



PINAR SÜT ANNUAL REPORT 2019



for a better life

Reporting Period

01.01.2019 - 31.12.2019

Trade Name

Pınar Süt Mamulleri Sanayii A.Ş.

Trade Registry and Number

Izmir Trade Registry 34821 K-572

Authorized Capital

TL 80,000,000

Paid-in Capital

TL 44,951,051.25

Contact Details**Headquarters**

Yunus Emre Mahallesi
KemaIpaşa Cad. No: 317
Bornova - Izmir
Phone: (232) 436 15 15
Fax: (232) 436 20 40

Factory - Izmir

Yunus Emre Mahallesi
KemaIpaşa Cad. No: 317
Bornova - Izmir
Phone: (232) 436 15 15
Fax: (232) 436 20 40

Factory - Eskişehir

Organize Sanayi Bölgesi
Mümtaz Zeytinoğlu Bulvarı
No: 29 P.K. 55 Eskişehir
Phone: (222) 236 08 89
Fax: (222) 236 08 90

Factory - Şanlıurfa

Koçören OSB Mahallesi 205.
Cadde No: 5 P.K. 63200
Eyyübiye - Şanlıurfa
Phone: (414) 502 00 00
Fax: (414) 502 00 55

Website - Social Media

www.pinar.com.tr
www.pinarhepyanimda.com
www.pinarprotein.com
www.kido.com.tr
facebook.com/pinarlayasam
twitter.com/pinarlayasam
instagram.com/pinarlayasam
youtube.com/PinarSut
facebook.com/PinarSutum
twitter.com/pinarhepyanimda
instagram.com/pinarhepyanimda
youtube.com/pinarlezzetleri
linkedin.com/pinar-sut
facebook.com/pinarprotein
instagram.com/pinarprotein
youtube.com/pinarprotein
spotify.com/pinarprotein
facebook.com/PinarKido
instagram.com/pinar_kido
youtube.com/pinarkido
facebook.com/pinarlezzetikatlar
instagram.com/pinar_lezzetikatlar



CONTENTS

3	One of the Working, Producing and Leading Groups in Turkey...
4	Message from Chairperson
6	Board of Directors
8	Pınar Süt and 2019 at a Glance
10	Company Profile
12	Competitive Superiorities
14	Pınar Süt Products
16	Innovations for Changing Trends
18	Sector Overview
20	Activities of 2019
22	Pınar Süt Customers and Consumers
26	R&D Center and its Activities
27	High Quality Target
28	Productivity Activities
29	Investments
30	Powerful Cooperation with Suppliers
31	Pınar Süt Family
32	Sustainable Environment Understanding
36	Corporate Social Responsibility
38	Awards and Certificates
39	Milestones
40	Corporate Governance Practices and Financial Information
47	Agenda
54	Independent Auditor's Report Regarding the Annual Report of the Board of Directors
57	Financial Statements and Independent Auditor's Report
136	Information for Investors



Pinar Süt, which introduced Turkey to long-lasting milk for the first time in 1975, continues its activities with the goal of raising healthy generations.

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

Since its foundation, Yaşar Group has adopted the motto of “non-stop working, producing and contributing in the country” to enrich Turkish economy, society, environment, life quality and human health without compromising corporate and ethical principles. Yaşar Group is one of Turkey’s leading groups and today operates with 21 companies, 25 factories and facilities, 2 foundations and approximately 7,500 employees and stands on “Durmuş Yaşar Enterprise” founded in 1927 by Durmuş Yaşar in Izmir to sell naval materials and coating products.

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

The most common brands in different sectors

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

The rooted corporation which has broken many grounds in Turkey,

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

- First coating factory and brand, DYO
- First private sector milk factory in international standards, PINAR SÜT
- First 1,100 beds first class holiday village, ALTIN YUNUS ÇEŞME
- First private sector paper factory, VİKİNG KAĞIT
- Natural spring water in first one way package, PINAR SU VE İÇECEK
- First private sector integrated meat plant, PINAR ET
- First integrated turkey plant,
- First culture fishing plant and first culture fish production, PINAR DENİZ
- First organic fertilizer factory, ÇAMLI YEM

An approach that values the environment and society

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

Yaşar Group, which participated in the United Nations Global Compact on November 12, 2007, published a Sustainability Notice Report for 2009 and 2010 and a Sustainability Report for 2011-2018. Group signed UN Women’s Empowerment Principals “CEO Statement of Support” in 2012 and made commitments about fair gender policies with “Gender Equity Policies in the Workplace” in 2013.

Progress notices and sustainability reports published by the Group under the Global Compact can be accessed on the corporate website at www.yasar.com.tr.



Message From Chairperson

Pınar Süt achieved 203.1 million TL gross profit with a turnover of 1.665 billion TL in 2019 and closed the year with a growth of 11.9%.

Dear Shareholders,

Pınar Süt, founded 46 years ago as a member of Yaşar Group which is one of the most established groups of Turkey, continues to produce its healthy and high-quality products with the idea to provide a better life to its consumers from every age group. Today, we operate as a company processing milk and dairy products with the most advanced technology in Turkey with our modern production facilities in İzmir, Eskişehir and Şanlıurfa. Following the developments and trends in Turkey and all over the World, our Company performs production in EU standards without compromising on quality. With our Company in the leading position in many categories and our innovative vision blazing the trails in the industry, we undertake the leading role in the development of animal husbandry and food industries.

In 2019, there have been a low growth rate due to global economy and trade wars. OECD keeps its growth expectation at 2.9% for the world economy in 2019 and 2020. It can be said that the Turkish economy completed the 2019, which it started with a much more negative expectations, better than the estimations in terms of growth rate. The economy, which had a tendency to shrink as of the last quarter of 2018, grew by 0.9% in the third quarter, after the shrinkage of 2.3% in the first quarter and 1.6% in the second quarter. With the effect of the last quarter which had a relatively positive atmosphere, estimations of organizations such as OECD, World Bank and IMF are that the annual growth will be positive. While the 2020 growth estimates of the same organizations are announced around 3%, we expect that there will be a more positive atmosphere in Turkey's economy in 2020.

Turkey is among the top 10 in milk production

According to TurkStat data, there has been an increase in the number of animals to meet the milk demand which came along with the population increase as of the beginning of 2000s. In 2019, there has been the highest animal number in Turkey which was 66.4 million. According to FAO data, Turkey ranks 9th among the top 10 countries in the world in the production of raw milk. Raw milk production reached 23 million tons in 2019 with an increase of 3.8%. Turkey's export in milk and dairy products in previous year was 325 million dollars. According to the data obtained from Turkish Exporters Assembly, packaged cheese category has the biggest share (49%) on the basis of turnover.

The dairy products market is growing domestically. Packaged cheese products market in Turkey in 2019 has reached a volume of 4.2 billion TL. The packaged milk segment grew by 14.8% in turnover and completed the year with a volume of 2.4 billion TL. As a remarkable development, kefir market had a double digit growth (23%) in 2019 with the health life trend. The lactose-free milk category in the milk market also achieved strong growth, with 47.4% in tonnage and 57.3% in turnover. (Nielsen, 2019 Market except for BIM)

We maintained our strong position in the dairy products market

Pınar Süt, which collaborates with more than 18 thousand milk producers in Turkey today, has blazed many trails in the industry with many innovative products. With our experienced R&D team and our production understanding with the awareness of responsibilities without compromising on quality as well as our transparent and traceable business processes, we have also maintained our leading position in the industry by reinforcing our brand image and recognition.

