PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2019
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the financial statements

1. Our 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 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

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

3. Key audit matters

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

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Key Audit Matters	How the key audit matter was addressed in the audit
Fair value measurement of land and land improvements and buildings (Refer to Notes 2.7.4 and 11) In accordance with TAS 36, "Property, plant and equipment", land and land improvements and buildings are carried at fair value on the financial statements. The fair value gain before tax amounting to TL 43,579,162 was appraised by the independent professional valuers at 31 December 2019. The fair value gain was recognised as revaluation reserve in equity, net of applicable deferred income tax in the financial position. This was a key audit matter since the total amount of the land and land improvements and buildings as of 31 December 2019 has a significant share in the assets of the Company and these valuations include estimations and assumptions that are sensitive to discount rates, the location and zoning status, benchmark prices per m^2, and the construction costs per m^2 .	The following audit procedures were addressed in our audit work for the fair value measurement of land and land improvements and buildings: • We assessed in accordance with relevant audit standards that the competency, capability and objectivity of the independent professional valuers who were appointed by the Company management. • We checked and agreed the completeness and reconcile the input data in terms of m^2, location and zoning status, used by the independent professional valuers who were appointed by the Company management, on a sample basis, with the Company's records . In addition to that certain estimates and assumptions such as the discount rates, market reference prices per m^2 and construction costs per m^2 were assessed with the help of the external auditor expert. • In accordance with the provisions of "ISA 620: Use of Work of Expert" standard, we got our external auditor expert involved on a sample basis to evaluate the assumptions and methods used by the Company management and the independent professional valuers who were appointed by the Company management. • The compliance of the disclosures of fair value determination of land and land improvements and buildings in the financial statements in accordance with the relevant financial reporting standards were evaluated.

4. Responsibilities of management and those charged with governance for the financial statements

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

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

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

5. Auditor's responsibilities for the audit of the financial statements

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

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's 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 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 28 February 2020.

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

Mehmet Karakurt, SMMM
Partner

İstanbul, 28 February 2020

CONTENTS **PAGE**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITION (BALANCE SHEETS)
FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	Notes	31 December 2019	31 December 2018
ASSETS			
Current Assets			
Cash and cash equivalents	4	31,544,019	3,599,385
Trade receivables		117,367,077	101,845,706
- Trade receivables from related parties	5	96,159,151	81,316,540
- Trade receivables from third parties	6	21,207,926	20,529,166
Other receivables		10,182,535	17,577,715
- Other receivables from related parties	5	10,154,090	17,530,330
- Other receivables from third parties		28,445	47,385
Inventories	8	59,477,549	67,109,520
Biological assets	9	13,225,488	18,028,475
Prepaid expenses		2,026,244	968,249
- Prepaid expenses to third parties	10	2,026,244	968,249
Current income tax assets	28	-	3,016,840
Other current assets		162,692	196,911
- Other current assets from third parties	19	162,692	196,911
TOTAL CURRENT ASSETS		**233,985,604**	**212,342,801**
Non-Current Assets			
Financial investments	32	1,518,196	1,278,274
Investments in associates accounted for using equity method	3	237,886,622	182,680,727
Investment property	13	21,115,000	19,155,000
Property, plant and equipment	11	351,150,676	316,296,032
- Land		165,122,476	134,830,000
- Land improvements		9,475,350	9,019,029
- Buildings		70,744,574	59,969,845
- Machinery and equipment		90,237,402	99,066,381
- Vehicles		509,627	699,400
- Furniture and fixtures		9,480,798	10,834,100
- Construction-in-progress		5,580,449	1,877,277
Right of use assets		1,557,549	-
Intangible assets		2,485,274	1,176,176
- Other intangible assets	12	2,485,274	1,176,176
Prepaid expenses		4,363	4,363
- Prepaid expenses to third parties	10	4,363	4,363
TOTAL NON-CURRENT ASSETS		**615,717,680**	**520,590,572**
TOTAL ASSETS		**849,703,284**	**732,933,373**

These financial statements at 1 January - 31 December 2019 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 28 February 2020. General Assembly and specified regulatory bodies have the right to make amendments after statutory consolidated financial statements issued.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITION (BALANCE SHEETS)
FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	Notes	31 December 2019	31 December 2018
LIABILITIES			
Short-Term Liabilities			
Short-term borrowings		6,342,080	5,269,154
- Short-term borrowings to third parties	15	6,342,080	5,269,154
- Bank borrowings		5,230,556	5,122,778
- Financial lease payables		39,561	146,376
- Borrowings from lease liabilities		1,071,963	-
Other financial liabilities	15	3,615,787	2,491,148
- Other miscellaneous financial liabilities		3,615,787	2,491,148
Trade payables		111,059,128	111,381,850
- Trade payables due to related parties	5	23,304,510	26,082,474
- Trade payables due to third parties	6	87,754,618	85,299,376
Payables related to employee benefits	17	1,529,111	1,580,418
Other payables		9,568,858	7,098,348
- Other payables due to related parties	5	7,487,011	5,087,011
- Other payables due to third parties	7	2,081,847	2,011,337
Deferred income		253,126	243,260
- Deferred income from third parties	10	253,126	243,260
Current income tax liabilities	28	2,099,518	-
Short term provisions		722,992	800,004
- Short term provision for employee benefits	17	321,110	398,122
- Other short term provisions	16	401,882	401,882
Other current liabilities		5,438	9,685
- Other current liabilities due to third parties	19	5,438	9,685
TOTAL SHORT-TERM LIABILITIES		**135,196,038**	**128,873,867**
Long-Term Liabilities			
Long term borrowings	15	578,930	-
- Long term borrowing due to third parties		578,930	-
- Borrowings from lease liabilities		578,930	-
Long term provisions		30,969,303	25,997,926
- Long term provisions for employee termination benefits	17	30,969,303	25,997,926
Deferred income tax liabilities	28	28,258,716	24,381,024
TOTAL LONG-TERM LIABILITIES		**59,806,949**	**50,378,950**
TOTAL LIABILITIES		**195,002,987**	**179,252,817**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITION (BALANCE SHEETS)
FOR THE YEAR ENDED 31 DECEMBER 2019 AND 2018
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	Notes	31 December 2019	31 December 2018
EQUITY			
Equity attributable to owners of the parent company		**654,700,297**	**553,680,556**
Share capital	20	43,335,000	43,335,000
Adjustment to share capital	20	37,059,553	37,059,553
Other accumulated comprehensive income/ (loss) that will not be reclassified to profit/ (loss)		274,598,000	181,377,516
- Gains (losses) on revaluation and remeasurement		193,834,938	163,172,175
- Increases (decreases) on revaluation of property, plant and equipment	11	205,783,531	172,986,907
- Actuarial loss arising from defined benefit plans		(11,948,593)	(9,814,732)
- Share of other comprehensive income of investments in associates accounted for using equity method that will not be reclassified to profit/ (loss)		80,030,871	17,702,259
- Revaluation or classification earnings of assets at fair value through other comprehensive income	32	732,191	503,082
Other accumulated comprehensive income (loss) that will be reclassified to profit/ (loss)		9,266,243	7,797,614
- Share of other comprehensive income of investments in associates accounted for using equity method that will be reclassified to profit / (loss)		9,266,243	7,797,614
Decrease / (Increase) due to other changes		(2,377,849)	-
Restricted reserves		45,523,458	41,329,035
- Legal reserves	20	45,523,458	41,329,035
Retained earnings		201,102,304	180,664,449
Net profit for the year		46,193,588	62,117,389
TOTAL EQUITY		**654,700,297**	**553,680,556**
TOTAL LIABILITIES AND EQUITY		**849,703,284**	**732,933,373**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED AT 1 JANUARY - 31 DECEMBER 2019 AND 2018

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

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
PROFIT OR LOSS			
Revenue	21	747,913,636	700,745,642
Cost of sales	21	(633,557,724)	(603,260,959)
Gross profit from trading operations		**114,355,912**	**97,484,683**
Change in fair value of biological assets	9	170,389	(179,167)
Gross profit		**114,526,301**	**97,305,516**
General administrative expenses	22	(24,946,109)	(22,851,872)
Marketing expenses	22	(33,154,706)	(31,712,480)
Research and development expenses	22	(2,124,429)	(2,167,712)
Other income from operating activities	23	5,918,619	5,436,741
Other expense from operating activities	23	(4,402,480)	(3,664,753)
OPERATING PROFIT		**55,817,196**	**42,345,440**
Income from investment activities	24	3,396,096	5,210,954
Expense from investment activities	24	(1,058,605)	(91,442)
Share of results of investment-in-associates	3	(785,463)	18,827,656
OPERATING PROFIT BEFORE FINANCIAL INCOME (EXPENSE)		**57,369,224**	**66,292,608**
Financial income	26	4,938,419	4,293,401
Financial expense	26	(5,744,857)	(5,830,157)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**56,562,786**	**64,755,852**
Tax expense of continuing operations		(10,369,198)	(2,638,463)
- Current period tax expense	28	(11,563,439)	(1,402,460)
- Deferred tax income/ (expense)	28	1,194,241	(1,236,003)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**46,193,588**	**62,117,389**
PROFIT FOR THE YEAR		**46,193,588**	**62,117,389**
Earnings per share		**1,0660**	**1,4334**
- Earnings per Kr 1 number of 100 shares from continuing operations	29	1,0660	1,4334

