PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Financial Statements

1. Opinion

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

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

2. Basis for Opinion

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

3. Key Audit Matters

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

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Key audit matter	How our audit addressed the key audit matter
Fair value measurements land and land improvements, buildings, machinery and equipment: **(Refer to the Notes 2.7.4 and 11)** In accordance with TAS 16, "Property, Plant and Equipment", land and land improvements, buildings, machinery and equipment are measured at fair value on the financial statements . The fair values of land and land improvements and buildings as at 31 December 2018, and determined based on valuations by an independent professional valuer as of 31 December 2017. As a result of Company management assessment with another external independent professional valuer, the carrying amount of land and land improvements and buildings are assumed to approximate their fair values as of 31 December 2018 after deducting current year depreciation. On the other hand, as the carrying values of machinery and equipment as at 31 December 2018 differs materially from their fair values, the Company management had an independent professional valuer for the valuation of the machinery and equipment as of the same date. Based on the valuations performed by independent professional valuer as at 31 December 2018, the carrying values of the machinery and equipment before tax increased by TRY17 million. Increases in the carrying amount arising on the revaluation of machinery and equipment are credited to the revaluation reserve in equity, net of applicable deferred income tax in the financial position. The assessment of the carrying values of property, plant and equipment was a key audit matter since the total amount of property, plant and equipment as of 31 December 2018 represents a significant share of the total assets of the Company, and these valuations include significant estimations and assumptions.	The following audit procedures were addressed in our audit work on the fair value measurement of property, plant, equipment: • We assessed the competency, capability and objectivity of the independent professional valuers who were appointed by Company management, in accordance with relevant audit standards. • The frequency of revaluation was evaluated in accordance with the relevant audit standards by taking into consideration of the conditions and periods seth forth in TAS 16. • Estimates and assumptions of the Company management are considered together with our external expert in accordance with the relevant auditing standards to ensure that the carrying values of land, land improvements and buildings as of 31 December 2018 approximate to their fair values. • We checked and confirmed completeness, and reconciled the input data on a sample basis, used by the independent professional valuers with the Company's records. • In accordance with the provisions of "ISA 620: Use of Work of Expert" standard, we got our auditor expert involved on a sample basis to evaluate the assumptions and methods used by the Company management and the independent professional valuers who were appointed by the Company management. • The compliance of the disclosures of fair value determination of related assets in the financial statements in accordance with the relevant accounting financial reporting standards were evaluated.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 28 February 2019.

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

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Mehmet Karakurt,
Partner

İstanbul, 28 February 2019

CONTENTS		PAGE

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEET) FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

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

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEET) FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEET) FOR THE YEAR ENDED 31 DECEMBER 2018 AND 2017

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

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

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED AT 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

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

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED AT 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

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

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2018 AND 2017

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

			Other Comprehensive Income/ (Expense) not to be Reclassified in Profit or Loss				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	Gains (Losses) on Revaluation and/or Reclassification Adjustments of Available-for-Sale Financial Assets	Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss	Restricted Reserves	Retained Earnings	Profit for the year	Total Equity
1 January 2017	**43,335,000**	**37,059,553**	**102,954,215**	**(7,190,723)**	**-**	**5,323,751**	**106,316**	**12,389,879**	**34,802,135**	**130,463,628**	**59,689,181**	**418,932,935**
Transfers	-	-	(2,566,355)	-	-	(402,567)	-	-	-	62,658,103	(59,689,181)	-
Dividend (Note 5.ii.m)		--	-	-	-	-	-	-	4,390,160	(50,458,502)	-	(46,068,342)
Total comprehensive income	-	-	62,078,077	(864,266)	-	5,851,512	(43,145)	2,293,314	-	-	59,312,096	128,627,588
- Profit for the year	-	-	-	-	-	-	-	-	-	-	59,312,096	59,312,096
- Other comprehensive income / (expense)	-	-	62,078,077	(864,266)	-	5,851,512	(43,145)	2,293,314	-	-	-	69,315,492
31 December 2017	**43,335,000**	**37,059,553**	**162,465,937**	**(8,054,989)**	**-**	**10,772,696**	**63,171**	**14,683,193**	**39,192,295**	**142,663,229**	**59,312,096**	**501,492,181**
1 January 2018	**43,335,000**	**37,059,553**	**162,465,937**	**(8,054,989)**	**-**	**10,772,696**	**63,171**	**14,683,193**	**39,192,295**	**142,663,229**	**59,312,096**	**501,492,181**
Classifications on Mandatory Changes in Accounting Policies (Note 2)												
Adjustments related to required changes in TFRS 9	-	-	-	-	63,171	24,947,824	(63,171)	(10,233,316)	-	-	-	14,714,508
Amount after adjustments	**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)	-
Dividend (Note 5.ii.m)		--	-	-	-	-	-	-	2,136,740	(25,670,892)	-	(23,534,152)
Total comprehensive income	-	-	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 / (expense)	-	-	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**