We are by far the leader in the milk market with a turnover share of 86.7% in the organic milk category, 75.3% in kids' milk and 50.6% in protein milk. We also maintain our number one position with a turnover share of 24.4% in the plain milk

category and 48.5% in light milk. Likewise, we are the leader in the cheese group with a turnover share of 48.9% in the fresh cheese category, 44.1% in the labneh category and 32.7% in spreadable cheese. (Nielsen, 2019 Market except for BIM)

We closely followed the sector and consumer research in domestic and foreign markets, and introduced 13 new products and 29 new product packages to the market in 2019. We aim to maintain our strong position in the market by creating functional and innovative products in different categories in the near future.

As Pinar Süt, we achieved 12% growth and closed the year with a turnover of 1.665 billion TL. We made a gross profit of 203 million TL. By obtaining a total of 84.9 million TL EBITDA in 2019, our Company achieved a net period profit of 34.7 million TL.

Spreading to new markets

Pinar Süt realized 19% of total dairy product export in Turkey alone. We aim to be a regional power in exports, especially in the nearby geography. Our company, which has become a global player in its sector, exported to 27 countries in 2019. 60% of this export was to Gulf countries. With digital media applications, we have carried out communication activities to increase brand awareness in the Gulf Region, Iraq, Azerbaijan, Russia and Kazakhstan markets.

We also accelerated our steps towards new markets in exports in 2019. We are one of the first Turkish companies in the Russian market with the export license we obtained in 2014, and we became the only brand in this country to continue active export and branding studies in 2019. In 2019, we launched Labneh with special Lemon Cheesecake, Mushroom and Condiment special for the Russian market.

Blazing new trails

With our R&D Center, which successfully completed the third activity year audit, we are blazing trails in line with our strategies. We conduct our R&D activities in two departments which are operational oriented R&D and innovative project oriented Scientific & Technological R&D departments. We are also working on various projects in Industry 4.0 in our R&D Center. Pinar Süt R&D Center carries out TÜBİTAK-TEYDEB projects throughout this process with industry and university collaboration model.

The projects of our R&D Center has been granted with many awards. We won the 2019 Gulfood Innovation Award in the "Most Innovative Dairy Product" category with our Pinar Choco Labneh product at the Gulfood Fair held in Dubai. Likewise, Pinar Plain Kefir was awarded with "Superior Taste Prize" by the jury consisting of Michelin starred chefs and sommelier at the ceremony held in Belgium by International Taste and Quality Institute (ITQI).

With our vision to contribute to healthy life, we have made important progress in reducing the amount of sugar and salt. While the use of sugar in the fruit juice category was reduced, 21.4 tons of table salt was removed from the prescriptions in 2019 with the reformulation studies in the cheese category.

Human first

While continuing our activities within the framework of the "taking good care of the society and employees" approach, which is an indispensable part of the Yaşar Group's Sustainability strategy, we offer a fair working environment to our employees and allow them to improve themselves. Another subject that our company focuses on and follows closely is "Women's Empowerment". As Pinar Süt, I am also happy to express that our female employee rate increased to 19.9% in 2019.

Our understanding of social responsibility

Our Company realized significant social responsibility projects in 2019 as well. Having reached more than 3 million children free of charge since its establishment in 1987, Pinar Children's Theater has met with around 50 thousand kids in 2018-2019 school year. The International Pinar Children Painting Contest held since 1981 in order to increase the interest of children in the elementary school age on painting and fine arts had a participation from 1,466 schools with 35,496 paintings in 2019. The works of 14 little painters who were granted with the award were exhibited in Izmir Ahmed Adnan Saygun Art Center. In addition, we reached 215 thousand children as part of the Pinar Children's Painting Workshop, which was held for the fourth time.

Being the main sponsor of Karşıyaka Basketball Team as of 1998 in the sports field, Pinar has contributed more than 25 children doing sports with the support it provided to the Karşıyaka Basketball Youth Branch.

The "World Milk Summit", which is organized every year by the International Dairy Federation (IDF) in a different country, was held in Istanbul with the Platinum Sponsorship of Pinar in 2019. Selçuk Yaşar, the Honorary President of Yaşar Holding, was granted with the Honor Award for his contributions for the establishment and development of dairy sector in Turkey at the summit held with the "Milk For Life" theme.

With the incorporation of Pinar Süt in 1973, training and awareness-raising activities were started to support small family farming, improve dairy farming, and increase productivity, quality and income of farmers. Pinar shaped its vision in the sector with the ideas received from them. Pinar Süt has been a pioneer of regional development in its sector with its milk producers. Pinar Institute, which was founded in 2013 with the ideal of raising awareness of the society on health and nutrition issues, developing projects for creating quality life awareness, and conducting literature research on food and healthy nutrition, started to study on "Future of Our Milk is in Conscious Hands" initiated in 2014 for the generalization and widening the effective area of our project started 46 years ago. With our project, we have reached more than 7,500 dairy farmers in 13 different cities. Our project has become one of the 25 projects in the international arena that was successfully included in the Impact Champions program by the United Nations Development Program (UNDP) Business Call to Action Platform. It took its place as a sample case analysis in the research report "Management Practices to Bring Inclusive Business to Scale" conducted by UNDP. Pinar Süt's role in developing the sector has been an example for many institutions. We are happy and proud of leading our agriculture and animal husbandry sector and contributing to the growth of healthy generations.

Basis of our business is proper and healthy nutrition... We have reached over 12 thousand children in 10 provinces with the project "Let's Play Fun, Eat Healthy" and its activities, which was developed by Pinar Institute as a training program for the acquisition of balanced nutrition and physical activity habits at a young age. Within the scope of the project, we are expanding our trainings with the protocol signed with the Ministry of National Education General Directorate for Basic Education.

We continue our projects which contribute value to our country and society with the responsibility of being a brand which blazes the trails in Turkey. We are confidently moving towards becoming a global brand. I would like to thank to all our employees, suppliers, business partners and our valued shareholders who contributed to our success in 2019.

Best Regards

İdil Yiğitbaşı
Chairperson

Board of Directors

İDİL YİĞİTBAŞI
CHAIRPERSON



EMİNE FEYHAN YAŞAR
VICE CHAIRPERSON



MUSTAFA SELİM YAŞAR
BOARD MEMBER



KEMAL SEMERCİLER
INDEPENDENT BOARD MEMBER



METİN AKMAN
INDEPENDENT BOARD MEMBER



CENGİZ EROL
BOARD MEMBER



YILMAZ GÖKOĞLU
BOARD MEMBER



Senior Management and Committees

BOARD OF DIRECTORS AND TERMS OF OFFICES

NAME SURNAME	TITLE	TERMS OF OFFICE
İDİL YİĞİTBAŞI	CHAIRPERSON	28.03.2019 - 1 YEAR
EMİNE FEYHAN YAŞAR	VICE CHAIRPERSON	28.03.2019 - 1 YEAR
MUSTAFA SELİM YAŞAR	MEMBER	28.03.2019 - 1 YEAR
KEMAL SEMERCİLER	INDEPENDENT MEMBER	28.03.2019 - 1 YEAR
METİN AKMAN	INDEPENDENT MEMBER	28.03.2019 - 1 YEAR
CENGİZ EROL	MEMBER	28.03.2019 - 1 YEAR
YILMAZ GÖKOĞLU	MEMBER	28.03.2019 - 1 YEAR

Limitations of Authorities:

Both Chairperson of the Board and Board Members have the authorities stated under relevant articles of Turkish Commercial Code and articles 11 and 12 of our Articles of Association.