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED AT 1 JANUARY - 31 DECEMBER 2019 AND 2018
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
OTHER COMPREHENSIVE INCOME / (LOSS)			
Other comprehensive income / (expense) that will not be reclassified to profit or loss:		**99,846,355**	**(4,457,107)**
Gains on revaluation of property, plant and equipment	11	43,579,162	17,433,916
Losses on remeasurements of defined benefit plans	17	(2,667,326)	(2,199,679)
Share of other comprehensive income of associates accounted for using equity method that will not be reclassified to profit or loss		63,766,530	(17,084,408)
- Revaluation increases of property, plant and equipment of associates accounted for using equity method	3	7,814,430	2,707,560
- Losses on remeasurements of defined benefit plans of associates accounted for using equity method	3	(1,003,910)	(783,293)
- Share of other comprehensive income of investments in associates accounted for using equity method that will not be reclassified to profit or loss		56,956,010	(19,008,675)
Revaluation or classification earnings of assets at fair value through other comprehensive income		229,109	439,911
Taxes relating to other comprehensive income that will not be reclassified to profit or loss		(5,061,120)	(3,046,847)
- Gains on revaluation of property, plant and equipment, tax effect		(5,594,585)	(3,486,783)
- Losses on remeasurements of defined benefit plans, tax effect	28	533,465	439,936
Other Comprehensive Income that will be reclassified to Profit or Loss:		**1,468,629**	**3,347,737**
Gains on foreign currency translation differences of associates accounted for using equity method	3	1,468,629	3,347,737
OTHER COMPREHENSIVE INCOME/ (EXPENSE)		**101,314,984**	**(1,109,370)**
TOTAL COMPREHENSIVE INCOME		**147,508,572**	**61,008,019**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2019 AND 2018

(Amounts 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	Revaluation or Classifications Earnings of Assets at Fair Value Through Other Comprehensive Income	Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss	Other (Losses)/ Gains	Restricted Reserves	Retained Earnings	Profit for the Year	Total Equity
1 January 2018	**43,335,000**	**37,059,553**	**162,465,937**	**(8,054,989)**	**63,171**	**35,720,520**	**4,449,877**	**-**	**39,192,295**	**142,663,229**	**59,312,096**	**516,206,689**
Transfers	-	-	(3,426,163)	-	-	(933,853)	-	-	-	63,672,112	(59,312,096)	-
Profit shares (Note 5.ii.m)	-	-	-	-	-	-	-	-	2,136,740	(25,670,892)	-	(23,534,152)
Total comprehensive income / (expenses)	-	-	13,947,133	(1,759,743)	439,911	(17,084,408)	3,347,737	-	-	-	62,117,389	61,008,019
- Profit for the year	-	-	-	-	-	-	-	-	-	-	62,117,389	62,117,389
- Other comprehensive income / (expenses)	-	-	13,947,133	(1,759,743)	439,911	(17,084,408)	3,347,737	-	-	-	-	(1,109,370)
31 December 2018	**43,335,000**	**37,059,553**	**172,986,907**	**(9,814,732)**	**503,082**	**17,702,259**	**7,797,614**	**-**	**41,329,035**	**180,664,449**	**62,117,389**	**553,680,556**
1 January 2019	**43,335,000**	**37,059,553**	**172,986,907**	**(9,814,732)**	**503,082**	**17,702,259**	**7,797,614**	**-**	**41,329,035**	**180,664,449**	**62,117,389**	**553,680,556**
Transfers	-	-	(5,187,952)	-	-	(1,437,918)	-	-	-	68,743,259	(62,117,389)	-
(Decrease) / Increase due to other changes (Notes 2.4 and 3)	-	-	-	-	-	-	-	(2,377,849)	-	-	-	(2,377,849)
Profit shares (Note 5.ii.m)	-	-	-	-	-	-	-	-	4,194,423	(48,305,405)	-	(44,110,982)
Total comprehensive income / (expenses)	-	-	37,984,577	(2,133,861)	229,109	63,766,530	1,468,629	-	-	-	46,193,588	147,508,572
- Profit for the year	-	-	-	-	-	-	-	-	-	-	46,193,588	46,193,588
- Other comprehensive Income / (expenses)	-	-	37,984,577	(2,133,861)	229,109	63,766,530	1,468,629	-	-	-	-	101,314,984
31 December 2019	**43,335,000**	**37,059,553**	**205,783,531**	**(11,948,593)**	**732,191**	**80,030,871**	**9,266,243**	**(2,377,849)**	**45,523,458**	**201,102,304**	**46,193,588**	**654,700,297**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF CASH FLOWS

FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2019 AND 2018

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

	Notes	1 January- 31 December 2019	1 January - 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES		**60,036,262**	**39,727,723**
Profit for the Year		**46,193,588**	**62,117,389**
Profit (Loss) for the Year from Continuing Activities		**46,193,588**	**62,117,389**
Adjustments Related to Reconciliation of Net Profit for The Year		**30,211,995**	**(1,599,725)**
Adjustments for tax expense	28	10,369,198	2,638,463
Adjustments for depreciation and amortization	11.12	18,213,411	13,944,776
Adjustments for interest expense and interest income		(4,118,835)	(2,654,765)
Adjustments for interest income	23.24.26	(6,287,607)	(3,805,433)
Adjustments for interest expense	23.26	2,168,772	1,150,668
Adjustments for provisions		5,966,781	7,308,362
Adjustments for provisions related with employee benefits	22.26	5,966,781	6,961,125
Adjustments for other provisions		-	(1,445)
Adjustments related to provisions (reversal) for lawsuits and/or penalty	16	-	348,682
Adjustments for profit shares (income) expense		(14,857)	(21,922)
Adjustments for undistributed profits of investments accounted for using equity method		785,463	(18,827,656)
Adjustments for undistributed profits of associates	3	785,463	(18,827,656)
Adjustments for fair value losses (gains)		(2,237,781)	(3,508,546)
Fair value of investment property Revisions on losses (gains)	24	(1,888,225)	(3,452,216)
Adjustments for fair value losses (gains) of biological assets or agricultural products	9	(349,556)	(56,330)
Adjustments for fair value loss (reversal)		1,851,623	11,969
Adjustments for decrease in fair value of inventories		62,433	(9,093)
Adjustments for fair value decrease (reversal) in receivables	6	869,190	21,062
Adjustments for impairment / (cancellation) on tangible assets		920,000	-
Adjustments for losses (gains) arised from sale of fixed assets		(65,522)	31,017
Adjustments for losses (gains) arised from sale of tangible assets	24	(65,522)	31,017
Adjustments for unrealized foreign currency translation differences		(537,486)	(521,423)
Changes in Working Capital		**(1,592,193)**	**(11,921,700)**
Adjustments related to (increase) / decrease in trade receivables		(15,820,410)	(4,933,442)
(Increase) / decrease in trade receivables from related parties	5	(14,420,808)	266,630
Increase in trade receivables from non-related parties		(1,399,602)	(5,200,072)
Adjustments related to decrease / (increase) in inventories		7,631,971	(21,829,670)
Decrease / (increase) in biological assets		5,152,543	(3,855,545)
Adjustments related to decrease / (increase) in other receivables		18,940	(30,022)
Decrease / (increase) in other receivables related with operations from non-related parties		18,940	(30,022)
(Increase) / decrease in prepaid expenses		(1,057,995)	1,236,906
Adjustments for (decrease) / increase in trade payables		(593,126)	17,586,291
(Decrease) / increase in trade payables to related parties	5	(2,777,964)	6,217,803
Increase in trade payables to non-related parties		2,184,838	11,368,488
Increase / (decrease) in payables related to employee benefits		2,965,534	(697,165)
Increase/ (decrease) in deferred income		9,866	(283,646)
Other adjustments for other increase in working capital		100,484	884,593
Increase in other assets related with operations		34,220	101,142
Increase in other liabilities related with operations		66,264	783,451
Cash Flows from Operations		**74,813,390**	**48,595,964**
Payments related with provisions for employee benefits		(3,739,742)	(3,869,366)
Interest paid		(1,573,465)	(1,150,668)
Income taxes (paid) refund		(9,463,921)	(3,848,207)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF CASH FLOWS

FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2019 AND 2018

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

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
CASH FLOWS FROM INVESTMENT ACTIVITIES		**10,263,888**	**(17,345,305)**
Interest received		6,287,605	3,805,433
Dividends received	5	6,818,375	11,061,131
Collections / (paybacks) from cash advances and loans made		7,376,240	(3,605,135)
-Collections / (paybacks) from cash advances and loans made to related parties		7,376,240	(3,605,135)
Cash outflows due to purchase of fixed assets		(10,445,793)	(28,869,810)
-Cash outflows due to purchase of tangible assets		(8,689,015)	(27,920,108)
-Cash outflows due to purchase of intangible assets		(1,756,778)	(949,702)
Cash outflows due to purchase of investment properties		(71,775)	-
Cash inflows from sales of fixed assets		299,236	263,076
-Cash inflows from sales of tangible assets		299,236	263,076
CASH FLOWS FROM FINANCING ACTIVITIES		**(42,593,255)**	**(21,419,663)**
Cash inflows from financial borrowings		30,365,451	13,521,980
-Cash inflows from loans		29,347,626	11,406,936
-Cash inflows from other financial liabilities		1,017,825	2,115,044
Cash outflows from payments		(29,239,848)	(11,407,491)
-Cash outflows for loan repayments		(29,239,848)	(11,407,491)
Payments of lease liabilities		(2,007,874)	-
Dividends paid		(41,710,984)	(23,534,152)
Net Increase in Cash and Cash Equivalents Before Effect of Foreign Currency Translation Differences		**27,706,895**	**962,755**
EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		**237,739**	**383,499**
Net Increase in Cash and Cash Equivalents		**27,944,634**	**1,346,254**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**3,599,385**	**2,253,131**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**31,544,019**	**3,599,385**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

The Company is a member of Yaşar Group. Majority of the Company's sales in the domestic market amounting approximately 72% (2018: 70%) 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).

Company shares are traded on Borsa Istanbul ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with as of 31 December 2019 54% shares of the Company (31 December 2018: 54%) (Note 20).

The average number of personnel is 751 as of 31 December 2019 (31 December 2018: 813 personnel).

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

The financial statements are presented in accordance with the "Announcement on IAS Taxonomy" issued by the POAASA on 15 April 2019 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, investment properties and biological assets 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 IAS/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 Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2019:

- **Amendment to TFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at amortized cost is modified without this resulting in de-recognition, a gain or loss should be recognized 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 IAS 39. The company management believes that this standard will not have a significant impact on the company's financial statements.