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF CASH FLOWS
FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2018 AND 2017

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

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

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF CASH FLOWS

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

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

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

The financial statements are presented in accordance with the "Announcement on TAS Taxonomy" issued by the POAASA on 2 June 2016 and the formats specified in the Financial Statement Examples and Usage Guidelines issued by CMB.

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

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

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

2.2 Amendments in International Financial Reporting Standards

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

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

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

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

- **Amendment to TAS 40, ‘Investment property’** relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

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

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

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

- **TFRSI 22,’ Foreign currency transactions and advance consideration’**, effective from annual periods beginning on or after 1 January 2018. This TFRSI addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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

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

- **Amendment to TFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.

- **Amendment to TAS 28, 'Investments in associates and joint venture';** effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

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

- **IFRIC 23, 'Uncertainty over income tax treatments';** effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRIC had clarified previously that TAS 12, not TAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

- An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

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

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

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

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

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

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

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

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

2.3 Accounting policies, errors and change in accounting estimates

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

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

Change in the useful lives of tangible assets

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

2.4 Basis of Consolidation

The Company does not have any subsidiary to be consolidated in the financial statements. The investments-in-associates are accounted for using the equity method and are initially recognised at cost. These are undertakings over which the Company has between 20% and 50% of the voting rights, or over which the Company has significant influence, but which not control. Unrealised gains on transactions between the Company has significant influence, but which not control. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves, such as fair value changes in available-for-sale financial assets, revaluation of property, plant and equipments, depreciation transfer and derecognition of such reserves, is recognised in statement of changes in equity and statement in comprehensive income. Dividends to be received or receivable from associates are accounted for as a reduction of the carrying amount of the investment.

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

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

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

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

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

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

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

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

Foreign currency translation

i) *Functional and reporting currency*

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

ii) Transactions and balances

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

iii) Translation of financial statements of foreign associate

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

2.5 Offsetting

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

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

2.6 Comparative Information

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 December 2018 on a comparative basis with balance sheet at 31 December 2017; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2018 on a comparative basis with financial statements for the period of 1 January - 31 December 2017.

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

2.6.1 Revenue recognition

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

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

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

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

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

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

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

Revenue from product sales

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

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

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

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

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

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

TFRS 15 "Revenue from customer contracts" standard

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

2.6.2. **TFRS 9 - Financial assets**

Classification and measurement

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

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

a. Financial assets recognized at amortized cost;

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

Impairment

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

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

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

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

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

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

c. Financial assets at fair value through profit or loss

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

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

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

	According to TAS 39 previous classification	**According to TFRS 9 new classification**
Financial liabilities		
Financial liabilities	Amortization cost	Amortization cost
Trade payables	Amortization cost	Amortization cost
Other payables	Amortization cost	Amortization cost

Transition to TFRS 9 "Financial instruments"

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

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

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

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

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

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

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

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

2.7 Summary of Significant Accounting Policies

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

2.7.1 Revenue - Non-product sales

Interest Income:

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

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

Rental income- recognized evenly on an accrual basis.

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

2.7.2 Inventories

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

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

2.7.3 Biological Assets

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

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

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

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

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

2.7.4 Property, plant and equipment

Property, plant and equipment except for land, land improvements and buildings and machinery and equipment are stated at cost less accumulated depreciation and if exists provisions. Land, land improvements and buildings as of 31. December 2018 and machinery and equipment as of 31 December 2017 are stated at fair value less accumulated depreciation, based on valuations made by external independent expert TSKB Gayrimenkul Değerleme A.Ş. (Note 11). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset and the net amount is restated to the revalued amount of the asset.