Corporate Governance Rating:

In 2019, Pinar Süt's corporate governance rating was revised upwards to 9.32 out of 10.

SENIOR MANAGEMENT

NAME SURNAME	POSITION
SUAT ÖZYİĞİT	PINAR SÜT A.Ş. and YAŞAR BİRLEŞİK PAZARLAMA A.Ş. COORDINATOR
GÜRKAN HEKİMOĞLU	GENERAL MANAGER
MUSTAFA ŞAHİN DAL	FINANCIAL AFFAIRS AND FINANCE DIRECTOR

AUDIT COMMITTEE

NAME SURNAME	POSITION
KEMAL SEMERCİLER	HEAD OF COMMITTEE
METİN AKMAN	MEMBER

CORPORATE GOVERNANCE COMMITTEE

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

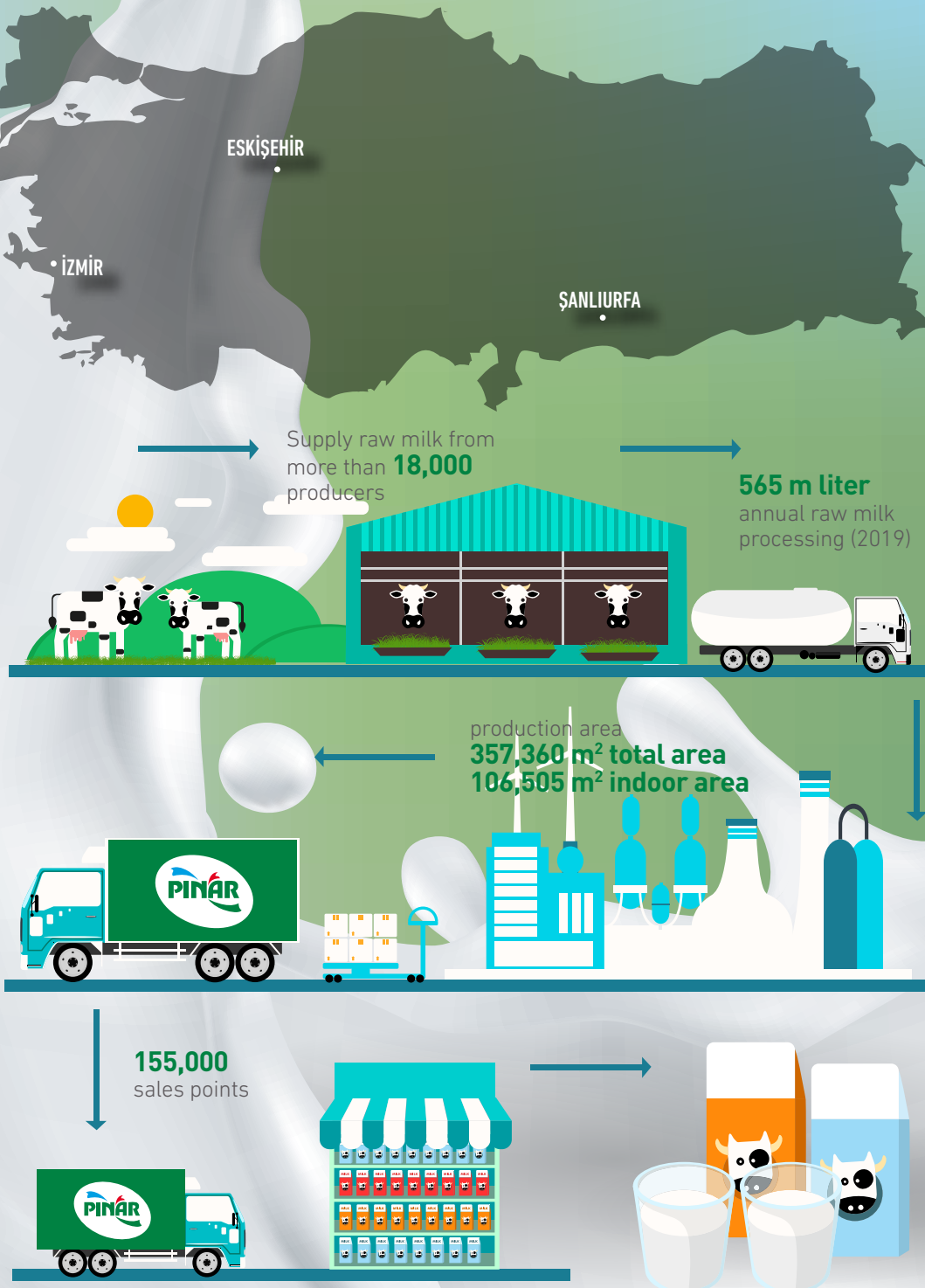
EARLY DETECTION OF RISK COMMITTEE

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

Pinar Süt and 2019 at a Glance

Pinar Süt continued to grow and produce in 2019.

Production in 3 different locations in Turkey.



23

million tons
milk production in
Turkey (TSI)

325

million USD Dollar
dairy products
export in Turkey

1,033

AVERAGE NUMBER OF
EMPLOYEES IN 2019

19.7

PER EMPLOYEE
AVERAGE HOUR OF TRAININGSInternational Taste Institute Outstanding Flavor Award
to Pınar Plain Kefir

Honor Award to Selçuk Yaşar at IDF World Milk Summit

Pınar Süt became the "Most Admired Company" of
the "Milk and Dairy Products" category in the "Most
Admired Companies in the business world" survey
conducted by Zenna Research and Consultancy under
the leadership of Capital Magazine.

Exports to 27 Countries

19% our share of total dairy products exports in Turkey in 2019

14.5

million TL
Investment

13

New Product
Introduced to
the Market1.665
billion TL
TURNOVER%11.9
TURNOVER
GROWTH203.1
million TL
GROSS PROFIT2019
FINANCIAL
PERFORMANCE

(Million TL)	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Net Sales	1,664.6	1,487.8
Gross Profit	203.1	231.6
Gross Profit Margin	12.2%	15.6%
Net Profit	34.7	49.2
Net Profit Margin	2.1%	3.3%

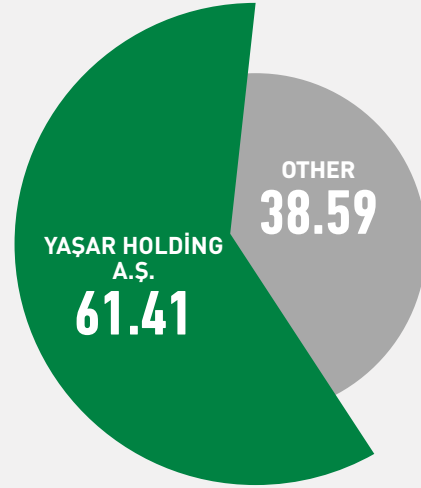
(Million TL)	31.12.2019	31.12.2018
Shareholder's Equity	898.2	781.4
Assets	1,549.0	1,392.4
Total Liabilities/Equity Ratio	0.72	0.78



Company Profile

Pinar Süt, the first brand to bring the concept of “healthy milk and dairy products” to consumption habits, is meeting its consumers with the slogan “My Life Spring”, which includes the concepts of “flavor”, “health” and “innovation”.