- **Amendment to IAS 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. The company management believes that this standard will not have a significant impact on the company's financial statements.

- **TFRS 16,'Leases';** effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in IAS 17 and is a far-reaching 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). TFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. (Note 2.6)

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

- **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 TFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  - TFRS 3, 'Business combinations', -a company remeasures its previously held interest in a joint operation when it obtains control of the business.
  - TFRS 11, 'Joint arrangements', - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
  - IAS 12, 'Income taxes' - a company accounts for all income tax consequences of dividend payments in the same way.
  - IAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

- **Amendments to IAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement and
  - Recognize in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognized because of the impact of the asset ceiling.

b) New standards, amendments and interpretations issued and effective as of 31 December 2019 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

c) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

- **Amendments to IAS 1 and IAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:

  i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  ii) clarify the explanation of the definition of material and
  iii) incorporate some of the guidance in IAS 1 about immaterial information.

- **Amendments to TFRS 3 - definition of a business;** effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

- **Amendments to TFRS 9, IAS 39 and TFRS 7 - Interest rate benchmark reform;** effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

The Company will evaluate the effects of amendments mentioned above on its operations and apply them from the effective date. New standards and amendments which are not relevant to the operations of the Company issued but not effective as of 31 December 2019 have not been presented above.

2.3 Accounting Policies, Errors and Change in Accounting Estimates

Material changes in accounting policies and accounting errors are applied on a retrospective basis as if a prior period error had never occurred or the policy had always been applied. The effect of changes in accounting estimate shall be recognized prospectively by including it in the statement of comprehensive income within the period of the change, if the change affects that period only; or period of the change and future periods, if the change affects both.

2.4 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 recognized 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. Unrealized gains on transactions between the Company has significant influence, but which not control. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Company's share of its associates' post-acquisition profits or losses is recognized in the statement of comprehensive income, and its share of post-acquisition movements in reserves, such as fair value changes in available-for-sale financial assets, revaluation of property, plant and equipments, depreciation transfer and recognition of such reserves, is recognized 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.4 Basis of Consolidation (Continued)

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 IAS / TFRS, in proportion to the decrease in the proportion of the equity participations that do not result in loss of significant activity.

The participation amounts that do not result from the changes in total comprehensive income/ expense are processed with the associating equity components.

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

The table below sets out the associates and the proportion of ownership interest as of 31 December 2019 and 2018 (Note 3):

Investments-in-associates	Shareholding (%) 2019	2018
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.

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

2.4 Basis of Consolidation (Continued)

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 recognized 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 IAS/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 2019, the equivalent of EUR1 is TL6,6506 (31 December 2018: TL6,0280) and for the year then ended, the average equivalent of EUR1 is TL6,3477 (31 December 2018: TL5,6581). Exchange differences arising from re-translation of the opening net assets of investment-in-associate and the differences between the average and year-end rates are included in the share of other comprehensive income of investments in associates accounted for using equity method that will be reclassified to profit or loss under the equity as a separate component.

2.5 Offsetting

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

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 2019 on a comparative basis with balance sheet at 31 December 2018; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2019 on a comparative basis with financial statements for the period of 1 January - 31 December 2018.

The accounting policies of the financial statements for the accounting period 1 January - 31 December 2019, which entered into force on 1 January 2019, are as follows except for TFRS 16 "Financial Leases" Standards ın keeping with the financial statements as of 31 December 2018 have been applied consistently.

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

2.6 Comparative Information (Continued)

TFRS 16 - Leases

The company implemented changes in the accounting policy arising from the first implementation of the TFRS 16 lease standard, which is among the new standards, changes and remarks which are relevant to the company and which became effective on 1 January 2019 in line with the transition provisions of the relevant standard. Changes in the accounting policy arising from the said standard and the impact of the first implementation of the standards are as follows:

The Company as the lessee

At inception of a contract, the Company assess whether the contract is, or contains, a lease. 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. The Company considers the following matters when assessing whether the agreement transfers the right to control the use of an identified asset for a limited period of time:

a) The contract contains an identified asset: - this may be specified explicitly or implicitly,

b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified,

c) The Company has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use and

d) The Company has the right to direct use of the asset. The Company concludes to have the right of use, when it is predetermined how and for what purpose the Company will use the asset. The Company has the right to direct use of asset if either:

   i. The Company has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions or
   ii. The customer designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

At the commencement date, the Company recognize a right-of-use asset and a lease liability in financial statements.

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

2.6 Comparative Information (Continued)

TFRS 16 - Leases (Continued)

Right of use asset

The cost of the right-of-use asset shall comprise:

- The amount of the initial measurement of lease liability,
- Any lease payments made at or before the commencement date, less any lease incentives received,
- Any initial direct costs incurred by the lessee and
- Costs incurred by the Company in respect of restoring the underlying asset to the condition required by the terms and conditions of the lease (excluding costs incurred for stock production).

Right of use assets are first recognized using the cost method and includes the following:

a) Less any accumulated depreciation and any accumulated impairment losses and
b) Adjusted for any remeasurement of the lease liability.

The Company applies the depreciation requirements in IAS 16, 'Property, Plant and Equipment' in depreciating the right-of-use asset, subject to the requirements.

The Company applies IAS 36, 'Impairment of Assets' to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

At the commencement date, The Company measure the lease liability at the present value of the lease payments that are not paid at that date. Lease payments are deducted using the implicit interest rate on the lease if this rate can be easily determined. If it cannot, the incremental borrowing rate of the interest on the lease is used.

Lease payments included in the calculation of the company's lease obligation and not realized on the date the lease actually starts consist of following:

- Fixed payments, less any lease incentives receivable,
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

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

2.6 Comparative Information (Continued)

TFRS 16 - Leases (Continued)

After the commencement date, the Company measure the lease liability by:

- Increasing the carrying amount to reflect interest on the lease liability,
- Reducing the carrying amount to reflect the lease payments made and
- Remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

The Company recognize the amount of the remeasurement of the lease liability as an adjustment to the financial statements as a right-of-use asset.

Extension and early termination options

A lease obligation is determined considering extension and early termination options in agreements. The majority of the extension and early termination options in agreements are options that may be jointly applied by the company and the lessee. However, if the extension and early termination options are determined by the company under the agreement, and the use of the options is reasonably certain, the lease period is determined with this in mind. Should the terms be adjusted significantly, the assessment is revised by the company.

Facilitating applications

Lease agreements with a lease period of 12 months or less, and agreements related to information technology equipment identified as impaired by the company, are considered within the scope of the exemption in the TFRS 16 lease standard, and payments related to these agreements continue to be recognized as expenses in the period in which they occur. A single discount rate is applied to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The First Transition to TFRS 16 "Leases"

The Company applied TFRS 16 "Leases", which superseded IAS 17 "Leases", and accounted in the consolidated financial statements by using "cumulative effect method" on the transition date of 1 January 2019. In accordance with the simplified transition method defined in standard, no restatement has been required in the comparative information of the financial statements and has no impact on retained earnings. On first time adoption of TFRS 16 "Leases", the Company recognized lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 "Leases" before 1 January 2019. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of the transition date. The right to use assets are accounted for at an amount equal to the lease obligations (adjusted for the amount of prepaid or accrued lease payments) within the scope of simplified transition application in the related standard.

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

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

2.6 Comparative Information (Continued)

TFRS 16 - Leases (Continued)

The First Transition to TFRS 16 "Leases" (Continued)

The reconciliation of the operating lease agreements followed under IAS 17 prior to the first application date and the lease liabilities recognized under TFRS 16 in the financial statements as of 1 January 2019 is as follows:

	1 January 2019
Operating lease commitments disclosed in accordance with IAS 17	2,636,866
Lease liability recognized under TFRS 16 (not discounted)	2,519,488
Lease liability recognized under TFRS 16 (discounted with alternative borrowing rate)	2,059,195
- Short term lease liability	1,169,503
- Long term lease liability	889,692

As of 1 January, 2019, the weighted average of the alternative borrowing rates applied to the lease obligations of the Company is 25.61%.

As of 1 January 2019 and 31 December 2019, details of the right of use assets that are accounted in financial statements are as follows:

	31 December 2019	**1 January 2019**
Vehicles	1,204,409	1,446,923
Building	353,140	612,272
Total Right of use assets	**1,557,549**	**2,059,195**

2.7 Summary of Significant Accounting Policies

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

2.7.1 Revenue recognition

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

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

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

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.1 Revenue recognition (Continued)

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

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

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

Revenue from product sales

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

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

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

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

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.1 Revenue recognition (Continued)

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

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

Interest Income:

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

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

Rental income - recognized evenly on an accrual basis.

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

2.7.2 Inventories

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

Inventories are valued at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories comprise all costs of purchase of material and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the monthly weighted average basis (Note 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 IAS 41 "Agricultural Activities" standard. IAS 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".

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

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.4 Property, plant and equipment

Property, plant and equipment except for land, land improvements and buildings and machinery and equipment are stated at cost less accumulated depreciation and if exists provisions. Land, land improvements and buildings as of 31. December 2019 and machinery and equipment as of 31 December 2018 are stated at fair value less accumulated depreciation, based on valuations made by external independent expert (Note 11). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on the revaluation of land, land improvements and buildings and machinery and equipment are credited to the revaluation reserve in equity, net of applicable deferred income tax. For certain assets, the increase was recognized in the statement of comprehensive income to the extent that it reversed the impairment of the same asset previously recognized in the statement of comprehensive income. Decreases that offset previous increases of the revalued asset are charged against that reserve; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings, and the amount transferred is net of applicable deferred income tax.

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

The advances given for the property, plant and equipment purchases are classified in prepaid expenses under other non-current assets until the related asset is capitalized. 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

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.4 Property, plant and equipment (Continued)

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

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

2.7.5 Intangible assets

Intangible assets have finite useful lives and mainly comprise acquired rights and information processing software. Intangible assets acquired before carried at cost in the equivalent purchasing power of TL and items acquired after carried at cost, less accumulated amortization 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 Investment property

Instead of being used in the production of goods and services or for administrative purposes or sold during the normal course of business, land and buildings held for the purpose of obtaining a lease or for appreciation or both are classified as investment properties. Investment property is reflected to the financial statements at fair value as of 31 December 2019 by independent professional appraisal company TSKB Gayrimenkul Değerleme A.Ş. Changes in the fair value of investment properties are accounted for under profit / loss and comprehensive income from investment activities under income / expenses (Note 24).