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

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

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

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 11). Land is not depreciated as it is deemed to have an indefinite life.

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

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

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

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

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

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

2.7.5 Intangible assets

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

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

2.7.6 Investment property

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

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

2.7.7. Impairment of Non-Financial Assets

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

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

2.7.8. Borrowing and borrowing cost

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

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

2.7.9 Earnings per share

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

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

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

2.7.10 Subsequent events

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

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

2.7.11 Provisions, contingent liabilities and contingent assets

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities (Note 16). The Company does not recognize contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable.

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

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

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

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

ii. Provision for profit sharing and bonus plans

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

2.7.12. Related parties

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

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

The person concerned,

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

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

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

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

2.7.13 Segment reporting

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

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

2.7.14 Leases

(1) The Company as the lessee

Finance Leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property net off any tax incentives received, if any or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations ,net off finance charges, are included in other liabilities. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the lower of useful life or the lease period of the asset (Note 11).

Operating Leases

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

(2) The Company as the lesser

Operating Leases

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

2.7.15 Taxation on income

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

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

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

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

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

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

2.7.16 Statement of cash flow

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

2.7.17 Share capital and dividends

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

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

2.7.18 Government grants and incentives

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

2.7.19 Trade Receivables

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

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

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

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

2.7.20 Going Concern

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

2.7.21 Trade Payables

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

2.7.22 Significant accounting assessments, estimates and assumptions

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

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

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

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

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

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

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

- Revaluation of investment property was based on the method of reference by considering highest and best use approach.

- Regarding the valuation of the machinery and equipment, technologic conditions, actual depreciation, commercial attributes and industrial positions as well as demounting and assembling costs were taken into account. Whenever a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment.

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

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

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

The Company's Management is responsible for the preparation and fair presentation of these financial statements in accordance with the TAS/TFRS published by the POAASA management, we declare that the current and previous period financial statements together with the summary of the important accounting policies and notes to the financial statements are prepared and presented in accordance with TAS/TFRS published by the POAASA.

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

NOTE 3 - INTEREST IN OTHER ENTITIES

Investments-in-associates:

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

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

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

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

NOTE 3 - INTEREST IN OTHER ENTITIES (Continued)

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

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

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

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

NOTE 4 - CASH AND CASH EQUIVALENTS

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

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

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

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

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2018 and 2017 are as follows:

i) Balances with related parties:

a) Trade receivables from related parties-current:

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

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

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

b) Other short-term receivables from related parties:

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

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

c) Short-term trade payables to related parties:

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

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

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

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

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

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

d) Other short-term payables to related parties:

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

ii) Transactions with related parties:

a) Product sales:

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

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

b) Service sales:

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

c) Income from investment activities:

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

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

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

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

d) Income from investment activities:

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

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

e) Dividends received:

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

(*) Subsidiary (Note 3).

f) Other incomes from related parties:

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

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

g) Product purchases:

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

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

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

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

h) Service purchases:

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

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

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

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

j) Other operating expenses:

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

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

k) Financial expenses from related parties:

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

l) Other expenses from related parties:

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

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

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

m) Dividends to related parties (*):

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

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

n) Donations:

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

o) Key management compensation:

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

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

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

p) Bails given to related parties:

As of 31 December 2017 Pınar Et, Pınar Süt, YBP, Çamlı Yem and DYO Boya have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets at 6 November 2014, amounting to USD250,000,000 equivalent of TL1,315,225,000 (31 December 2017: USD250,000,000 equivalent of TL942,975,000) due on 6 May 2020. An "Indemnity Agreement" was signed between Yaşar Holding and the abovementioned guarantors on 3 November 2014, which states that in an occurrence of an event where a guarantor makes a payment related with the guarantee provided; Yaşar Holding will indemnify the paying guarantor. If Yaşar Holding fails to indemnify the paying guarantor, each of the guarantors will indemnify the paying guarantor by 1/5 of the payment amount.