SHAREHOLDING STRUCTURE OF PINAR SÜT (%)



Shareholder	Share Rate (%)	Share Amount (TL)
YAŞAR HOLDİNG A.Ş.	61.41	27,603,901.57
OTHER	38.59	17,347,149.68
Total	100.00	44,951,051.25

Pinar Süt's shares are traded in Borsa Istanbul Main Market- Group 1 under the ticker symbol "PNSUT".

Information about concessions for company shares is included in the Legal Disclosures section of the annual report.



With its factories in İzmir, Eskişehir and Şanlıurfa, Pınar Süt always supports over 18,000 producers with whom it has established long-term, strong relationships and contributes strongly to the increase of milk production in Turkey.

Pınar Süt, which introduced Turkey to long-lasting milk for the first time, has been contributing greatly to the Food and livestock sectors of Turkey since its establishment. The Company produces milk, yoghurt, ayran, cheese, fruit juice, butter, cream, pudding, ketchup, mayonnaise, mustard, honey, sauce, jam, sweet and powder products in its facilities equipped with state of the art technology.

Pınar Süt has entered into production in accordance with European Union standards with its factories in İzmir, Eskişehir and Şanlıurfa, and 123 of them are working under contract with the farm to supply quality raw materials. Pınar Süt contributes strongly to the increase in milk production in Turkey by always supporting over 18,000 producers with whom it has established long-term, strong relationships.

The quality of Pınar Süt, which makes it a principle to add value to human life by offering the most innovative products, begins with the supply of raw materials. Following the new technologies in its sector closely, Pınar Süt transfers all kinds of applicable technologies in areas such as production method,

machinery and equipment, marketing, product development, quality improvement, packaging, information systems, logistics and product use. In addition to the technology applications that support quality, Pınar Süt has been capturing significant cost advantages through its operational cost improvement practices for years. It also creates instant and long-term action plans against potential productivity losses thanks to its emphasis on line efficiency.

Reliable and Leading Brand

Since 1973, Pınar Süt has been the "Life Spring" for millions of people with the mission of being a source of "Health", "Innovation" and "Flavor" for generations, which leads healthy generations to raise in Turkey. The company, which makes an important contribution to the development of livestock and food products in Turkey, stands out as the first brand to place the concept of healthy milk and dairy products. Pınar Süt, which has become the trusted brand of millions of people for generations, continues to work to be worthy of this trust.



Competitive Superiorities

Pinar Süt makes a difference in the market by bringing its rich product portfolio to the market with the largest cold distribution network in Turkey with its innovative approach that does not compromise on quality.

HIGH BRAND VALUE

- The brand that received Turkey's Most Admired Companies Award
- Boğaziçi Business World Awards
- Gulfood Innovation Award / Pinar Chocolate Labne
- IDF World Milk Summit / Selçuk Yaşar Honorary Award
- International Taste Institute Outstanding Flavor Award / Pinar Plain Kefir

QUALITY PRODUCTION, RICH PRODUCT PORTFOLIO

- Hygienic production registered with certificates in EU norms
- More than 300 SKUs
- Innovative and pioneering identity in the sector
- Powerful R&D experience
- Technological and sectoral knowledge
- Energy-efficient industrial plants

WIDE DISTRIBUTION AND SUPPLIER NETWORK


- Turkey's largest cold and dull distribution chain Yaşar Birleşik Pazarlama's power
- Access to 155,000 sales points
- Synergy created by the distribution of milk and meat products together
- Supply chain formed with more than 18,000 raw milk producers
- Deep-rooted relationships with producers, strong cooperation

Innovative Brand Image

Pinar Süt, which has been working hard for 46 years to make healthy milk and dairy products accessible throughout the country, has brought many innovative products to the sector in Turkey. With responsible investment decisions, environmental sensitivity, production models based on resource efficiency, a consumer-oriented approach and a corporate social responsibility approach that considers social benefit, the Company has strengthened its brand image and awareness and maintained its leadership in the sector in 2019.

In 2019, Pinar Süt became the "Most Admired Company" of the "Milk and Dairy Products" category in the "Most Admired Companies in the business world" survey conducted by Zenna Research and Consultancy under the leadership of Capital Magazine. According to the results of the "Repman Turkey Reputation League", the largest and most comprehensive Reputation Management survey conducted by Repman and Zenna Consulting to date in Turkey, Pinar Süt was awarded the success award at Repman Turkey reputation League.





With its experienced R&D team, responsible and uncompromising production approach, transparent and traceable business processes, Pinar Süt has been moving forward with its strong brand image since its inception.



Pinar Süt Products

Offering health and flavor to Turkish and international markets together, Pinar Süt further reinforces its brand strength with its innovative and rich product range and manages to meet the current expectations of consumers.



MILK

Boxed Milk

Whole Milk
Semi-Skimmed Milk
Organic Milk
0.1% Light Milk
1.1% Fatty Vitamin D Milk
Light Milk
Kids Follow On Milk
Denge Lactose-free Milk
Protein Milk
Kido Flavored Milk
Pipetto Milky Drink



FRUIT JUICE

Fruit Nectars

Sour Cherry Nectar
Peach Nectar
Mediterranean Mixed Fruit Nectar
Apricot Nectar
Orange Nectar

100% Fruit Juices

100% Apple Juice

Fruit Drinks

Crazy 2 Peach-Orange
Crazy 2 Peach-Pineapple
Crazy 2 Apple-Strawberry
Crazy 2 Apple-Pear
Mediterranean Drink
Cherry Drink
Orange Drink

FLAVORS

Chocolate Sauce
Kremilla
Mayonnaise
Light Mayonnaise
Ketchup (Hot and Sweet)
Classic Mustard
Honey Mustard
Sharp Bitter Mustard
Granular Mustard
Hot Sauce
Barbecue Sauce
Cream
Pinar Milk Cream



YOGHURT

Natural Yoghurt
Organic Yoghurt
Lactose-Free Yoghurt
Light Yoghurt
Protein Yoghurt

AYRAN

KEFİR

Plain Kefir
Strawberry Kefir
Apricot Kefir
Forest Fruit Kefir

DESSERTS-POWDER PRODUCTS

CHEESE

Modern Cheese

Pinar White
Labneh
Toasting Cheese Slices
Açbitir Kasha and Cheddar Cheese





Cream Cheese and Cheese
Triangles
Go Snack Cheeses
Choco Labneh

Traditional Cheeses

Fresh Kashar
White Cheese Soft and
Creamy
Salt Strained White Cheese
Organic White Cheese

Special Cheeses

Cheddar Cheese
Halloumi Cheese

Butter

AWAY FROM HOME CONSUMPTION (AFH)

Milk

Milk (Full Fat, Semi-Skimmed,
Fat-free)
Boxed Milk (Full Fat and
Semi-Skimmed)
Latte Art Barista Milk
(Full fat)
Barista Milk (Semi-Skimmed)

Cheese

Labneh
Pinar White
Fresh Cheese
Toasting Cheese Slices
Kashar Cheese
Cheese Triangles
Burger Cheese Slices
Full-Fat White Cheese

Butter

Serving Size
Roll Butter (Block)



Jam and Honey

Serving Size Strawberry Jam
Serving Size Shourcherry Jam
Serving Size Honey

Cream

UHT Cream
Sour Cream

Yoghurt

Natural Yoghurt (Full-fat, Semi-fat)

Ayran

Ayran in Cup

Milk Powder

Fat-free Powder Milk
Full-fat Powder Milk
Whey Powder

Sauce

Service Mayonnaise
Service Ketchup
Bucket Mayonnaise
Bucket Ketchup
Sachet Mayonnaise
Sachet Ketchup
Barbecue Sauce Sachet
Barbecue Sauce Bucket
Hot Sauce Sachet
Hot Sauce Bucket
Garlic Mayonnaise Sachet
Garlic Mayonnaise Bucket
Mustard



300+

PRODUCT VARIETY



Innovations for Changing Trends

Encouraging consumers of all ages to drink milk, Pınar Süt continued to expand and renew its product range which contributes to healthy life in 2019.