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.7 TFRS 9 - Financial assets

Classification and measurement

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

a. Financial assets recognized at amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Company's financial assets carried at amortized cost comprise "trade receivables", "cash and cash equivalents" and "other receivables" in the financial statements.

Impairment

The Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific event, Company measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Company and its expectations for the future indications. The Company management has evaluated the effect of the calculation as of 31 December 2018 and 31 December 2019 the expected credit losses calculation has no significant effect on the year-end financial statements.

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

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

Financial assets carried at fair value through other comprehensive income include "financial investments" in the statement of financial position. In the event that the assets recorded in other comprehensive income are sold in the fair value difference, the valuation difference classified in other comprehensive income is classified into prior year profits.

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

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.8 Borrowing and borrowing costs

Borrowings are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 26). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 15).

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.

2.7.9 Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 29).

Companies can increase their share capital by making a pro-rata distribution of shares ("Bonus Shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

2.7.10 Subsequent events

Subsequent events, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorized for issue.

In the case that events require a correction to be made occur subsequent to the balance sheet date, the Company makes the necessary corrections to the financial statements. Moreover, the events that occur subsequent to the balance sheet date and that do not require a correction to be made are disclosed in accompanying notes, where the decisions of the users of financial statements are affected.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

2.7 Summary of Significant Accounting Policies (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 recognize contingent assets and liabilities (Note 16). The Company does not recognize contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable.

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

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

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

ii. Provision for profit sharing and bonus plans

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

2.7.12 Related parties

For the purpose of these financial statements, shareholders having control, joint control or significant influence over the Company, Yaşar Group Companies, key management personnel of the Company or Yaşar Holding as main shareholder and board members, and their close family members, in each case together with and companies controlled, jointly controlled or significantly influenced by them are considered and referred to as related parties (Note 5).

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.12 Related parties (Continued)

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

The person concerned,

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

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

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

2.7.13 Segment reporting

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.14 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 recognized in other operating expenses.

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

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized 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 utilized. To the extent that deferred income tax assets will not be utilized, the related amounts have been deducted accordingly (Note 28).

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

2.7.15 Statement of cash flows

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.

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.16 Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on shares are recognized as an appropriation of the profit in the period in which they are declared. Dividend income is recognized when the Company's right to receive the payment is established. In the event that the existing ordinary shares or the number of potential ordinary shares are increased as a result of capitalization, bonus issuance or share division, or if the share of shares decreases as a result of a change in shareholders' equity, the calculation of earnings per share for each period presented is corrected retrospectively.

2.7.17 Government grants and incentives

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

2.7.18 Research and development expenses

Research expenditures are recognized as an expense in the period in which they are incurred. Intangible assets arising from the development (or from the development stage of a project carried out within the enterprise) in the presence of all of the following conditions are recognized:

- It is technically possible for the intangible asset to be completed to be ready for use or sale;
- The entity has intention to complete an intangible asset and to use or sell it;
- Possibility to use or sell intangible assets;
- How the intangible asset will determine the probable future economic benefits;
- There are sufficient technical, financial and other resources available to complete the development phase and to use or sell the intangible asset and
- The expenditure on intangible assets in the development process can be reliably measured.

In the remaining cases, development expenditures are expensed as incurred. Development expenditures expensed in the previous period are not recognized as assets in the following period. Projects in which the stages of research and development are difficult to distinguish will be expensed to the extent that they are accepted and formed during the research phase.

2.7.19 Trade receivables

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

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

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.19 Trade receivables (Continued)

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

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

2.7.20 Going concern

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

2.7.21 Trade payables

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

2.7.22 Significant accounting assessments, estimates and assumptions

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

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.

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.22 Significant accounting assessments, estimates and assumptions (Continued)

In this context, as a result of the evaluations made by the Company management, lands, land improvements and buildings reflected to the financial statements as of 31 December 2019, machinery, facilities and devices to the financial statements as of 31 December 2018, at their fair value determined by the professional valuers.

In addition, fair value of machinery, facilities and equipment, determined by valuation work as of 31 December 2018 is assumed to approximate the fair values as of 31 December 2019 after deducting the current period depreciation.

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

- The most effective and efficient uses assessment was made in fair value calculations and the current intended use objectives were determined as the most effective and efficient uses and revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements were based on the method of cost approach.

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

- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

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

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

2.8 Compliance Declaration to Resolutions Published By POAASA and IAS/TFRS

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 3 - INTEREST IN OTHER ENTITIES

Investments-in-associates:

	31 December 2019		31 December 2018	
	TL	(%)	TL	(%)
YBP	165,353,369	42.78	118,824,376	42.78
Çamlı Yem	42,087,300	23.38	36,048,198	23.38
Desa Enerji	14,328,348	26.41	13,652,462	26.41
Pınar Foods	16,117,605	44.94	14,155,691	44.94
Total	**237,886,622**		**182,680,727**	

Movement in investments-in-associates during the years 2019 and 2018 are as follows:

	2019	2018
1 January	**182,680,727**	**188,619,860**
Share of (losses) / profit before taxation of investments-in-associates - net	(785,463)	18,827,656
Increase in revaluation reserve of investments-in-associates	7,814,430	2,707,560
Losses on remeasurements of investment defined benefit plans	(1,003,910)	(783,293)
Dividend income from investments-in-associates (Note 5.ii.e)	(6,803,518)	(11,039,209)
Currency translation reserve	1,468,629	3,347,737
Elimination of net effect of unrealized profits on inventory	(62,434)	9,091
(Decrease) / increase due to other changes (Note 2.4)	(2,377,849)	-
Other gains (losses) of associates accounted for using equity method	56,956,010	(19,008,675)
31 December	**237,886,622**	**182,680,727**

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

	Assets	Liabilities	Net profit/(loss)	Net sales	Other comprehensive income/ (expense)
31 December 2019					
- YBP	786,692,664	508,414,561	5,746,846	2,237,381,807	122,518,642
- Çamlı Yem	651,621,760	471,604,040	(24,863,716)	638,788,324	47,995,757
- Desa Enerji	64,946,891	10,696,614	7,358,199	70,005,710	485,051
- Pınar Foods	37,949,095	2,084,360	1,392,685	90,192,248	3,287,008
31 December 2018					
- YBP	602,667,726	433,278,443	35,191,208	2,014,722,720	(39,799,770)
- Çamlı Yem	576,691,307	422,504,090	6,688,267	596,858,474	(1,714,898)
- Desa Enerji	59,763,155	8,071,818	5,201,922	66,896,365	3,284,067
- Pınar Foods	32,548,960	1,049,856	1,858,729	86,444,830	7,448,771

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

NOTE 3 - INTEREST IN OTHER ENTITIES (Continued)

Details of significant investment-in-associates of the Company as of 31 December 2019 and 2018 are as follows:

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash in hand	40,524	29,524
Banks	31,109,557	2,897,287
- Demand deposits	2,144,557	2,897,287
- Time deposits	28,965,000	-
Other	393,938	672,574
Total	**31,544,019**	**3,599,385**

As of 31 December 2019 the company has time deposits less than one month with an %11,4 effective weighted average annual interest rate in TRY. (As of 31 December 2018, the Company has no time deposits)

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 2019 and 2018 are as follows:

i) Balances with related parties:

a) Trade receivables from related parties-current:

	31 December 2019	31 December 2018
YBP	88,948,104	77,037,981
YDT	7,156,098	4,188,492
Other	54,949	90,067
Total	**96,159,151**	**81,316,540**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

Average maturity of short-term trade receivables from related parties as of 31 December 2019 is 2 months (31 December 2018: 2 months)

The total overdue trade receivables from related parties includes TRY 3,302,933 as of 31 December 2019 (31 December 2018: TRY 704,782). The aging of the receivables are shown at Note 33.a.

b) Other short-term receivables from related parties:

	31 December 2019	31 December 2018
Yaşar Holding	10,095,006	17,525,607
Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("Dyo Boya")	59,084	4,723
Total	**10,154,090**	**17,530,330**

As of 31 December 2019, the Company has non-trade receivables amounting to TL10,095,006 from Yaşar Holding with an effective interest rate of 15,5% and for denominated receivables, respectively (31 December 2018: non-trade receivables amounting to TL17,525,607 with an effective interest rate of 25.5% ve 4.25% for TL and USD).

c) Short-term trade payables to related parties:

Çamlı Yem	20,543,813	17,283,773
Yaşar Holding	1,806,085	1,536,834
Hedef Ziraat Tic. ve San. A.Ş. ("Hedef Ziraat")	394,012	385,929
Dyo Boya	-	6,800,000
Other	560,600	75,938
Total	**23,304,510**	**26,082,474**

The Company's debts to Çamlı Yem consist mainly of turkey purchases.

Average maturity of short-term trade payables to related parties as of 31 December 2019 is 2 months (31 December 2018: 2 months).

d) Other short-term payables to related parties:

TL7,487,011 amounting to Other short-term payables to related parties consist of the Board of Directors' appropriation amounting to TL2,400,000, TL2,300,000, TL2,270,000 and TL517,011 respectively, to be paid in respect of the decision taken at the Ordinary General Assembly Meetings held on 29 March 2019, 30 March 2018, 30 March 2017 and 29 March 2016 (31 December 2018: 5,087,011 amounting to Other short-term payables to related parties consist of the Board of Directors' appropriation amounting to TL2,300,000, TL2,270,000 and TL517,011 respectively, to be paid in respect of the decision taken at the Ordinary General Assembly Meetings held on 30 March 2018, 30 March 2017 and 29 March 2016).