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables:

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

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

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

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

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

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

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

b) Short-term trade payables:

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

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

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

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

a) Short-term other payables:

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

NOTE 8 - INVENTORIES

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

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

NOTE 9 - BIOLOGICAL ASSETS

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

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

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

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

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

NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses:

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

b) Long-term prepaid expenses:

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

c) Deferred income:

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

(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 2018 were as follows:

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

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

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

(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 2017 were as follows:

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

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

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

1 January 2017	**102,954,215**
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements, machinery and equipments - net	65,468,956
Change in tax rates	(3,390,880)
Depreciation transfer due to revaluation increase classified in retained earnings	(3,146,064)
Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings	629,213
Revaluation fund decrease due to sale of property, plant and equipment - net	(49,503)
31 December 2017	**162,465,937**
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements, machinery and equipments - net	13,947,133
Depreciation transfer due to revaluation increase classified in retained earnings	(4,237,111)
Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings	847,422
Revaluation fund decrease due to sale of property, plant and equipment - net	(36,474)
31 December 2018	**172,986,907**

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

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

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

NOTE 12 - INTANGIBLE ASSETS

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

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

	1 January 2017 Opening	Additions	31 December 2017 Closing
Costs:			
Rights	18,263,590	320,468	18,584,058
Accumualated amortisation	(17,924,066)	(172,326)	(18,096,392)
Net book value	**339,524**		**487,666**

NOTE 13 - INVESTMENT PROPERTIES

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

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

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

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

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

NOTE 14 - GOVERNMENT GRANTS AND INCENTIVES

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

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

NOTE 15 - BORROWINGS AND BORROWING COSTS

Short-term Borrowings From Third Parties:

a) Borrowings:

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

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

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

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

b) Other financial liabilities:

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

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

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

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

a) Short-term provisions:

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

b) Guarantees given:

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

As of 31 December 2018 Pınar Et, Pınar Süt, YBP, Çamlı Yem and DYO Boya have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets at 6 November 2014, amounting to USD250,000,000 equivalent of TL1,315,225,000 (31 December 2017: USD250,000,000 equivalent of TL942,975,000) due on 6 May 2020. An "Indemnity Agreement" was signed between Yaşar Holding and the abovementioned guarantors on 3 November 2014, which states that in an occurrence of an event where a guarantor makes a payment related with the guarantee provided; Yaşar Holding will indemnify the paying guarantor. If Yaşar Holding fails to indemnify the paying guarantor, each of the guarantors will indemnify the paying guarantor by 1/5 of the payment amount.

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

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

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

	31 December 2018			**31 December 2017**		
	Currency	**Amount**	**TL Equivalent**	**Currency**	**Amount**	**TL Equivalent**
CPM provided by the Company:						
A. Total amount of CPM given for the Company's own legal personality	TL	199,713	199,713	TL	4,987,884	4,987,884
B. Total amount of CPM given on behalf of fully consolidated companies	-	-	-	-	-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other CPM			**1,315,225,000**			**942,975,000**
i. Total amount of CPM given to on behalf of the majority shareholder			**1,315,225,000**			**942,975,000**
	USD	*250,000,000*	*1,315,225,000*	*USD*	250,000,000	942,975,000
ii. Total amount of CPM given to on behalf of other Group companies which are not in scope of B and C						
	EUR	-	-	*EUR*	-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
TOPLAM			**1,315,424,713**			**947,962,884**
The ratio of total amount of other CPM to Equity			238%			188%

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

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

c) Guarantees received:

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

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

NOTE 17 - EMPLOYMENT TERMINATION BENEFITS

a) Payable due to employee benefits:

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

b) Short-term provisions due to employee benefits:

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

c) Long-term provisions due to employee benefits:

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

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

The amount payable consists of one month's salary limited to a maximum of TL 5,434.42 as of 31 December 2018 (31 December 2017: TL 4,732.48). The liability is not funded, and there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees based on actuarial assumptions.

(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 TL6,017.60 which is effective from 1 January 2019 (1 January 2018 TL5,001.76) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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

	31 December 2018	**31 December 2017**
Discount rate (%)	5.00	4.50
Probability of retirement (%)	98.43	98.35

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

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

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

NOTE 18 - EXPENSES BY NATURE

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

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

NOTE 19 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

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

b) Other current liabilities:

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

NOTE 20 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr 1. The Company's historical authorised registered capital at 31 December 2018 and 2017 is as follows:

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

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

	31 December 2018		31 December 2017	
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 quatation (A,B)	14,406,353	33	14,406,353	33
Share Capital	**43,335,000**	**100**	**43,335,000**	**100**
Adjustment to share capital	37,059,553		37,059,553	
Total share capital	**80,394,553**		**80,394,553**	

Adjustment to share capital amounting to TL37,059,553 (31 December 2017: TL37,059,553) represents the remaining amount after net-off the accumulated losses of 2003 from the difference between restated (inflation adjusted) share capital and historical cost of share capital (before inflation adjustment).