13

NEW PRODUCTS

29

NEW PRODUCT PACKAGES

Pınar Süt closely followed the sector and consumer research in domestic and foreign markets, and introduced 13 new products and 29 new product packages to the market in 2019.



Pınar Labneh

Organic Labneh was created and launched to meet the demand for organic products. New tastes have been added to Labneh products, which was greatly liked by the consumers

New Lemon Cheesecake, Mushroom and Onion Garlic Labneh versions were introduced to the Russian market on the export channel.

Kido Flavored Milk

Kido family was expanded and Caramel Kido was presented to consumers. Kido Caramel Milk is prepared according to the canteen criteria of the Ministry of National Education like other flavored milk products of Kido.

Fruit Juice

Fruit Juice Mediterranean was added to Fruit juice category, and the new product was launched.



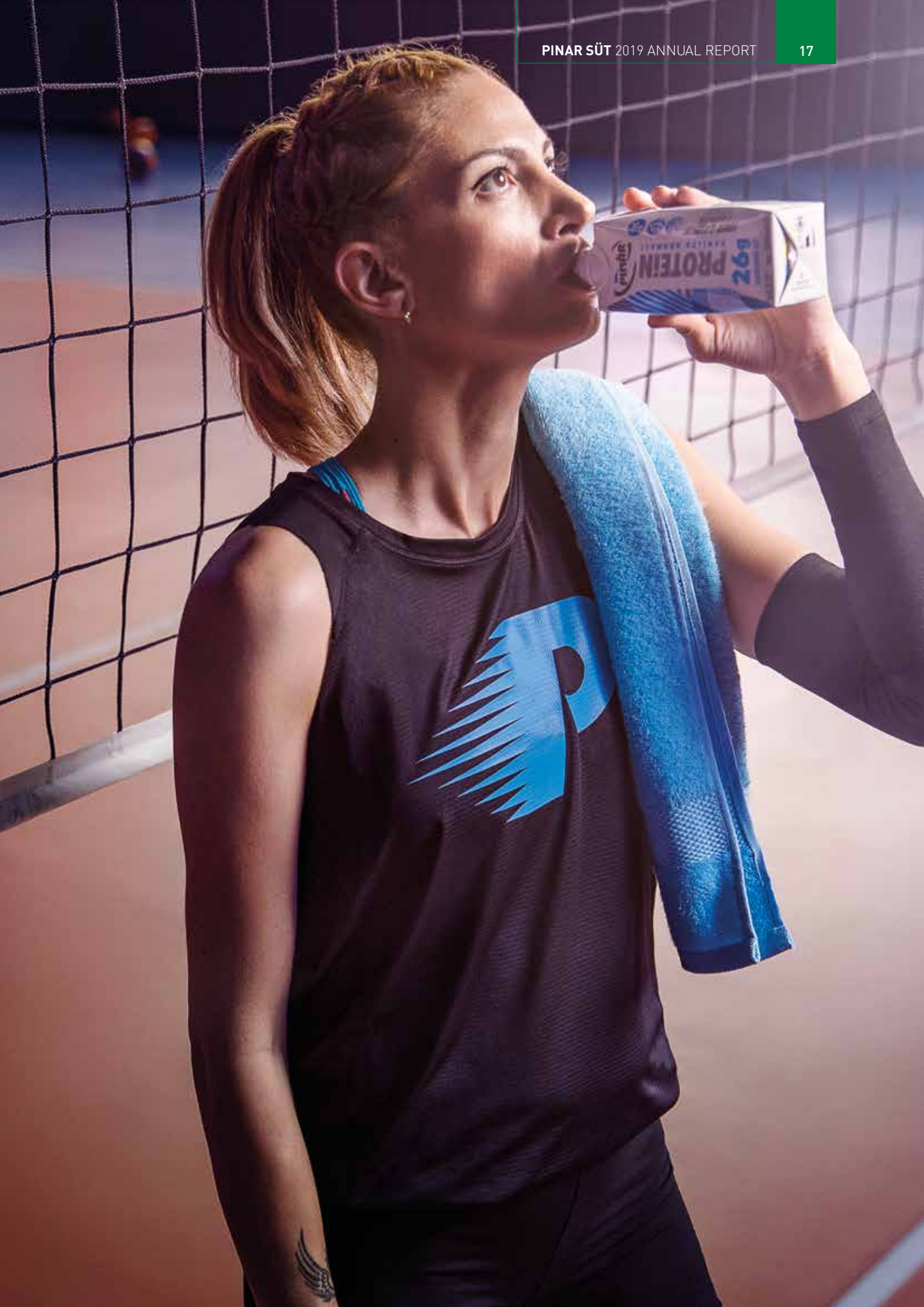
Special to Away From Home Consumption

Pınar Beyaz 2,750 g and Chocolabne 2,750 g products were added to the spreadable cheeses category developed for the pastry channel.

FUTURE TARGETS

With the power of innovation which provides competitive superiority, creating difference with high value-added innovative products in Turkey and export market is among the most important targets of Pınar Süt. Pınar Süt aims to maintain our strong position in the market by creating functional and innovative products in different categories in the near future.





9.6 Million tons

**AMOUNT OF COW MILK
COLLECTED BY COMMERCIAL
DAIRY BUSINESSES**

**TURKEY RANKS 9TH IN
THE WORLD'S RAW MILK
PRODUCTION**

Sector Overview

Turkey ranks 9th among the top 10 countries in the world that performs raw milk production.

Milk Production is Increasing in the World

Global milk production has increased by over 50% in the last 30 years. As an important point, developing countries have been increasing their share in total milk production in the last 10 years. This share increase is due to the increase in the number of animals involved in production, rather than the yield per animal. While India, which realized 18% of all the milk production in all over the world, is the largest milk producer in the world. It was followed by USA, China, Pakistan and Brazil.

Over 6 billion people worldwide consume milk and dairy products, while the vast majority of these people live in developing countries. The countries with the highest milk consumption per person are Argentina, Armenia, Australia, Costa Rica, Europe, Israel, Kirgizstan, North America and Pakistan (more than 150 kg/person per annum). The countries with the lowest milk consumption are Vietnam, Senegal, Middle African countries, major part of East and Northeast Asia (less than 30 kg/person per annum). (National Milk Council)





Sector in Turkey

Raw milk production, which was in the stagnation period between 2013 and 2016, started to increase again as of 2017. According to the latest data, raw milk production in Turkey in 2019 was 23 million tons (TurkStat). According to FAO data, Turkey ranks 9th among the top 10 countries in the world in the production of raw milk.