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

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

ii) Transactions with related parties:

a) Product sales:

	1 January - 31 December 2019	1 January - 31 December 2018
YBP	535,402,368	496,331,400
YDT	39,421,529	28,050,021
Çamlı Yem	5,121,662	4,973,062
Other	984,318	840,070
Total	**580,929,877**	**530,194,553**

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

b) Service sales:

YDT	1,878,067	1,087,184
YBP	245,203	167,216
Pınar Süt Mamulleri Sanayi A.Ş. ("Pınar Süt")	108,611	48,928
Çamlı Yem	30,546	221,554
Other	781,203	325,367
Total	**3,043,630**	**1,850,249**

c) Income from financing activities:

Yaşar Holding	2,615,299	2,470,088
Total	**2,615,299**	**2,470,088**

The majority of finance income consists of bail commission charges amounting to TL2,615,299 (31 December 2018: TL2,470,088), for the borrowings obtained by Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company (Note 26.i). The commission rates of bail and financing used in the associated intercompany charges is 0.50% p.a. (31 December 2018: 0.50% p.a.).

d) Income from investment activities:

Yasar Holding	1,288,887	1,667,197
Dyo Boya	-	9,100
Pınar Süt	-	805
Total	**1,288,887**	**1,677,102**

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

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

ii) Transactions with related parties: (Continued)

e) Dividends received:

	1 January - 31 December 2019	1 January - 31 December 2018
YBP (*)	5,407,602	3,306,972
Desa Enerji (*)	1,395,916	715,286
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	14,857	21,922
Çamlı Yem (*)	-	7,016,951
Total	**6,818,375**	**11,061,131**

(*) Subsidiary (Note 3).

f) Other incomes from related parties:

YBP	3,855,207	1,775,634
YDT	1,205,102	1,957,752
Çamlı Yem	4,262	142,277
Other	19,357	15,814
Total	**5,083,928**	**3,891,477**

Other incomes from related parties includes maturity differences and rental income from YBP, foreign exchange income from YDT and rental income from Çamlı Yem.

g) Product purchases:

Çamlı Yem	133,828,019	132,200,202
Hedef Ziraat	1,982,137	4,590,027
Pınar Süt	664,753	599,252
Yadex International GmbH ("Yadex")	-	1,876,266
Other	20,857	230,322
Total	**136,495,766**	**139,496,069**

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

h) Service purchases:

Yaşar Holding	10,672,722	9,102,591
YBP	3,411,767	3,462,243
YDT	2,788,135	2,234,845
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yabim")	1,731,770	1,355,255
Bintur	230,209	182,923
Other	978,242	1,631,903
Total	**19,812,845**	**17,969,760**

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

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

ii) Transactions with related parties: (Continued)

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

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

	1 January - 31 December 2019	1 January - 31 December 2018
YBP	73,038	64,206
Pınar Süt	21,101	10,148
DYO Boya	12,752	6,800,000
Other	89,424	67,151
Total	**196,315**	**6,941,505**

j) Other operating expenses:

Çamlı Yem	324,328	811,161
Yasar Holding	117,759	99,674
Viking Kağıt ve Selüloz A.Ş. ("Viking Kağıt")	10,384	-
Other	3,549	-
Total	**456,020**	**910,835**

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

k) Financial expenses from related parties:

YDT	93,020	317,194
YBP	-	507,672
Other	7,737	-
Total	**100,757**	**824,866**

l) Other expenses from related parties:

YDT	2,213,165	1,307,250
Çamlı Yem	335,776	268,656
YBP	116,606	60,510
Other	38,508	109,045
Total	**2,704,055**	**1,745,461**

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

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

iii) Transactions with related parties: (Continued)

m) Dividends to related parties (*):

	1 January - 31 December 2019	1 January - 31 December 2018
Yaşar Holding	21,833,512	11,503,686
Pınar Süt	5,070,130	2,671,362
Yaşar Eğitim Vakfı	1,409,434	-
Other	2,400,000	2,300,000
Total	**30,713,076**	**16,475,048**

(*) In the Ordinary General Assembly Meeting for the year 2019 as of 28 March 2019, it has been decided to distribute dividend amounting to TL44,110,982 (31 December 2018: TL23,534,152). TL13,397,908 portion of this dividend (31 December 2018: TL7,059,104) was paid to other shareholders.

n) Donations:

Yaşar Eğitim Vakfı	1,870,279	1,552,868
Other	150	-
Total	**1,870,429**	**1,552,868**

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	5,601,598	5,124,452
Post-employment benefits	88,959	-
Other long-term benefits	118,535	131,902
Total	**5,809,092**	**5,256,354**

The portion of total short-term benefits amounting to TL2,400,000 (31 December 2018: TL2,300,000) consists of Board of Directors appropriation according to the decision taken at the Ordinary General Assembly.

p) Bails given to related parties:

Company, participated in the bond issuance of Yaşar Holding with a maturity of 250 million US Dollars on 6 November 2014 due 6 May 2020, with Pınar Süt, YBP, Çamlı Yem and Dyo Boya as joint and several guarantors.

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 2019, the mentioned amount TRY 1,221,257,598 includes 205,592,000 USD (Note 16.b).

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables:

	31 December 2019	**31 December 2018**
Customer current accounts	15,938,946	18,292,221
Cheques and notes receivable	6,499,011	2,597,786
	22,437,957	**20,890,007**
Less: Provision for impairment of receivables	(1,230,031)	(360,841)
	21,207,926	**20,529,166**

The average maturity of checks, notes and customer accounts is 2 months (31 December 2018: 2 months).

The agings of trade receivables as of 31 December 2019 and 2018 are as follows:

Overdue	1,442,364	2,182,851
0 - 30 days	8,071,670	7,641,076
31 - 60 days	10,457,755	8,584,200
61 - 90 days	890,677	1,653,236
91 days and over	345,460	467,803
Total	**21,207,926**	**20,529,166**

As of 31 December 2019, trade receivables of TL1,442,364 (31 December 2018: TL2,182,851), over which no provision for impairment is provided, were past due. The Company Management does not expect any collection risk regarding those receivables based on its past experience (Note 33.a).

As of 31 December, 2019 and 2018, the aging of the overdue receivables are as follows:

	31 December 2019	**31 December 2018**
0 - 30 days	1,399,585	1,851,286
30 days and over	42,779	331,565
Total	**1,442,364**	**2,182,851**

Movement table of doubtful receivable provision is as follows:

	2019	**2018**
1 January	**360,841**	**339,779**
Provision for reserved amount	869,190	21,062
31 December	**1,230,031**	**360,841**

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

b) Short-term trade payables:

	31 December 2019	31 December 2018
Supplier current accounts	87,754,618	85,299,376
	87,754,618	**85,299,376**

The average maturity of trade payables is one month (31 December 2018: One month).

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

a) Short-term other payables:

	31 December 2019	31 December 2018
Taxes and funds payable	2,036,059	1,965,549
Other	45,788	45,788
	2,081,847	**2,011,337**

NOTE 8 - INVENTORIES

	31 December 2019	31 December 2018
Raw materials	12,648,529	11,936,839
Raw materials in transit	2,847,666	2,670,634
Work in progress	20,123,414	23,365,270
Finished goods	15,674,510	22,183,367
Spare parts	7,262,807	5,998,769
Other	920,623	954,641
	59,477,549	**67,109,520**

The costs of inventories recognized as expense and included in cost of sales amounted to TL525,340,274 (31 December 2018: TL506,875,297) (Note 18). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell.

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

NOTE 9 - BIOLOGICAL ASSETS

	31 December 2019	31 December 2018
Cattle	13,225,488	18,028,475
	13,225,488	**18,028,475**

The Company raises of livestock comprising calf for slaughter. As of 31 December 2019, there are total of 1,313 units (31 December 2018: 2,229 units).

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

	2019	2018
Beginning of the period (1 January)	**18,028,475**	**14,116,600**
Increase due to production and purchases	12,875,156	27,283,953
Sales and mortality during the year	(18,027,699)	(23,428,408)
Gain / (losses) arising from changes in fair value less estimated point-of-sale costs-net	170,389	(179,167)
Current year realization of previous year fair value differences through current year sales	179,167	235,497
Period end (31 December)	**13,225,488**	**18,028,475**

NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses:

	31 December 2019	31 December 2018
Advances given	1,282,044	351,324
Prepaid expenses	744,200	616,925
	2,026,244	**968,249**

b) Long-term prepaid expenses:

Advances given	4,363	4,363
	4,363	**4,363**

c) Deferred income:

Advances received	253,126	243,260
	253,126	**243,260**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and accumulated depreciation between 1 January and 31 December 2019 were as follows:

	1 January 2019	Additions	Disposals	Transfers	Net off Accumulated Depreciation Before Revaluation	Increase in Revaluation	Impairment Provision	31 December 2019
Cost/ revaluation:								
Land	134,830,000	-	-	-	-	31,212,476	(920,000)	165,122,476
Buildings and land improvements	70,856,609	115,327	-	1,131,904	(4,250,602)	12,366,686	-	80,219,924
Machinery and equipment	99,066,381	2,280,070	(596,004)	-	-	-	-	100,750,447
Furniture and fixtures	45,235,273	1,341,618	(359,192)	61,001	-	-	-	46,278,700
Motor vehicles	2,533,576	55,923	-	-	-	-	-	2,589,499
Construction in progress	1,877,277	4,896,077	-	(1,192,905)	-	-	-	5,580,449
	354,399,116	**8,689,015**	**(955,196)**	**-**	**(4,250,602)**	**43,579,162**	**(920,000)**	**400,541,495**
Accumulated depreciation:								
Buildings and land improvements	(1,867,735)	(2,382,867)	-	-	4,250,602	-	-	-
Machinery and equipment	-	(10,878,446)	365,401	-	-	-	-	(10,513,045)
Furniture and fixtures	(34,401,173)	(2,752,810)	356,081	-	-	-	-	(36,797,902)
Motor vehicles	(1,834,176)	(245,696)	-	-	-	-	-	(2,079,872)
	(38,103,084)	**(16,259,819)**	**721,482**	**-**	**4,250,602**	**-**	**-**	**(49,390,819)**
Net book value	**316,296,032**							**351,150,676**