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

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

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

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

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

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

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

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

In accordance with the announcements of CMB "Share Capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences (e.g. the differences raises from inflation adjustments) shall be classified as follows:

- "the difference arising from the "Paid-in-Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under "Retained Earnings".

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

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

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

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

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

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

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

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

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

NOTE 21 - REVENUE AND COST OF SALES

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

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

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

a) Marketing expenses:

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

b) General administrative expenses:

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

c) Research and development expenses:

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

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

NOTE 23 - OTHER OPERATING INCOME AND EXPENSES

a) Other operating income:

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

b) Other operating expense:

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

NOTE 24 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

a) Income from investment activities:

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

b) Expense from investment activities:

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

NOTE 25 - EXPENSES CLASSIFIED

Please refer to Note 18.

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

NOTE 26 - FINANCIAL INCOME AND EXPENSES

i. Financial Income:

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

ii. Financial Expense:

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

NOTE 27 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please refer to Comprehensive Income.

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

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

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

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

Corporation tax is payable at a rate of 22% for 2018. (2017: 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

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 witholding tax. Otherwise, dividends paid are subject to witholding tax at the rate of 15% (2017: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur witholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% (2017: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2017: 17th) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offseting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within 25th of fourth month following the close of the financial year to which they relate.

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

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

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

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

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

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

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

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

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's lenght principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised in a disguised manner through transfer pricing completely or partially, will be assessed as distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxplayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalised and paid.

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

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

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

The reconciliation of tax expense is as follows:

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

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

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

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

Deferred income taxes

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

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

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

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

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

(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 2017	**(10,772,244)**
Credited to statement of comprehensive income	2,959,329
Charged to actuarial loss arising from defined benefit plans	216,067
Fair value difference credited to other comprehensive income	(92,780)
Calculated on revaluation fund	(8,905,915)
Change in tax rate	(3,390,880)
31 December 2017	**(19,986,423)**
Credited to statement of comprehensive income	(1,236,003)
Charged to actuarial loss arising from defined benefit plans	439,936
Fair value difference credited to other comprehensive income	(111,751)
Calculated on revaluation fund	(3,486,783)
31 December 2018	**(24,381,024)**

NOTE 29 - EARNINGS PER SHARE

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

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

NOTE 30 - EFFECTS OF CHANGES IN FOREIGN CURRENCY RATES

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

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

NOTE 31 - REPORTING IN HYPERINFLATIONARY ECONOMIES

Please refer to Note 2.

NOTE 32 - FINANCIAL INSTRUMENTS

Available for sale-investments:

	31 December 2018		31 December 2017	
	TL	**(%)**	**TL**	**(%)**
YDT	1,148,863	1.76%	590,111	1.76%
Bintur	129,411	1.33%	136,500	1.33%
	1,278,274		**726.611**	

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

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

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

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

	2018	**2017**
1 January	**726,611**	**676,977**
Fair value change- YDT	558,752	10,075
Fair value change- Bintur	(7,089)	39,559
31 December	**1,278,274**	**726,611**

Movements of fair value reserve of available-for-sale investments in 2018 and 2017 are as follows:

1 January	**63,171**	**106,316**
Change in fair value	551,662	49,635
Deferrred income tax effect on fair value reserve of avaliable for sale investments (Note 28)	(111,751)	(92,780)
31 December	**503,082**	**63,171**

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 unpredicatibility of financial markets.

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

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

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

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

- Effective monitoring and minimizing risks sourced from counterparts.

a) Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risks arises from cash and cash equivalents, deposits in banks and financial instutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Majority of the Company's sales in domestic market are made to its investments in associate, YBP, and its exports are made to YDT, which are both Yaşar Group Companies. In line with past experiences and current condition trade receivables are monitored by the Company Management and neccessary provisions for impairment is recognised. The Company management believes that credit risk arises from receivables is well managed. The Company management believes that there is no risk for non-trade receivables from related parties since they are mainly comprised of receivables from shareholders.The credit risk anaysis of the Company as of 31 December 2018 and 2017 is as follows:

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

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (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)					
- Impairement amount (-)	-	360,841	-	-	-
- Colleteral held as security and guarantees received	-	(360,841)	-	-	
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Colleteral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) The Company's receivables are mainly stemming from meat and by-products, frozen dough products and packaged food.

