-**	**(39.029.738)**
Net book value	**218.716.356**			**-**	**221.779.692**

As of 31 December 2016, additions to land, buildings and land improvements and machinery and equipment mainly consist of warehouse 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 TL9.212.725 (2016: TL8.279.094), to the cost of inventories by TL619.075 (2016: TL508.137), to general administrative expenses by TL943.001 (2016: TL1.020.676) (Note 21.b), to selling and marketing expenses by TL2.195.792 (2016: TL2.287.703) (Note 21.a), to research and development expenses by TL50.238 (2016: TL124.273) (Note 21.c).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipments as of 31 December 2017 and 2016 were as follows:

1 January 2016	**106.242.496**
Depreciation transfer due to revaluation increase classified in retained earnings	(3.727.015)
Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings	745.398
Revaluation fund decrease due to sale of property, plant and equipment - net	(306.664)
31 December 2016	**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**

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 2017 and 2016, are as follows:

31 December 2017:	**Land**	**Land improvements and buildings**	**Machinery and equipment**
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**
31 December 2016:			
Cost	16.926.447	47.457.165	137.587.684
Less: Accumulated depreciation	-	(16.635.747)	(92.213.373)
Net book value	**16.926.447**	**30.821.418**	**45.374.311**

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

NOTE 12 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the years ended 31 December 2017 and 2016 were as follows:

	1 January 2017 Opening	**Additions**	**31 December 2017 Closing**
Costs:			
Rights	18.263.590	320.468	18.584.058
Accumualated amortisation	(17.924.066)	(172.326)	(18.096.392)
Net book value	**339.524**		**487.666**

	1 January 2016 Opening	**Additions**	**31 December 2016 Closing**
Costs:			
Rights	17.975.237	288.353	18.263.590
Accumualated amortisation	(17.712.501)	(211.565)	(17.924.066)
Net book value	**262.736**		**339.524**

NOTE 13 - 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 2017, the Company recognized the government grant amounting to TL161.998 (31 December 2016: TL185.202) 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 27).

NOTE 14 - BORROWINGS AND BORROWING COSTS

Short-term Borrowings From Third Parties:

a) Borrowings:

	31 December 2017	**31 December 2016**
Short-term borrowings		
- TL borrowings (*)	5.123.333	-
	5.123.333	**-**

(*) As of 31 December 2017, short-term borrowings consist of agricultural credits with an annual average interest rate of 4% (31 December 2016: None).

As of 31 December 2017, fair value of borrowings approximates to carrying amount.

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NOTE 14 - BORROWINGS AND BORROWING COSTS (Continued)

b) Other financial liabilities:

	31 December 2017	31 December 2016
Other financial liabilities	522.480	3.994.144
	522.480	**3.994.144**

As of 31 December 2017 and 2016, other financial liabilities consist of credit card debt.

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

a) Short-term provisions:

	31 December 2017	31 December 2016
Provision for litigations	53.200	53.200
	53.200	**53.200**

b) Guarantees given:

Bails	942.975.000	921.021.111
Letters of guarantee	4.987.884	2.450.750
	947.962.884	**923.471.861**

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 TL942.975.000 (31 December 2016: USD250,000,000 equivalent of TL879.800.000) 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.

As of 31 December 2016, the Company jointly guarantees the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR11.111.111, equivalent of TL41.221.111. As of 31 December 2017 there is no given guarantee amount.