The additions of machinery and equipment in 2019 consists calf rendering investment and modernization investments related to the production machineries.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current year's depreciation and amortization charges were allocated to cost of goods sold by TL12,457,097 (2018: TL9,622,101), to the cost of inventories by TL763,375 (2018: TL701,837), to general administrative expenses by TL1,772,735 (2018: TL1,160,997) (Note 22.a), to marketing expenses by TL2,696,343 (2018: TL2,282,830) (Note 22.b), to research and development expenses by TL321,291 (2018: TL138,181) (Note 22.c).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipments as of 31 December 2019 and 2018 were as follows:

1 January 2018	**162,465,937**
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements, machinery and equipments - net	13,947,133
Depreciation transfer due to revaluation increase classified in retained earnings	(4,237,111)
Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings	847,422
Revaluation fund decrease due to sale of property, plant and equipment - net	(36,474)
31 December 2018	**172,986,907**
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements, machinery and equipments - net	37,984,577
Depreciation transfer due to revaluation increase classified in retained earnings	(6,382,881)
Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings	1,276,575
Revaluation fund decrease due to sale of property, plant and equipment - net	(81,647)
31 December 2019	**205,783,531**

The carrying amounts of each class of property, plant and equipments that would have been recognized if the assets have been carried under the cost model at 31 December 2019 and 2018, are as follows:

31 December 2019:	**Land**	**Land, improvements and buildings**	**Machinery and equipment**
Cost	16,941,447	61,087,096	160,754,464
Less: Accumulated depreciation	-	(21,957,223)	(107,647,593)
Net book value	**16,941,447**	**39,129,873**	**53,106,871**
31 December 2018:			
Cost	16,941,447	59,839,866	159,070,398
Less: Accumulated depreciation	-	(18,987,709)	(102,598,165)
Net book value	**16,941,447**	**40,852,157**	**56,472,233**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 12 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortization for the years ended 31 December 2019 and 2018 were as follows:

	1 January 2019 Opening	Additions	31 December 2019 Closing
Costs:			
Rights	19,533,760	1,756,778	21,290,538
Accumulated amortization	(18,357,584)	(447,680)	(18,805,264)
Net book value	**1,176,176**		**2,485,274**

	1 January 2018 Opening	Additions	31 December 2018 Closing
Costs:			
Rights	18,584,058	949,702	19,533,760
Accumulated amortization	(18,096,392)	(261,192)	(18,357,584)
Net book value	**487,666**		**1,176,176**

NOTE 13 - INVESTMENT PROPERTIES

The movements of investment properties in the accounting periods of 1 January - 31 December 2019 are as follows:

	1 January 2019	Additions	Fair Value Increase (Note 24.a)	31 December 2019
Fair value:				
Land, buildings and building improvements	19,155,000	71,775	1,888,225	21,115,000
Total	**19,155,000**			**21,115,000**

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

There is no rental income from investment properties in 2019 (2018: None).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 14 - GOVERNMENT GRANTS AND INCENTIVES

There are government incentives provided by under secretariat 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 2019, the Company recognized the government grant amounting to TL259,704 (31 December 2018: TL177,758) which was presented in other income.

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

NOTE 15 - BORROWINGS AND BORROWING COSTS

a) Short and Long Term Borrowings From Third Parties:

	31 December 2019	31 December 2018
Short-term borrowings		
- TL borrowings (*)	5,230,556	5,122,778
Short term financial lease liabilities	39,561	146,376
Short-term lease liabilities (**)	1,071,963	-
Short term financial liabilities	**6,342,080**	**5,269,154**
Long-term lease liabilities (**)	578,930	-
Long term financial liabilities	**578,930**	**-**
Total financial liabilities	**6,921,010**	**5,269,154**

(*) As of 31 December 2019, short-term borrowings consist of agricultural credits with an annual average interest rate of 6% (31 December 2018:4%).
(**) The Company's debts from rental consist the lease of cars, forklift trucks, farms and warehouses.

As of 31 December 2019, fair value of borrowings approximates to carrying amount.

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

a) Other financial liabilities:

Other financial liabilities	3,615,787	2,491,148
Total	**3,615,787**	**2,491,148**

As of 31 December 2019 and 2018, other financial liabilities consist of credit card debt.

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

NOTE 15 - BORROWINGS AND BORROWING COSTS (Continued)

Movement of net borrowings as of 31 December, 2019 and 2018 are as follows:

	2019	2018
1 January	**4,160,917**	**3,392,682**
Cash inflows from borrowings	30,365,451	13,521,980
Cash outflows from debt payments	(29,239,848)	(11,407,491)
Lease liabilities - net	1,650,893	-
Change in cash and cash equivalents	(27,944,634)	(1,346,254)
31 December (Note 33.d)	**(21,007,222)**	**4,160,917**

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

a) Short-term provisions:

	31 December 2019	31 December 2018
Provision for litigations	401,882	401,882
Total	**401,882**	**401,882**

b) Guarantees given:

Bails	1,221,257,598	1,315,225,000
Letters of guarantee	487,393	199,713
Total	**1,221,744,991**	**1,315,424,713**

Company, participated in the bond issuance of Yaşar Holding with a maturity of 250 million US Dollars on 6 November 2014 due 6 May 2020, with Pınar Süt, YBP, Çamlı Yem and Dyo Boya as joint and several guarantors.

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 2019, the mentioned amount TRY 1,221,257,598 includes 205,592,000 USD (Note 5.ii.p).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

b) Guarantees given (Continued):

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2019 and 2018 were as follows:

	31 December 2019			31 December 2018		
	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	487,393	487,393	TL	199,713	199,713
B. Total amount of CPM given on behalf of fully consolidated companies	-	-	-	-	-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other CPM			**1,221,257,598**			**1,315,225,000**
i. Total amount of CPM given to on behalf of the majority shareholder			**1,221,257,598**			**1,315,225,000**
	USD	*205,592,000*	*1,221,257,598*	*USD*	250,000,000	*1,315,225,000*
ii. Total amount of CPM given to on behalf of other Group companies which are not in scope of B and C						
	EUR			EUR	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C				-	-	-
TOTAL			**1,221,744,991**			**1,315,424,713**
The ratio of total amount of other CPM to Equity			187%			238%

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

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

c) Guarantees received:

	31 December 2019			31 December 2018		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
Mortgages	TL	20,000	20,000	TL	20,000	20,000
Letters of guarantee	TL	16,711,000	16,711,000	TL	12,196,000	12,196,000
	EUR	73,950	491,812	EUR	427,450	2,576,669
	TL	218,000	218,000	TL	218,000	218,000
Guarantee notes and cheques	USD	50,000	297,010	USD	50,000	263,045
Total			**17,737,822**			**15,273,714**

The Company does not have any guarantees received from related parties as of 31 December 2019 (31 December 2018: None).

NOTE 17 - EMPLOYMENT TERMINATION BENEFITS

a) Payable due to employee benefits:

	31 December 2019	31 December 2018
Social security premiums payable	1,527,858	1,321,334
Payables to personnel	1,253	259,084
Total	**1,529,111**	**1,580,418**

b) Short-term provisions due to employee benefits:

Provision for seniority incentive bonus	321,110	398,122
Total	**321,110**	**398,122**

c) Long-term provisions due to employee benefits:

Provisıon employment termination benefits	28,892,613	24,274,247
Provision for seniority incentive bonus	1,117,381	707,633
Provision for severance pay transfer	959,309	1,016,046
Total	**30,969,303**	**25,997,926**

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

The amount payable consists of one month's salary limited to a maximum of TL6,379.86 as of 31 December 2019 (31 December 2018: TL5,434.42). The liability is not funded, and there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees based on actuarial assumptions.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 17 - EMPLOYMENT TERMINATION BENEFITS (Continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL6,730.15 which is effective from 1 January 2020 (1 January 2019: TL6,017.60) 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 2019	31 December 2018
Discount rate (%)	5.00	5.00
Probability of retirement (%)	98.51	98.43

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

	2019	2018
1 January	**24,274,247**	**19,998,855**
Interest costs	3,527,788	4,000,396
Actuarial losses	2,667,326	2,199,679
Paid during the year	(3,739,742)	(3,869,366)
Current service cost	2,162,994	1,944,683
31 December	**28,892,613**	**24,274,247**

The total of interest costs, actuarial losses and current service cost for the year is TL8,358,107(31 December 2018: TL8,144,759) TL2,162,994 portion (31 December 2018: TL1,944,683) of this amount was included in general administrative expenses and TL2,667,326 (31 December 2018: TL2,199,679) portion was included in other comprehensive income and TL3,527,788 (31 December 2018: TL4,000,396) portion was included in financial expenses.

NOTE 18 - EXPENSES BY NATURE

	1 January - 31 December 2019	1 January - 31 December 2018
Direct material costs	525,340,274	506,875,297
Staff costs	68,249,824	61,867,644
Outsourced services	21,590,209	21,636,776
Utilities	18,519,808	16,035,203
Depreciation and amortization	18,213,409	13,823,184
Repair and maintenance	11,655,270	12,038,616
Consultancy charges	11,430,090	9,555,900
Advertisement	9,080,550	10,518,838
Rent	477,976	1,963,562
Other	9,225,558	9,678,399
Total	**693,782,968**	**663,993,419**

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

NOTE 19 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2019	31 December 2018
Income accrual	162,692	196,911
Total	**162,692**	**196,911**

b) Other current liabilities:

	31 December 2019	31 December 2018
Expense accrual	5,438	9,685
Total	**5,438**	**9,685**

NOTE 20 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr 1. The Company's historical authorized registered capital at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Registered share capital (historical values)	100,000,000	100,000,000
Authorized registered share capital with a nominal value	43,335,000	43,335,000

The compositions of the Company's share capital at 31 December 2019 and 2018 were as follows:

	31 December 2019		31 December 2018	
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 2018: 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).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

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

As at 31 December 2019, there are 4,333,500,000 (31 December 2018: 4,333,500,000) shares with Kr 1 each.