(2) In determining the related amounts, factors that increase the credit reliability such as the collateral received are not considered.

(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

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

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

31 December 2017	**Receivables**				
	Trade Receivables (1)		**Other Receivables**		
	Related Parties	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**80,942,438**	**14,970,006**	**13,925,195**	**17,363**	**1,062,149**
- The part of maximum credit risk covered with guarantees	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	80,290,780	13,555,984	13,925,195	17,363	1,062,149
B. Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired	-	-	-	-	-
C. Net book value of assets past due but not impaired (3)	651,658	1,414,022	-	-	-
- The part covered by guarantees	-	-	-	-	-
D. Net book value of assets impaired					
- Past due amount (gross book value)	-	339,779	-	-	-
- Impairment amount (-)	-	(339,779)	-	-	-
- Colleteral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Colleteral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) The Company's receivables are mainly stemming from meat and by-products, frozen dough products and packaged food.

(2) In determining the related amounts, factors that increase the credit reliability such as the collateral received are not considered.

(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

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

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

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	-	-	-
	704,782	**2,182,851**	**2,887,633**

31 December 2017		**Receivables**	
	Related Parties	**Third Parties**	**Total**
1 - 30 days overdue	432,689	1,396,759	1,829,448
1 - 3 months overdue	25,455	9,045	34,500
3 - 6 months overdue	149,244	8,218	157,462
6 - 12 months overdue	44,270	-	44,270
The part of credit risk covered with guarantees	-	-	-
	651,658	**1,414,022**	**2,065,680**

c) Liquidity risk:

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

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers lines from high quality lenders. In order to maintain liquidity, the Company management closely monitors the timely collection of trade receivables, take actions to minimise the effect of delay in collections and arranges cash and non-cash credit lines from financial institutions in case of requirement.

The liquidity risk analysis of financial liability types as of 31 December 2018 and 2017 is as follows :

			31 December 2018		
	Carrying Value	**Total Cash outflows per agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Contractual maturity dates:					
Financial Liabilities					
Bank borrowing	5,122,778	5,200,000	-	5,200,000	-
Trade payables	111,381,850	112,681,226	109,260,749	3,420,477	-
Other payables and other financial liabilities	9,735,872	9,735,872	5,424,535	4,311,337	-
	126,240,500	**127,617,098**	**114,685,284**	**12,931,814**	**-**

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

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

	31 December 2017				
	Carrying Value	**Total Cash outflows per agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Contractual maturity dates:					
Financial Liabilities					
Bank borrowing	5,123,333	5,218,795	-	5,218,795	-
Trade payables	92,842,603	93,583,752	91,282,203	2,301,549	-
Other payables and other financial liabilities	7,249,208	7,249,208	7,249,208	-	-
	105,215,144	**106,051,755**	**98,531,411**	**7,520,344**	**-**

c) Market risk:

i) Foreign exchange risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities. The Company minimizes the risk through balancing foreign currency denominated assets and liabilities. These risks are monitored by analyses of the foreign currency position. Current risks are discussed by the Audit Committee and the Board of Directors regularly and the foreign exchange rates relevant to the foreign currency position of the Company are mentioned.