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2017 and 2016 were as follows:

	31 December 2017			**31 December 2016**		
	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	4.987.884	4.987.884	TL	2.450.750	2.450.750
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			**942.975.000**			**921.021.111**
i. Total amount of CPM given to on behalf of the majority shareholder			**942.975.000**			**879.800.000**
	USD	250.000.000	942.975.000	*USD*	*250.000.000*	879.800.000
ii. Total amount of CPM given to on behalf of other Group companies which are not in scope of B and C			-			**41.221.111**
		-	-	*EUR*	*11.111.111*	*41.221.111*
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
TOTAL			**947.962.884**			**923.471.861**
The ratio of total amount of other CPM to Equity			188%			220%

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

c) Guarantees received

	31 December 2017			31 December 2016		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
Mortgages	TL	20.000	20.000	TL	20.000	20.000
Letters of guarantee	TL	11.530.250	11.530.250	TL	6.642.000	6.642.000
	EUR	163.150	736.704	EUR	264.250	980.341
	USD	-	-	USD	12.650	44.518
Guarantee notes and cheques	TL	190.000	190.000	TL	315.000	315.000
	USD	50.000	188.595	USD	53.000	186.518
			12.665.549			**8.188.377**

The Company does not have any guarantees received from related parties as of 31 December 2017 (31 Aralık 2016: None).

d) Contingent liabilities:

- As per the meetings with Kemalpaşa Municipality Development Directorate and Technical Works, the parcels with carrying value of TL97.492.946 in the financial statements dated 31 December 2017 are located where land, land improvements and buildings have been detected to be within the Organised Industrial Zone in the construction plan with a scale of 1/1000 dated 27 February 2008. The 1st Stage Construction Plan, prepared in compliance with the construction plans finalized on 7 July 2015, was announced between 8 September 2016 and 7 October 2016 with the Turkish Republic Izmir Governorship Board of Governors' decision no. 2016/32 dated 7 September 2016. After evaluating the requests and objections, the 1st stage construction plan application was re-announced between 30 December 2016 and 30 January 2017 with decision no. 2016/48 dated 28 December 2016. It was approved by the Turkish Republic Ministry of Science, Industry and Technology on 8 March 2016 and registered by the Kemalpaşa Deeds Registration office on 19 July 2017. The fair value of land, land improvements and buildings in Kemalpaşa increased by TL52.265.091 (Note 11).

NOTE 16 - EMPLOYMENT TERMINATION BENEFITS

a) Payable due to employee benefits

	31 December 2017	31 December 2016
Social security premiums payable	2.245.995	1.817.059
Payables to personel	31.588	38.027
	2.277.583	**1.855.086**

b) Short-term provisions due to employee benefits

Provision for seniority incentive bonus	458.943	351.848
Bonus provisions to top management	-	8.011
	458.943	**359.859**

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

NOTE 16 - EMPLOYMENT TERMINATION BENEFITS (Continued)

The movement of bonus provision to top management is as follows:

	2017	**2016**
1 January	**8.011**	**628.011**
Bonus payment	(8.011)	(620.000)
31 December	**-**	**8.011**

c) Long-term provisions due to employee benefits

Provision for employment termination benefits	19.998.855	17.885.707
Provision for seniority incentive bonus	648.257	600.308
	20.647.112	**18.486.015**

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 TL4.732,48 for each year of service as of 31 December 2017 (31 December 2016: TL4.297,21).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions.

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 TL5.001,76 which is effective from 1 January 2018 (1 January 2017: TL4.426,16) 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 2017	**31 December 2016**
Discount rate (%)	4,50	3,95
Probability of retirement (%)	98,35	98,35

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

NOTE 16 - EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	2017	2016
1 January	**17.885.707**	**15.226.680**
Interest costs	2.299.868	2.008.565
Actuarial losses	1.080.332	2.727.198
Paid during the year	(2.887.799)	(3.640.562)
Current service cost	1.620.747	1.563.826
31 December	**19.998.855**	**17.885.707**

The total of interest costs, actuarial losses and current service cost for the year is TL5.000.947 (31 December 2016: TL6.299.589). TL3.920.615 portion (31 December 2016: TL3.572.391) of this amount was included in general administrative expenses and TL1.080.332 (31 December 2016: TL2.727.198) portion was included in other comprehensive income.