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

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

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

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

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 utilized 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.

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

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

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

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.

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.

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 28 March 2019, the Company has decided to distribute the distributable profit amounting to TL44,110,982 (31 December 2018: TL23,534,152) as dividend and board of directors. In consideration of this profit distribution decision, the Company has allocated "Restricted Reserves" which is amounting to TL4,194,423 from the profit of year 2018. Since the general assembly for 2019 has not been made yet, no profit distribution decision has been taken.

NOTE 21 - REVENUE AND COST OF SALES

	1 January - 31 December 2019	**1 January - 31 December 2018**
Domestic sales	865,798,628	819,141,002
Export sales	39,421,529	28,050,021
Gross Sales	**905,220,157**	**847,191,023**
Less: Discounts	(142,624,279)	(132,038,130)
Returns	(14,682,242)	(14,407,251)
Net Sales	**747,913,636**	**700,745,642**
Change in fair value of biological assets	170,389	(179,167)
Cost of Sales	**(633,557,724)**	**(603,260,959)**
Gross Profit	**114,526,301**	**97,305,516**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

a) General administrative expenses:

	1 January - 31 December 2019	1 January - 31 December 2018
Consultancy charges	7,455,015	5,737,512
Staff costs	7,394,568	6,500,874
Outsourced services	4,018,663	4,085,922
Employment termination benefits	2,162,994	1,944,683
Depreciation and amortization	1,772,735	1,160,997
Utilities	400,151	390,374
Taxes (except for corporate tax)	391,062	384,874
Repair and maintenance	154,072	145,706
Other	1,196,849	2,500,930
Total	**24,946,109**	**22,851,872**

b) Marketing expenses:

Advertisement	9,069,550	10,517,738
Staff costs	5,648,042	4,872,921
Consultancy charges	3,860,927	3,644,044
Outsourced services	2,833,014	2,470,498
Depreciation and amortization	2,696,343	2,282,830
Utilities	2,339,071	2,066,345
Repair and maintenance	1,401,974	2,063,441
Rent	425,738	667,357
Other	4,880,047	3,127,306
Total	**33,154,706**	**31,712,480**

c) Research and development expenses:

Staff costs	1,056,268	1,235,397
Depreciation and amortization	321,291	138,181
Outsourced services	278,349	202,048
Other	468,521	592,086
Total	**2,124,429**	**2,167,712**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 23 - OTHER OPERATING INCOME AND EXPENSES

a) Other operating income:

	1 January - 31 December 2019	1 January - 31 December 2018
Interest income on term sales	3,035,124	1,206,584
Rent income	845,943	804,201
Foreign exchange gain	809,323	1,137,970
Income from sales of scrap	500,426	644,220
Unearned financial income	-	558,228
Other	727,803	1,085,538
Total	**5,918,619**	**5,436,741**

b) Other operating expense:

Donations	(1,903,749)	(1,563,952)
Provisions for doubtful receivables	(869,190)	(21,062)
Interest expense on term purchases	(463,986)	(912,096)
Unincurred financial expense	-	(598,016)
Other	(1,165,555)	(569,627)
Total	**(4,402,480)**	**(3,664,753)**

NOTE 24 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

a) Income from investment activities:

	1 January - 31 December 2019	1 January - 31 December 2018
Investment property value increase	1,888,225	3,452,216
Interest income calculated on other receivables from related parties	1,288,887	1,676,392
Income from sales of property, plant and equipment	204,127	60,425
Other	14,857	21,921
Total	**3,396,096**	**5,210,954**

b) Expense from investment activities:

Fixed asset impairment provision	(920,000)	-
Loss from sales of property, plant and equipment	(138,605)	(91,442)
Total	**(1,058,605)**	**(91,442)**

NOTE 25 - EXPENSES CLASSIFIED

Please refer to Note 18.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 26 - FINANCIAL INCOME AND EXPENSES

i. **Financial Income:**

	1 January - 31 December 2019	1 January - 31 December 2018
Bail income from related parties (Note 5.ii.c)	2,615,299	2,470,088
Interest income	1,963,596	922,457
Foreign exchange gain	359,524	900,856
Total	**4,938,419**	**4,293,401**

ii. **Financial Expense:**

Defined benefit plans interest cost	(3,527,788)	(4,000,396)
Interest expense	(1,704,786)	(238,572)
Foreign exchange loss	(257,206)	(911,648)
Bank commission expense	(229,109)	(171,869)
Other	(25,968)	(507,672)
Total	**(5,744,857)**	**(5,830,157)**

NOTE 27 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please refer to other comprehensive income.

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

As of 31 December 2019 and 2018, corporation taxes currently payable are as follows:

	31 December 2019	31 December 2018
Corporation taxes currently payable	11,563,439	1,402,460
Less: Prepaid corporate tax	(9,463,921)	(4,419,300)
Current income tax liabilities / (assets)	**2,099,518**	**(3,016,840)**

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

Corporation tax is payable at a rate of 22% for 2019 (2018: 22%) 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 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Dividends paid on-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2018: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% (2018: 22%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2018: 17th) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within 25th of fourth month following the close of the financial year to which they relate.

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

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

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

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

Transfer Pricing

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

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised 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 tax player who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

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

Taxation on income in the statement of comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Current corporation tax expense	(11,563,439)	(1,402,460)
Deferred tax income/ (expense)	1,194,241	(1,236,003)
Total taxation on income	**(10,369,198)**	**(2,638,463)**

The reconciliation of tax expense is as follows:

Profit before tax	**56,562,786**	**64,755,852**
Tax calculated at tax rates applicable to the profit	(12,443,813)	(14,246,287)
Expenses not deductible for tax purpose	(463,849)	(370,609)
Income not subject to tax	416,884	342,404
Tax effect upon the results of investments-in-associates	(172,802)	4,142,084
Deferred tax assets are capitalized and used during the period	1,438,737	8,393,288
Additional deferred tax asset calculated on investment incentive	363,355	(2,366,502)
Other	492,290	1,467,159
Total taxation on income	**(10,369,198)**	**(2,638,463)**

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

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

Deferred income taxes

The company recognizes deferred income tax assets and liabilities based upon temporary differences arising between its financial statements are reported in accordance with the CMB Financial Reporting Standards and its tax purpose financial statements.

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. Realizations 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 2019 and 2018 using the enacted tax rates at the balance sheet dates are as follows:

	Taxable cumulative temporary differences		Deferred income tax assets/ (liabilities)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Revaluation of property, plant and equipment	236,798,528	200,233,863	(31,859,328)	(27,263,289)
Differences between carrying cost before revaluation and tax base	22,764,946	19,934,818	(4,261,825)	(3,695,799)
Provision for employment termination benefits	(28,892,613)	(24,274,247)	5,778,523	4,854,849
Deferred tax calculated from financial assets held for sale	(682,183)	(922,105)	178,064	188,877
Investment incentives (*)	(4,711,184)	(3,059,570)	1,036,461	673,105
Investment property revaluation	5,340,441	3,452,216	(534,044)	(345,220)
Other	(6,466,454)	(2,424,156)	1,403,433	1,206,453
Deferred income tax assets			8,396,481	6,923,284
Deferred income tax liabilities			(36,655,197)	(31,304,308)
Deferred income tax assets (liabilities) - net			**(28,258,716)**	**(24,381,024)**

(*) The company has investment incentive certificates related to production line investment. The Company management expects to benefit from the investment allowance amounting to TL1,036,461 as of 31 December 2019 (31 December 2018: TL673,105) in accordance with the related investment incentive certificates.

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

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

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

1 January 2018	**(19,986,423)**
Credited to statement of comprehensive income	(1,236,003)
Charged to actuarial loss arising from defined benefit plans	439,936
Fair value difference credited to other comprehensive income	(111,751)
Calculated on revaluation fund	(3,486,783)
31 December 2018	**(24,381,024)**
Credited to statement of comprehensive income	1,194,241
Charged to actuarial loss arising from defined benefit plans	533,465
Fair value difference credited to other comprehensive income	(10,813)
Calculated on revaluation fund	(5,594,585)
31 December 2019	**(28,258,716)**

NOTE 29 - EARNINGS PER SHARE

		1 January - 31 December 2019	1 January - 31 December 2018
Profit for the period	A	46,193,588	62,117,389
Weighted number of 100 shares with a Kr1 face value (Note 20)	B	4,333,500,000	4,333,500,000
Earnings per share with a Kr1 face value	**A/B**	**1,0660**	**1,4334**

There are no differences between basic and diluted earnings per share. Since the General Assembly meeting of the year 2019 has not been performed yet, dividend distribution decision has not been taken.

NOTE 30 - EFFECTS OF CHANGES IN FOREIGN CURRENCY RATES

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

NOTE 31 - REPORTING IN HYPERINFLATIONARY ECONOMIES

Please refer to Note 2.

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

NOTE 32 - FINANCIAL INSTRUMENTS

Available for sale-investments:

	31 December 2019		31 December 2018	
	TL	(%)	TL	(%)
YDT	1,365,132	0.93	1,148,863	1.76
Bintur	153,064	1.33	129,411	1.33
Total	**1,518,196**		**1,278,274**	

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 2019, nominal discounts and growth rates are used in the fair value calculations.