According to TurkStat data, the number of animals that decreased after the 1980s increased with the demand that increased in parallel with the increase in population and living standards since the beginning of 2000s. In 2019, the highest animal number was achieved in Turkey.

There has been two increases in raw milk base prices in 2019. The raw milk recommendation price determined by the National Milk Council has increased to 1.70 TL per liter between 1 January and 30 April, and to 2.00 TL between 1 May and 14 November with a 17.6% increase. Then, it increased to 2.30 TL with an additional 15% increase, effective from 15 November.

1% increase was observed in packaged cheese products in terms of amount in Turkey in 2019. The packaged cheese market reached a turnover of 4.2 billion TL in 2019. While the packaged milk segment shrunk by 2.1% in tonnage, it grew by 14.8% in turnover and completed the year with a volume of 2.4 billion TL. (Nielsen, Market except for BIM).

Functional milk market continued its growth in 2019. In line with the healthy lifestyle trend, consumers are increasingly interested in the Protein Milk category. Accordingly, new protein-based products were launched in the functional milk category in 2019. The Lactose-Free Milk category grew by

47.4% in tonnage and 57.3% in turnover with a strong growth. (Nielsen, Market except for BIM)

The kefir category, which is on the rise in the dairy market, continued its double digit growth in 2019 as well. It achieved 23% increase in tonnage. (Nielsen, Market except for BIM).

In 2019, milk and dairy product exports of Turkey were realized as 325 million USD. According to the data obtained from Turkish Exporters Assembly, packaged cheese category has the biggest share (49%) on the basis of turnover.

%57.3
TURNOVER GROWTH IN
THE LACTOSE-FREE MILK
CATEGORY



Activities in 2019

In 2019, performing 19% of Turkey's total exports of dairy products, Pinar Süt also domestically delivers its products to 155 thousand retail sales points.

The Company, which carries out its activities in 3 factories in Izmir, Eskişehir and Şanlıurfa, had a sales amount of 301 thousand tons including export.

Pinar Süt, which has revenue of 1.665 billion TL and a growth rate of 11.9%, obtained a gross profit of 203.1 million TL. The Company obtained 84.9 million TL EBITDA, and the net period profit was realized as 34.7 million TL. Pinar Süt continued its investments in 2019 and total fixed asset expenditures reached to TL 14.5 million.





19%
SHARE RATIO IN DAIRY
PRODUCT EXPORTS

EXPORT TO **27**
COUNTRIES

Pinar Süt continues its activities with the aim of becoming a regional power in exports, especially in the near geography. The company realized 19% of its total exports of dairy products in Turkey in 2019 for this purpose (except for industrial milk powder and whey). Being a global player in its sector, the Company exports to 27 countries and makes 60% of its exports to the Gulf countries. Saudi Arabia, the United Arab Emirates (UAE), Kuwait and Qatar are among the main export destinations of Pinar Süt. Outside of the Gulf Region, the main export destinations are Iraq, TRNC, Azerbaijan and the USA.

In order to follow the sector dynamics closely and meet up with customers, Pinar Süt took part in 23rd Gulfood Fair, which is the biggest food and drinks fair, in 2019. In addition, meetings were held for new markets and new dealer candidates by participating in Anuga Fair in Germany and Seoul Food & Hotel Fair in Korea.

NEW MARKETS

Pinar Süt also accelerated its steps towards new markets in exports.

- Pinar Süt is one of the first Turkish companies in the Russian market with the export license to Russia obtained in 2014, and it became the only brand in this country to continue active export and branding studies in 2019. In 2019, the Company launched Labneh with Lemon Cheesecake, Mushroom and Condiment special for this market.
- Exports to Seychelles, Palestine and Comoros Islands were made for the first time in 2019.

- With digital media applications, the Company has carried out communication activities to increase brand awareness in the Gulf Region, Iraq, Azerbaijan, Russia and Kazakhstan markets.
- The brand and products were introduced to consumers with tasting and promotion activities in Russia, Iraq, Kazakhstan, Azerbaijan and other significant markets. Availability in more households was obtained with consumer promotions.





Pinar Süt Customers and Consumers

Pinar Süt, which diversifies its product portfolio in line with the needs of consumers and the new tastes it seeks, brings its products to its consumers by preserving the nutritional values of the products with the freshness of the first day in a natural and an additive-free manner.

Enriching its product portfolio in line with changing healthy life trends, Pinar Süt supports the “Good Life” approach with functional products that suit the taste of its consumers. Closely following the consumer trends in Turkey and all over the World, the Company also improves the contents of its current products in milk and dairy product categories taking into account the increasing trend in healthy living as well as launching new products.

As the loved and trusted brand of Turkey, Pinar Süt centers its studies for the healthy raising of future generation both physically and mentally. It continues to work with dedication for the future of Turkey with its strong projects required for the social citizenship.

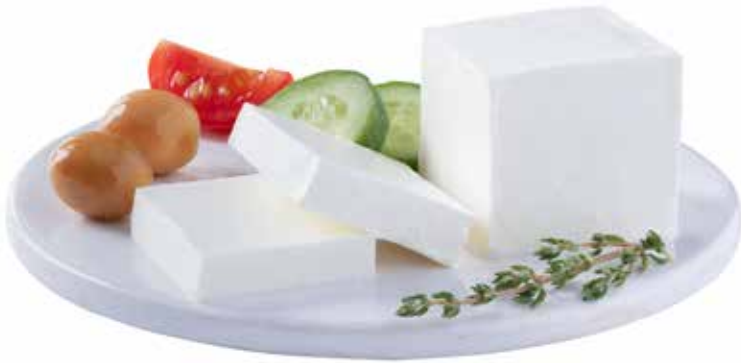
MILK GROUP

PRODUCT	TURNOVER MARKET	SHARE POSITION
Plain Milk	24.4%	Leader
Light Milk	48.5%	Leader
Kids` Milk	75.3%	Leader
Organic Milk	86.7%	Leader
Protein Milk	50.6%	Leader

CHEESE GROUP

PRODUCT	TURNOVER MARKET	SHARE POSITION
Total Spreadable Cheese	32.7%	Leader
Labneh	44.1%	Leader
Sliced Cheese	24.9%	Leader
Fresh Cheese	48.9%	Leader

Source: Nielsen, 2019 Market except for BIM

**COMMUNICATION CAMPAIGNS IN DIFFERENT CHANNELS**

Pınar Süt, which is one of the most loved and trusted brands of Turkey, carries out his activities in different communication projects in different channels by taking the needs and expectations of the consumers into consideration all the time. With this special communication method, the Company achieves to carry the Pınar brand

perception in the lives of the consumers to their stories. Pınar Süt continues its operations in order to strengthen this contact and went on with the same sensibility in product launches and communication campaigns realized in 2019.

In 2019, Pınar Süt has shaped its plans according to the wellness and digitalization trends that have come to the fore in consumer research and trend tracking assessments. Besides launch communications, the Company performed communication activities with Pınar White Milk, Pınar Kids Milk, Pınar Kido, Pınar Balance Lactose-free Milk, Pınar White and Pınar Labneh in this direction.