NOTE 17 - EXPENSES BY NATURE

	1 January - 31 December 2017	1 January - 31 December 2016
Direct material costs	466.020.603	453.071.052
Staff costs	55.751.505	52.002.217
Outsourced services	18.061.885	16.109.420
Depreciation and amortisation	12.909.893	12.076.113
Utilities	11.665.231	11.276.582
Repair and maintenance	10.681.968	9.798.301
Advertisement	10.175.584	13.657.064
Consultancy charges	8.653.444	8.386.988
Employment termination benefits	3.920.615	3.572.391
Rent	1.666.809	1.674.163
Other	3.453.194	4.556.717
	602.960.731	**586.181.008**

NOTE 18 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2017	31 December 2016
Income accrual	280.288	227.560
Deferred VAT	17.767	-
	298.055	**227.560**

b) Other current liabilities:

Expense accrual	16.538	20.959
	16.538	**20.959**

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

NOTE 19 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr1. The Company's historical authorised registered capital at 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
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 2017 and 2016 were as follows:

	31 December 2017		31 December 2016	
Shareholders	**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 2016: 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).

The companies registered in Turkey can exceed authorized registered share capital by 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 2017, there are 4.333.500.000 (31 December 2016: 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".

NOTE 19 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

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 2017, the restricted reserves of the Company amount to TL39.192.295 (2016: TL34.802.135). The unrestricted reserves of the Company, amounting to TL90.277.810 (2016: TL81.047.137), 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".

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.

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.

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

NOTE 19 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

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

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 2017, the Company has decided to distribute the distributable profit amounting to TL46.068.342 as dividend and board of directors' It was decided to pay the payments on 29 May 2017 in order to distribute dividends. In consideration of this profit distribution decision, the Company has allocated "Restricted Reserves" which is amounting to TL4.390.160 from the profit of year 2016. Since the general assembly for 2017 has not been made yet, no profit distribution decision has been taken.

NOTE 20 - REVENUE AND COST OF SALES

	1 January - 31 December 2017	**1 January - 31 December 2016**
Domestic sales	766.749.876	751.180.136
Export sales	25.281.524	20.294.350
Gross Sales	**792.031.400**	**771.474.486**
Less: Discounts	(128.147.723)	(121.422.021)
Returns	(14.317.536)	(12.532.495)
Net Sales	**649.566.141**	**637.519.970**
Change in fair value of biological assets	(235.497)	677.221
Cost of Sales	**(551.456.702)**	**(531.979.552)**
Gross Profit	**97.873.942**	**106.217.639**

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

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

a) Marketing expenses:

	1 January - 31 December 2017	**1 January - 31 December 2016**
Advertisement	10.175.584	13.657.064
Staff costs	4.492.575	4.187.538
Consultancy charges	3.366.995	3.310.837
Depreciation and amortisation	2.195.792	2.287.703
Outsourced services	1.975.471	2.118.378
Repair and maintenance	1.739.618	1.527.403
Utilities	1.500.165	1.445.715
Rent	502.150	424.780
Other	2.384.091	1.680.651
	28.332.441	**30.640.069**

b) General administrative expenses:

Staff costs	5.906.539	6.857.722
Consultancy charges	5.106.326	5.006.842
Employment termination benefits	3.920.615	3.572.391
Outsourced services	2.985.066	2.719.804
Depreciation and amortisation	943.001	1.020.676
Utilities	368.981	392.655
Taxes (except for corporate tax)	318.439	440.915
Repair and maintenance	84.328	151.246
Other	1.327.313	1.723.921
	20.960.608	**21.886.172**

c) Research and development expenses:

Staff costs	1.134.112	951.567
Outsourced services	191.522	124.705
Depreciation and amortisation	50.238	124.273
Other	835.108	474.670
	2.210.980	**1.675.215**

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

NOTE 22 - OTHER OPERATING INCOME AND EXPENSE

a) Other operating income:

	1 January - 31 December 2017	**1 January - 31 December 2016**
Rent income	749.668	688.742
Foreign exchange gain	483.195	544.682
Income from sales of scrap	431.355	544.979
Unearned financial income	243.905	200.817
Other	472.764	248.482
	2.380.887	**2.227.702**

b) Other operating expense:

Foreign exchange loss	(490.518)	(12.166)
Unincurred financial expense	(270.818)	(134.252)
Donations	(266.670)	(803.265)
Interest expense on term purchases	(76.821)	(743.942)
Other	(191.453)	(347.386)
	(1.296.280)	**(2.041.011)**

NOTE 23 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

a) Income from investment activities:

	1 January - 31 December 2017	**1 January - 31 December 2016**
Income from sales of property, plant and equipment	301.341	160.601
Interest income calculated on other receivables from related parties	24.095	834.394
Other	39.782	11.738
	365.218	**1.006.733**

b) Expense from investment activities:

Loss from sales of property, plant and equipment	(533)	(498.253)
	(533)	**(498.253)**

NOTE 24 - EXPENSES CLASSIFIED

Please refer to Note 17.

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

NOTE 25 - FINANCIAL INCOME AND EXPENSES

i. Financial Income:

	1 January - 31 December 2017	**1 January - 31 December 2016**
Bail income from related parties (Note 5.ii.c)	1.824.410	1.596.491
Interest income	1.360.231	443.926
Foreign exchange gain	187.871	239.520
	3.372.512	**2.279.937**

ii. Financial Expense:

Foreign exchange loss	(233.528)	(161.842)
Interest expense	(123.333)	(160.415)
Bank commission expense	(95.882)	(64.035)
Bail expense from related parties	(1.875)	(7.500)
	(454.618)	**(393.792)**

NOTE 26 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please refer to Comprehensive Income.

NOTE 27 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

As of 31 December 2017 and 2016, corporation taxes currently payable are as follows:

	31 December 2017	**31 December 2016**
Corporation taxes currently payable	6.971.852	8.731.395
Less: Prepaid corporate tax	(7.542.945)	(6.367.910)
Current income tax (assets)/ liabilities	**(571.093)**	**2.363.485**

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 20% for 2017. (2016: 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.

NOTE 27 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Dividends paid ton on-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to witholding tax. Otherwise, dividends paid are subject to witholding tax at the rate of 15% (2016: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur witholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2016: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2016: 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 offseting, 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 25 th of fourth month following the close of the financial year to which they relate.

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

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

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

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 10 th article of Corporate Tax Law, have been taken into consideration in calculation of the Company's corporate tax.

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

NOTE 27 - 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 lenght 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 lenght 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 lenght principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised 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 taxplayer 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 finalised and paid.

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

Taxation on income in the statement of comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	1 January - 31 December 2016
Current corporation tax expense	(6.971.852)	(8.731.395)
Deferred tax income/ (expense)	2.959.329	(525.485)
Total taxation on income	**(4.012.523)**	**(9.256.880)**

The reconciliation of tax expense is as follows:

Profit before tax	**63.324.619**	**68.946.061**
Tax calculated at tax rates applicable to the profit	(12.664.924)	(13.789.212)
Expenses not deductible for tax purpose	(412.693)	(222.774)
Income not subject to tax	88.834	157.335
Tax effect upon the results of investments-in-associates	2.517.504	2.869.712
Deferred tax assets are capitalized and used during the period	3.894.435	1.763.848
Additional deferred tax asset calculated on investment incentive	2.291.035	-
Other	273.286	(35.789)
Total taxation on income	**(4.012.523)**	**(9.256.880)**

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

NOTE 27 - 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 2017, 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 2017 and 2016 using the enacted tax rates at the balance sheet dates are as follows:

	Taxable cumulative temporary differences		Deferred income tax assets/ (liabilities)	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
Revaluation of property, plant and equipment	187.082.651	115.915.724	(24.633.046)	(12.961.509)
Difference between carrying values (excluding revaluation reserve) and tax bases of tangible and and intangible assets	17.381.028	14.737.860	(3.152.377)	(2.510.825)
Provision for employment termination benefits	(19.998.855)	(17.885.707)	3.999.771	3.577.141
Difference between carrying value and tax bases of avaliable-for-sale investments	(1.473.768)	(1.761.518)	294.754	352.304
Investment incentives (*)	(13.816.397)	(3.742.864)	3.039.607	748.573
Other	(2.113.039)	(110.359)	464.868	22.072
Deferred income tax assets			7.799.000	4.700.090
Deferred income tax liabilities			(27.785.423)	(15.472.334)
Deferred income tax liabilities-net			**(19.986.423)**	**(10.772.244)**

(*) The Company has investment incentive certificate relating with production line investment. As of 31 December 2017, based on the best estimate of the Company management, it is highly probable to utilize investment incentive amounted to TL3.039.607 (31 December 2016: TL748.573).

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

NOTE 27 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

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

1 January 2016	**(10.793.366)**
Credited to statement of comprehensive income	(525.485)
Charged to actuarial loss arising from defined benefit plans	545.440
Charged to fair value reserve of avaliable for sale investments	1.167
31 December 2016	**(10.772.244)**
Credited to statement of comprehensive income	2.959.329
Charged to actuarial loss arising from defined benefit plans	216.067
Charged to fair value reserve of available for sale investments	(92.780)
Calculated on revaluation fund	(8.905.915)
Change in tax rates	(3.390.880)
31 December 2017	**(19.986.423)**

NOTE 28 - EARNINGS PER SHARE

		1 January - 31 December 2017	1 January - 31 December 2016
Profit for the period	A	59.312.096	59.689.181
Weighted number of 100 shares with a Kr1 face value (Note 19)	B	4.333.500.000	4.333.500.000
Earnings per share with a Kr1 face value	**A/B**	**1,3687**	**1,3774**

There are no differences between basic and diluted earnings per share. Since the General Assembly meeting of the year 2017 has not been performed yet, dividend distribution decision has not been taken.

NOTE 29 - EFFECTS OF CHANGES IN FOREIGN CURRENCY RATES

The foreign currency exposure of the Company is presented in Note 32.c.i.

NOTE 30 - REPORTING IN HYPERINFLATIONARY ECONOMIES

Please refer to Note 2.

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NOTE 31 - FINANCIAL INSTRUMENTS

Available for sale-investments:

	31 December 2017		31 December 2016	
	TL	**(%)**	**TL**	**(%)**
YDT	590.111	1,76	580.036	1,76
Bintur	136.500	1,33	96.941	1,33
	726.611		**676.977**	

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 2017, nominal discounts and growth rates are used in the fair value calculations.

As of 31 December 2017 and 2016, the discount and growth rates used in discounted cash flow models are as follows:

	Discount Rate		Growth Rate	
	2017	**2016**	**2017**	**2016**
Bintur	%19,50	%19,00	%1	%1
YDT	%18,30	%17,80	%1	%1

Movements of available for sale investments in 2017 and 2016 are as follows:

	2017	2016
1 January	**676.977**	**682.817**
Fair value change- YDT	10.075	(1.003)
Fair value change- Bintur	39.559	(4.837)
31 December	**726.611**	**676.977**

Movements of fair value reserve of available-for-sale investments in 2017 and 2016 are as follows:

1 January	**106.316**	**110.989**
Change in fair value	49.635	(5.840)
Deferrred income tax effect on fair value reserve of avaliable for sale investments (Note 27)	(92.780)	1.167
31 December	**63.171**	**106.316**

NOTE 32 - 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 unpredicatiblity 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 instutions, 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 neccessary 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 anaysis of the Company as of 31 December 2017 and 2016 are as follows:

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

NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2017	**Receivables**				
	Trade Receivables (1)		**Other Receivables**		
	Related Parties	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**80.942.438**	**14.970.006**	**13.925.195**	**17.363**	**1.062.149**
- 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	-	-	-
- Impairement amount (-)	-	(339.779)	-	-	-
- Colleteral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Colleteral 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 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016	**Receivables**				
	Trade Receivables (1)		**Other Receivables**		
	Related Parties	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**80.267.399**	**20.707.682**	**22.705**	**174.882**	**405.172**
- The part of maximum credit risk covered with guarantees	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	78.280.892	18.357.844	22.705	174.882	405.172
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)	1.986.507	2.349.838	-	-	-
- The part covered by guarantees	-	-	-	-	-
D. Net book value of assets impaired					
- Past due amount (gross book value)	-	339.779	-	-	-
- Impairement amount (-)	-	(339.779)	-	-	-
- Colleteral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Colleteral 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.

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

NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2017	Receivables		
	Related Parties	Third Parties	Total
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**

31 December 2016	Receivables		
	Related Parties	Third Parties	Total
1 - 30 days overdue	1.751.488	2.338.041	4.089.529
1 - 3 months overdue	230.275	11.797	242.072
3 - 6 months overdue	4.744	-	4.744
The part of credit risk covered with guarantees	-	-	-
	1.986.507	**2.349.838**	**4.336.345**

b) Liquidity risk:

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

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers lines from high quality lenders. In order to maintain liquidity, the Company management closely monitors the timely collection of trade receivables, 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 2017 and 2016 is as follows:

	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**	**-**

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

NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2016				
	Carrying Value	**Total Cash outflows per agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Contractual maturity dates:					
Financial Liabilities					
Trade payables	84.441.575	84.938.818	84.938.818	-	-
Other payables and other financial liabilities	7.770.019	7.770.019	7.770.019	-	-
	92.211.594	**92.708.837**	**92.708.837**	**-**	**-**

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

	Foreign Currency Position							
	31 December 2017				31 December 2016			
	TL Equivalent	USD	EUR	Other (TL Equivalent)	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Recievables	2.900.101	666.463	85.543	-	3.740.998	346.524	616.602	233.979
2a. Monetary Financial Assets (Cash, Bank Accounts included)	401.953	104.979	1.325	-	21.675	3.318	2.695	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	104.140	9.074	15.483	-	93.482	13.307	12.575	-
4. Current Assets (1+2+3)	**3.406.194**	**780.516**	**102.351**	**-**	**3.856.155**	**363.149**	**631.872**	**233.979**
5. Trade Recievables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non- Current Assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**3.406.194**	**780.516**	**102.351**	**-**	**3.856.155**	**363.149**	**631.872**	**233.979**
10. Trade Payables	3.377.782	1.489	746.798	-	684.202	-	184.426	-
11. Financial Liabilities	-	-	-	-	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**3.377.782**	**1.489**	**746.798**	**-**	**684.202**	**-**	**184.426**	**-**
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)	**3.377.782**	**1.489**	**746.798**	**-**	**684.202**	**-**	**184.426**	**-**
19. Net Asset/ Liability Position of Off-Balance Sheet Derrivative Instruments (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19a. Amount of Hedged Aasset	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19b. Amount of Hedged Liability	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
20. Net Foreign Currency Asset (Liability)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Position (9-18+19)	**28.412**	**779.027**	**(644.447)**	**-**	**3.171.953**	**363.149**	**447.446**	**233.979**
21. Net Foreign Currency Asset (Liability) Position of Monetory Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(75.728)**	**769.953**	**(659.930)**	**-**	**3.078.471**	**349.842**	**434.871**	**233.979**
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	**25.281.524**	**4.417.610**	**1.289.560**	**4.764.231**	**20.294.350**	**2.447.266**	**2.847.157**	**4.065.911**
26. Import	**20.233.346**	**992.732**	**3.991.785**	**-**	**18.003.473**	**2.292.480**	**3.169.516**	**683.353**

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NOTE 32 - 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)**

NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016	**Sensitivity Analysis for Foreign Currency Risk**			
	Profit/ (Loss)		**Equity**	
	Appreciation of Foreign currency	**Depreciation of Foreign currency**	**Appreciation of Foreign currency**	**Depreciation of Foreign currency**
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	127.799	(127.799)	127.799	(127.799)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect Net (1+2)	**127.799**	**(127.799)**	**127.799**	**(127.799)**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	165.998	(165.998)	165.998	(165.998)
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect Net (4+5)	**165.998**	**(165.998)**	**165.998**	**(165.998)**
Change of other currencies by average 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	23.398	(23.398)	23.398	(23.398)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**23.398**	**(23.398)**	**23.398**	**(23.398)**
TOTAL (3+6+9)	**317.195**	**(317.195)**	**317.195**	**(317.195)**

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

NOTE 32 - 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 2017 and 2016.

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 2017	31 December 2016
Financial liabilities (Note 14)	5.645.813	3.994.144
Less: Cash and cash equivalents (Note 4)	(2.253.131)	(1.247.276)
Net debt	**3.392.682**	**2.746.868**
Total equity	**501.492.181**	**418.932.935**
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.

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Classification of financial assets

The Company's financial assets and liabilities classified as available-for-sale investments and loans and receivables. Cash and cash equivalents (Note 4), trade receivables (Note 6) and other receivables (Note 7) of the Company are classified as loans and receivables and measured at amortised cost using effective interest method. Available-for-sale investments are disclosed in Note 31. The Company's financial liabilities, classified as financial liabilities (Note 14), other financial liabilities and trade payables (Note 6) are categorized as financial liabilities measured at amortized costs using effective interest method.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by aquoted 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 neccessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not neccessarily 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. Available-for-sale investments are carried at their fair values. The fair values of available-for-sale investments which do not have quoted market prices in active markets, are determined by using general accepted valuation techniques or stated at cost, less a provision for impairment, if any, by assuming the carrying values do not differ materially from their fair values.

Financial liabilities

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:

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

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).

- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).

- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2017 and 2016.

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**

31 December 2016

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	-	-	676.977	676.977
Total assets	**-**	**-**	**676.977**	**676.977**

(*) No transfers between Levels 1 and 2 during the years ended 31 December 2017 and 2016. For Level 3 Financial Instruments, please refer to Note 31.

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

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

The following table presents the Company's non-financial assets that are measured fair value at 31 December 2017 and 2016;

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**

31 December 2016

	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
Land	-	85.109.400	-	85.109.400
Buildings and land improvements	-	61.842.858	-	61.842.858
Machinery and equipment	-	63.081.514	-	63.081.514
Biological Assets:				
Biological Assets	-	13.005.644	-	13.005.644
Total Assets	**-**	**223.039.416**	**-**	**223.039.416**

NOTE 34 - SUBSEQUENT EVENTS

None (31 December 2016: 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 30, 2018, Friday at 14:30 at Kemalpaşa Caddesi No: 317 Pınarbaşı/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
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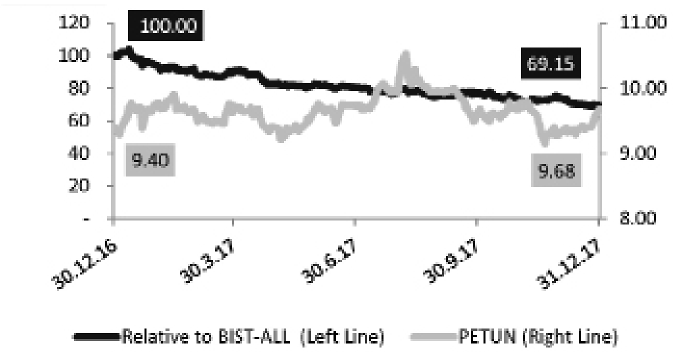
To access Pınar Et investor relations web site:

Pınar Et Share Performance (Compared to BIST ALL Index)



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