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

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

	Foreign Currency Position							
	31 December 2018				31 December 2017			
	TL Equivalent	USD	EUR	Other (TL Equivalent)	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Recievables	3,250,579	617,875	-	-	2,900,101	666,463	85,543	-
2a. Monetary Financial Assets (Cash, Bank Accounts included)	2,425,553	455	401,984	-	401,953	104,979	1,325	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	56,634	10,765	-	-	104,140	9,074	15,483	-
4. Current Assets (1+2+3)	**5,732,766**	**629,095**	**401,984**	**-**	**3,406,194**	**780,516**	**102,351**	**-**
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non- Current Assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**5,732,766**	**629,095**	**401,984**	**-**	**3,406,194**	**780,516**	**102,351**	**-**
10. Trade Payables		2,787,213	4,705	414,650	262,950	3,377,782	1 , 4 8 9	
746,798	-							
11. Financial Liabilities	-	-	-	-	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**2,787,213**	**4,705**	**414,650**	**262,950**	**3,377,782**	**1,489**	**746,798**	**-**
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (15+16)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**2,787,213**	**4,705**	**414,650**	**262,950**	**3,377,782**	**1,489**	**746,798**	**-**
19. Net Asset/ Liability Position of Off-Balance Sheet Derrivative Instruments (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19a. Amount of Hedged Asset	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19b. Amount of Hedged Liability	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
20. Net Foreign Currency Asset (Liability) Position (9-18+19)	**2,945,553**	**624,390**	**(12,666)**	**(262,950)**	**28,412**	**779,027**	**(644,447)**	**-**
21. Net Foreign Currency Asset (Liability) Position of Monetory Items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**2,888,919**	**613,625**	**(12,666)**	**(262,950)**	**(75,728)**	**769,953**	**(659,930)**	**-**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
23. Amount of Foreign Currency Denominated Assets Hedged	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
24. Amount of Foreign Currency Denominated Liabilities Hedged	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
25. Export	**28,050,021**	**4,978,706**	**14,850**	**4,910,268**	**25,281,524**	**4,417,610**	**1,289,560**	**4,764,231**
26. Import	**24,664,703**	**2,605,852**	**2,386,922**	**566,045**	**20,233,346**	**992,732**	**3,991,785**	**-**

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

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

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

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

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

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

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

31 December 2017	**Sensitivity Analysis for Foreign Currency Risk**			
	Profit/ (Loss)		**Equity**	
	Appreciation of Foreign currency	**Depreciation of Foreign currency**	**Appreciation of Foreign currency**	**Depreciation of Foreign currency**
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	293,841	(293,841)	293,841	(293,841)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect Net (1+2)	**293,841**	**(293,841)**	**293,841**	**(293,841)**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(291,000)	291,000	(291,000)	291,000
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect Net (4+5)	**(291,000)**	**291,000**	**(291,000)**	**291,000**
Change of other currencies by average 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	-	-	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**-**	**-**	**-**	**-**
TOTAL (3+6+9)	**2,841**	**(2,841)**	**2,841**	**(2,841)**

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

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

ii) Interest rate risk

The Company does not have financial instrument with variable interest rate as of 31 December 2018 and 2017.

iii) Price risk

The profitability of the Company's operations and the cash flows generated by those operations are affected by changes in the raw material prices and market competition that are closely monitored by the Company management and precautions for cost efficiency are taken. The Company does not anticipate that prices of unprocessed meat and other raw materials will change significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline or increase in the prices of unprocessed meat and other stocks and raw materials. The current risks are properly monitored by Board of Directors and Audit Committee regularly in considering the need for active financial risk management.

d) Capital Risk Management

The Company's objectives when managing capital are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as the total liability (including borrowings, trade payables, due to related parties and other payables, as shown in the balance sheet) less cash and cash equivalents.

	31 December 2018	**31 December 2017**
Financial liabilities (Note 15)	7,760,302	5,645,813
Less: Cash and cash equivalents (Note 4)	(3,599,385)	(2,253,131)
Net debt	**4,160,917**	**3,392,682**
Total equity	**553,680,556**	**501,492,181**
Net debt / equity ratio	**0,7%**	**0,7%**

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

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 aquoted market price, if one exists.

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

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

Financial assets

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

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).

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

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

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2018 and 2017 :

31 December 2018

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

31 December 2017

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	-	-	726,611	726,611
Total assets	-	-	**726,611**	**726,611**

(*) As of 31 December 2018 and 2017, there has been no transfer between Level 1 and 2 within the years ended.

The following table presents the Company's non-financial assets that are measured fair value at 31 December 2018 and 2017;

31 December 2018

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

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

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

31 December 2017

	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
Land	-	144,800,000	-	144,800,000
Buildings and land improvements	-	63,350,505	-	63,350,505
Machinery and equipment	-	79,157,317	-	79,157,317
Biological Assets:				
Biological Assets	-	14,116,600	-	14,116,600
Total Assets	**-**	**301,424,422**	**-**	**301,424,422**

NOTE 35 - SUBSEQUENT EVENTS

None (31 December 2017: None).

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