Communication campaigns realized by Pınar Süt on the basis of product categories in 2019 are as follows:

Milk Group

Pınar Süt was on TV broadcastings with "Have you drunk your milk today?" campaigns in March period. The campaign was also supported by outdoor use, digital and social media broadcasts. In addition, the communication was maintained throughout the year with the posts shared from PınarHepYanımda social media accounts and proposals adding value to the lives of the consumers.



Mother's Day was celebrated in May with the "Memorable Moments" campaign on social media.

Protein Product Group

Pınar Protein, which focuses on the change in consumer needs with the rising trend of healthy living, continued its communication activities in 2019 without slowing down. In October, new package designs with a more dynamic, mobile and sporty appearance took their place on the shelves.

Different sports such as football, basketball, volleyball, cycling and boxing were featured in the new advertisement film, which Pınar Protein assured the consumers that it stood by their side and with the slogan #DURMABAŞLA wherever there was a movement. The advertisement film, which encourages everyone to sports with the presence of professional, semi-professional and amateur athletes from these different sports, was communicated in digital and open air platforms in November and December.

Flavored Milk Group

In 2019, Pınar Kido Caramel was added to the portfolio. Communication activities were organized throughout the year for the Kido brand. The campaigns made were also supported on the product's Youtube channel with different, entertaining and instructive videos.

Pınar Kids Follow On Milk

Pınar Kids Follow On Milk was broadcast on TV in the period of February - May with the campaign "Full Support for Healthy Development of Kids". The campaign was also supported by digital and social media broadcasts.

Lactose-free Product Group

For Pınar Denge Lactose-Free Series, communication was realized in TV and digital channels in January 2019.



Cheese Group

In 2019, advertisement campaigns were made for Pınar Labneh in the spreadable cheese category, where Pınar is the leader, during the first and second halves of the year.

Pınar Labneh sponsored NTV program presented in the first half of the year by Chef DanilloZanna, the face of the brand. Special recipes made by the chef were shared on social media by both Pınar and Danilo Zanna's own accounts. The Pınar MasterChef Competition, held in the last quarter of the year under the moderation of Danilo Zanna and where the social media influencers competed, attracted great attention.

A special recipe for Pınar Beyaz and Pınar Krema has been developed for San Sebastian Cheesecake, which has increased in popularity recently. It was ensured that the popular influencers on social media share these recipes on their accounts. By performing joint exhibitions of Pınar Beyaz and Pınar Krema at the sales point, their brochures were placed on the shelves.



New designs with emojis were used in the cream and cheese triangles.

Cream

In the fast-growing cream market, especially during Ramadan, when consumer use increased, communication was made with 4 popular recipes. While Pınar Cream was introduced with social media influencers, new recipes were added on the back of the packages. Additional stands were set up in front of the pasta and pastry goods aisles at the sales points to exhibit the products, and recipe brochures were used.

Sauce Group

The "Pınar LezzetiKatlar" social media account was launched in September 2019. Communication started on Instagram, Facebook and Youtube channels.

Within the framework of the same communication project, the advertisement belonging to Mayonnaise, which was prepared for Ketchup and Mayonnaise, was broadcasted on the screens during the new year. While the additive-free aspect was highlighted on the Mayonnaise advertisement, the main message of the Ketchup was "1kg Pınar Ketchup contains 2kg tomatoes". The campaign was also supported on thematic channels on TV, social media and sales points in addition to digital media.

For the glass mayonnaise product, brand communication operations during the New Year period like the rich content messages in a retailer chain, advertisements in mobile applications and locational notifications were performed.

AWAY FROM HOME CONSUMPTION CHANNEL

Pınar Süt performed special marketing activities for the Away From Home Consumption products as their demand increased. Accordingly, Pınar Süt, which renders services to a large customer portfolio from hotels to restaurants, from catering companies to schools, preferred to get in communication with chief cooks who are determined as "Opinion Leaders". With its aim to offer healthy food making the life easier by understanding the needs of the consumers well, the Company develops innovative and practical products and carries out product-oriented communication studies.

Promotion Activities in Away From Home Consumption Channels

- Pınar was among the sponsors of 4th "National Cooking Camp", realized in Bolu Mengen with the participation of the gastronomy students of about 50 universities in April in 2019.
- In the coffee festivals held in Izmir, Istanbul





and Ankara with the participation of leading representatives of coffee sector, Pınar, as the only brand, presented Latte Art Barista Milk and all other milk types within its portfolio to the consumers.

- Turkish branch of French centered Sirha Fair, which is the largest and most prestigious meeting of Away From Home Consumption sector, was realized at Istanbul Congress Center between 14 and 16 November. Participating in the fair with a booth, the treats prepared with the Pınar branded products by the famous chefs were presented to the visitors.
- "Gastromasa", which gather the significant representatives of gastronomy in all over the world together and counted among the best 10 gastronomy conferences in the world was held in Istanbul in 30 November. In the conferences hosting the professionals from the sector, Pınar products were presented to the participants and the visitors at a booth established in foyer area with the treats.

STRONG AND WIDE DISTRIBUTION NETWORK

As a feature that takes Pınar Süt a step further in the competition, 82.3% of the Company's sales are carried out by Yaşar Birleşik Pazarlama (YBP), a member of the Yaşar Group and with extensive distribution power. With its 6 regional offices and more than 100 dealers, YBP reaches 155 thousand sale points and distributes Pınar Dairy and Meat Products. Besides these, Nar'ca brand products, which are included in away from home consumption channel, and products of Mars Group, a global chocolate producer, are offered to the consumers in the healthiest, fresh and fast manner.

Being one of the largest sale and distribution companies in Turkey with its experienced team and more than 1,200 distribution vehicles, Yaşar Birleşik Pazarlama renders its services for more than 500 different products in 3 different air conditioning levels in 17 categories by founding all of its commercial system on productivity, operational perfection and reporting. The Company monitors all its operations with the most efficient software systems using up-to-date technology and renders training programs in order to

improve the sale skills of personnel of both itself and its business partners. YBP, which also measures operational satisfaction with the Dealer Logistics Satisfaction Survey, received 92 points out of 100 in the survey to which 100 of its dealers participated.

Principal Fairs Participated and Organizations Performed in 2019

- Agroexpo 14th International Agriculture and Stockbreeding Fair / 7-10 February
- Dubai GULFOOD Fair / 17-21 February
- 6th International Izmir U12 Cup / 5-7 February
- Migros Good Future Festival / 5-7 April
- 2nd National Dairy Congress / 25-26 April
- Seoul Food & Hotel Fair / 21-24 May
- Izmir International Fair / 6-15 August
- IDF World Dairy Summit / 23-26 September
- Anuga Fair / 5-9 October
- 3rd Aegean Economics Forum / 13-14 November
- Sirha / 14-16 November

PINAR COMMUNICATION CENTER

Pınar Communication Center (PIM) can be accessed from all over Turkey on **444 76 27** without dialing the prefix. Requests and complaints received by Pınar Communication Center are examined with care and taken into consideration within the Company.

According to 2019 data, the rate of successful calls in PIM is 93.42%. The call rate answered in the first 15 seconds was 91.16%. In this channel, the customer satisfaction rate was 89.22%. Pınar Communication Center can be accessed on twitter.com/InfoPinar and facebook.com/PinariletisimMerkezi. PIM examines the demands and proposals received from its official Twitter and facebook account in social media, solves them and responds to the customers in a quick manner.