As of 31 December 2019 and 2018, the discount and growth rates used in discounted cash flow models are as follows:

	Discount Rate		Growth Rate	
	2019	2018	2019	2018
Bintur	20.21%	24.48%	1%	1%
YDT	19.01%	23.28%	1%	1%

Movements of available for sale investments in 2019 and 2018 are as follows:

	2019	2018
1 January	**1,278,274**	**726,611**
Fair value change- YDT	216,268	558,752
Fair value change- Bintur	23,654	(7,089)
31 December	**1,518,196**	**1,278,274**

Movements of fair value reserve of available-for-sale investments in 2019 and 2018 are as follows:

1 January	**503,082**	**63,171**
Change in fair value	239,922	551,662
Deferrred income tax effect on fair value reserve of available for sale investments (Note 28)	(10,813)	(111,751)
31 December	**732,191**	**503,082**

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

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

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

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

- Safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk,

- Effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures,

- Effective monitoring and minimizing risks sourced from counterparts.

a) Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risks arises from cash and cash equivalents, deposits in banks and financial 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 necessary provisions for impairment is recognized. The Company management believes that credit risk arises from receivables is well managed. The Company management believes that there is no risk for non-trade receivables from related parties since they are mainly comprised of receivables from shareholders. The credit risk analysis of the Company as of 31 December 2019 and 2018 are as follows:

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

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

31 December 2019	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)	**96,159,151**	**21,207,926**	**10,154,090**	**28,445**	**31,109,557**
- The part of maximum credit risk covered with guarantees	-	700,000	-	-	-
A. Net book value of financial assets not due or not impaired	92,856,218	19,765,562	10,154,090	28,445	31,109,557
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)	3,302,933	1,442,364	-	-	-
- The part covered by guarantees	-	24,936	-	-	-
D. Net book value of assets impaired					
- Past due amount (gross book value)	-	1,230,031	-	-	-
- Impairment amount (-)	-	(1,230,031)	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) The Company's receivables are mainly stemming from meat and by-products, frozen dough products and packaged food.
(2) In determining the related amounts, factors that increase the credit reliability such as the collateral received are not considered.
(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

31 December 2018	**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)	**81,316,540**	**20,529,166**	**17,530,330**	**47,385**	**2,897,287**
- The part of maximum credit risk covered with guarantees	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	80,611,758	18,346,315	17,530,330	47,385	2,897,287
B. Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired	-	-	-	-	-
C. Net book value of assets past due but not impaired (3)	704,782	2,182,851	-	-	-
- The part covered by guarantees	-	-	-	-	-
D. Net book value of assets impaired					
- Past due amount (gross book value)	-	360,841	-	-	-
- Impairment amount (-)	-	(360,841)	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) The Company's receivables are mainly stemming from meat and by-products, frozen dough products and packaged food.
(2) In determining the related amounts, factors that increase the credit reliability such as the collateral received are not considered.
(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

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

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

31 December 2019		**Receivables**	
	Related Parties	**Third Parties**	**Total**
1 - 30 days overdue	1,434,720	1,399,585	2,834,305
1 - 3 months overdue	981,963	42,779	1,024,742
3 - 6 months overdue	886,250	-	886,250
6 - 12 months overdue	-	-	-
The part of credit risk covered with guarantees	-	(24,936)	(24,936)
Total	**3,302,933**	**1,417,428**	**4,720,361**

31 December 2018		**Receivables**	
	Related Parties	**Third Parties**	**Total**
1 - 30 days overdue	586,802	1,851,286	2,438,088
1 - 3 months overdue	79,727	256,050	335,777
3 - 6 months overdue	38,253	75,515	113,768
6 - 12 months overdue	-	-	-
The part of credit risk covered with guarantees	-	-	-
Total	**704,782**	**2,182,851**	**2,887,633**

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 minimize the effect of delay in collections and arranges cash and non-cash credit lines from financial institutions in case of requirement.

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

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk (Continued):

The liquidity risk analysis of financial liability types as of 31 December 2019 and 2018 is as follows:

	31 December 2019				
	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 borrowings	5,230,556	5,309,403	-	5,309,403	-
Trade payables	111,059,128	111,059,128	108,944,173	2,114,955	-
Other payables and other financial liabilities	14,875,099	14,875,099	7,965,396	3,527,317	578,930
Total	**131,164,783**	**131,243,630**	**116,909,569**	**10,951,675**	**578,930**

	31 December 2018				
	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 borrowings	5,122,778	5,200,000	-	5,200,000	-
Trade payables	111,381,850	112,681,226	109,260,749	3,420,477	-
Other payables and other financial liabilities	9,735,872	9,735,872	5,424,535	4,311,337	-
Total	**126,240,500**	**127,617,098**	**114,685,284**	**12,931,814**	**-**

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued):

i) Foreign exchange risk (Continued):

	Foreign Currency Position							
	31 December 2019				31 December 2018			
	TL Equivalent	USD	EUR	Other (TL Equivalent)	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Receivables	6,301,169	1,060,767	-	-	3,250,579	617,875	-	-
2a. Monetary Financial Assets (Cash, Bank Accounts included)	1,973,873	325,546	6,023	-	2,425,553	455	401,984	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	36,495	6,144	-	-	56,634	10,765	-	-
4. Current Assets (1+2+3)	**8,311,537**	**1,392,456**	**6,023**	**5,732,766**	**629,095**	**401,984**	**-**	
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non- Current Assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**8,311,537**	**1,392,456**	**6,023**	**-**	**5,732,766**	**629,095**	**401,984**	**-**
10. Trade Payables	2,976,828	6,272	442,001	-	2,787,213	4,705	414,650	262,950
11. Financial Liabilities	-	-	-	-	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**2,976,828**	**6,272**	**442,001**	**-**	**2,787,213**	**4,705**	**414,650**	**262,950**
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (15+16)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**2,976,828**	**6,272**	**442,001**	**-**	**2,787,213**	**4,705**	**414,650**	**262,950**
19. Net Asset/ Liability Position of Off-Balance Sheet Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19a. Amount of Hedged Asset	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19b. Amount of Hedged Liability	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
20. Net Foreign Currency Asset (Liability) Position (9-18+19)	**5,334,709**	**1,386,184**	**(435,978)**	**-**	**2,945,553**	**624,390**	**(12,666)**	**(262,950)**
21. Net Foreign Currency Asset (Liability) Position of Monetary Items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**5,298,214**	**1,380,040**	**(435,978)**	**-**	**2,888,919**	**613,625**	**(12,666)**	**(262,950)**
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	**39,421,529**	**6,338,028**	**-**	**5,174,453**	**28,050,021**	**4,978,706**	**14,850**	**4,910,268**
26. Import	**13,255,671**	**13,794**	**1,887,043**	**1,231,144**	**24,664,703**	**2,605,852**	**2,386,922**	**566,045**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued):

i) Foreign exchange risk (Continued):

31 December 2019	**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	823,421	(823,421)	823,421	(823,421)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect Net (1+2)	**823,421**	**(823,421)**	**823,421**	**(823,421)**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(289,952)	289,952	(289,952)	289,952
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect Net (4+5)	**(289,952)**	**289,952**	**(289,952)**	**289,952**
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)	**533,469**	**(533,469)**	**533,469**	**(533,469)**

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued):

i) Foreign exchange risk (Continued):

31 December 2018	**Sensitivity Analysis for Foreign Currency Risk**			
	Profit/ (Loss)		**Equity**	
	Appreciation of Foreign currency	**Depreciation of Foreign currency**	**Appreciation of Foreign currency**	**Depreciation of Foreign currency**
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD - net	328,485	(328,485)	328,485	(328,485)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect Net (1+2)	**328,485**	**(328,485)**	**328,485**	**(328,485)**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(7,635)	7,635	(7,635)	7,635
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect Net (4+5)	**(7,635)**	**7,635**	**(7,635)**	**7,635**
Change of other currencies by average 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	(26,295)	26,295	(26,295)	26,295
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currencies Effect - net (7+8)	**(26,295)**	**26,295**	**(26,295)**	**26,295**
TOTAL (3+6+9)	**294,555**	**(294,555)**	**294,555**	**(294,555)**

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

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued):

ii) Interest rate risk

The Company does not have financial instrument with variable interest rate as of 31 December 2019 and 2018.

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 2019	**31 December 2018**
Financial liabilities (Note 15)	10,536,797	7,760,302
Less: Cash and cash equivalents (Note 4)	(31,544,019)	(3,599,385)
Net (assets) / debt (Note 15)	**(21,007,222)**	**4,160,917**
Total equity	**654,700,297**	**553,680,556**
Net (assets) debt / equity ratio	**(3.2%)**	**0.7%**

The Company management regularly monitors the (assets) debt / equity ratio. The Company Management regularly monitors the (assets) debt / equity ratio.

NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Classification of financial assets

The Company classifies its financial assets and liabilities as loans and receivables. Cash and cash equivalents, trade receivables and other receivables from the Company's financial assets are classified as loans and receivables and are measured at cost. The Company's financial liabilities consist of financial liabilities (Note 15), other financial liabilities, trade payables and other payables.

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

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

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

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value. The fair values of certain financial assets carried at costs, including cash and due from banks, receivables and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

Financial liabilities

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

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

Classification of financial assets (Continued)

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2019 and 2018:

31 December 2019

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	-	-	1,518,196	1,518,196
Total assets	-	-	**1,518,196**	**1,518,196**

31 December 2018

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	-	-	1,278,274	1,278,274
Total assets	-	-	**1,278,274**	**1,278,274**

(*) As of 31 December 2019 and 2018, there has been no transfer between Level 1 and 2 within the years ended.

The following table presents the Company's non-financial assets that are measured fair value at 31 December 2019 and 2018:

31 December 2019

	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
Land	-	165,122,476	-	165,122,476
Buildings and land improvements	-	80,219,924	-	80,219,924
Machinery and equipment	-	90,237,402	-	90,237,402
Investment properties:				
Investment properties	-	21,115,000	-	21,115,000
Biological assets:				
Biological assets	-	13,225,488	-	13,225,488
Total assets	**-**	**369,920,290**	**-**	**369,920,290**

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

NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

Classification of financial assets (Continued)

31 December 2018

	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
Land	-	134,830,000	-	134,830,000
Buildings and land improvements	-	68,988,874	-	68,988,874
Machinery and equipment	-	99,066,381	-	99,066,381
Investment properties:				
Investment properties	-	19,155,000	-	19,155,000
Biological assets:				
Biological assets	-	18,028,475	-	18,028,475
Total assets	**-**	**340,068,730**	**-**	**340,068,730**

NOTE 35 - SUBSEQUENT EVENTS

None (31 December 2018: None).

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