R&D Center and Studies

With our R&D Center, which successfully completed the third activity year audit, Pınar Süt is blazing trails in terms of innovation in line with its strategies. The activities of the center are carried out through the Scientific & Technological R&D departments focused on operational R&D and innovative projects.

The company conducts its R&D activities in two departments under the R&D Center: operational R&D department focused on developing new product/packaging and on improving the current product/packaging and Scientific&Technological R&D department focused on innovative projects in line with the innovation strategies of the Company.

Various projects on Industry 4.0 are also among the activities of the R&D Center which aims to contribute the relevant rings of the value chain by "taking good care".

Award-Winning Projects

The projects of the R&D Center were also deemed worthy of many awards throughout the year. Pınar Süt won the 2019 Gulfood Innovation Award in the "Most Innovative Dairy Products" category at the Gulfood Fair held at the Dubai World Trade Center between February 17 - 21, 2019 with its Pınar Choco Labneh product, which it recently introduced to the region.

Pınar Plain Kefir was awarded with "Superior Taste Prize" by the jury consisting of Michelin starred chefs and sommelier at the ceremony held in Belgium by International Taste and Quality Institute (ITQI).

Pınar Süt R&D Center continues to carry out TÜBİTAK-TEYDEB projects throughout this process with industry and university collaboration model. Various projects were carried out in cooperation with universities in 2019. Science-Tech Academy formed within R&D Center continued to organize several training programs in 2019.

Contribution to Health Life

As a result of the studies of the R&D Center, efforts were made to reduce the amount of sugar and salt in order to contribute to the awareness of healthy life. While the use of sugar in the fruit juice category was reduced, 21.4 tons of table salt was removed from the prescriptions in 2019 with the reformulation studies in the Cheese category.

Cost Optimization Studies

In 2019, cost optimization studies continued without stopping within the R&D Center. In this context, packaging weights have been reduced. An environmentalist approach is adopted within the scope of the sustainability framework.

Innovation E-Bulletin

Innovation, Package, Science and Technical Bulletins issued within R&D Center structure were shared within the company. Besides the overviews of the new products launched to the Turkish and global markets; foreign and Turkish food trends were also included in the bulletins.

Science-Tech Academy Trainings

The training titles of Science-Tech Academy, which was created under the roof of the center and aimed to carry out internal and external training activities, were scheduled annually in line with current topics, trend titles and company needs.



High Quality Target

Having worked for 46 years in order to make healthy milk and dairy products accessible, Pınar Süt operates in all business processes with an understanding of superior quality in line with international standards.

Adopting the principle of adding value to human life with the most quality products, Pınar Süt continued to make company visits to and examinations at existing and potential suppliers in 2019.

The company gave trainings on food safety and quality management systems, hygiene and sanitation to the employees on the basis of the annual plans.

In addition, as an indicator for the significance given on sustainability, the Company provided zero waste and energy efficiency trainings to all his employees in 2019.

Globalization with High Quality Products

Pınar Süt continues to open up to new markets in its export channels with its products that meet international standards. Accordingly, the company applied for export to the People's Republic of China and Brazil in 2019.

Pınar Süt leads the milk sector in Turkey and it became one of the first companies which was given dairy product export license for European Union. In this context, the Company continued to expand its EU approval inspections and EU approved product list in 2019.

Furthermore, Pınar Süt continues its exports to Russia with different products types with the export license issued by Russian Veterinary and Plant Health Observation Institution.

Productivity Activities

Continuing its productivity oriented studies in 2019 as well, Pinar Süt maintains its studies for the development of its technological and operational processes.

Significant improvements are obtained in costs by realizing the projects within the Company performed with Operational Cost Improvement (OMI) models. In OMI application, employees propose the ideas which eliminate any faults determined by them within their own duties as a project. After the approval of the managers, improvements are obtained in costs with the solutions applied. The projects realized by the Company are awarded with an encouraging approach.

Pinar Süt also participated in the "Yaşar Group Sustainability Competition" organized annually by Yaşar Group in environmental, social and economic sustainability branches in 2019. Pinar Süt employees won the first, second and third prize in environmental sustainability, the first and second prize in social sustainability and the third prize in economical sustainability. Projects contributing corporate sustainability and keeping corporate values alive, enabling efficient and productive use of sources and beneficial for the society and the works performed to meet the needs of future generations are very important for Yaşar Group.

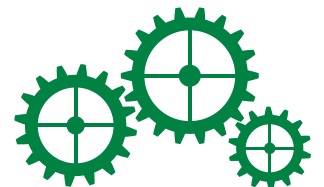
Pinar Süt also launched operational efficiency studies with its global suppliers in 2019. Here, in other countries, continuous improvements were made by making comparisons with the facilities close to the existing portfolio. In this context, PBDA (Pain Break Down Analyses) and OCG (Operational Cost Guarantee) studies were launched with a different global supplier, and efficiency, performance increases and cost improvement targets were determined in the selected production lines.

CONTINUOUS IMPROVEMENT

In order to use the natural sources in an efficient manner, the Company operates on the basis of highest productivity principle in all production processes in all production facilities. Daily productivity measurements are made in production lines of the plants and the outputs are analyzed regularly.

Line efficiencies are handled in periodic meetings with a continuous improvement perspective. Production line efficiency is consolidated and recorded on a daily, weekly, monthly and yearly basis. As a result of these, all required steps are taken in order to achieve the determined targets in all production processes. Line capacity utilizations are used in the most efficient manner.

The Company closely monitors all the technological and operational processes in the sector within Turkey and abroad in 2019 as well. Cost improvement opportunities continued to be created in production lines and recorded with operational cost improvement system database. Productivity was increased with technological improvements. Automation and advanced robot technology investments are made during this process. In production practices, efforts are being made to expand automation and digitalization in line with the sustainability targets of the Company and to increase line efficiency. Pinar Süt gives regular trainings to all its employees in order to improve productivity, to ensure food safety, to increase consciousness on work and worker health and safety. In line with the sustainability targets, studies are being carried out to keep occupational health and safety, service/product quality, natural resource use and environmental awareness at the highest level. While applying zero waste project at the production facilities, works required for certification were carried out. In addition, energy efficiency and energy management works are ongoing. Refreshment trainings and consciousness improvement activities on this issue are continued within the Company.





Investments

In 2019, Pinar Süt made a total investment of 14.5 million TL and realized capacity increasing investments in addition to the renewal and maintenance works in its facilities.

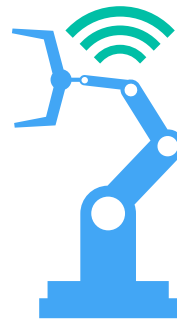
With the total investment amount of 14.5 million TL realized in 2019, Pinar Süt realized capacity increasing investments in addition to the renewal and maintenance works in its facilities. Pinar Süt continued its investments in 2019 as well.

With its corporate culture that includes the concepts of "Innovation" and "Change", the Company continued to advance its use of technology and knowledge and to make investments in line with dynamic sector conditions.

With this understanding, investments in cheese lines were completed.

Additional warehouse and shelf systems investment was initiated in Eskişehir Facility to increase storage capacity. Modernization and renewal investments on production units and auxiliary facilities were continued throughout the year.

INDUSTRY 4.0 INVESTMENTS



High-tech investments aimed at adaptation to Industry 4.0 were given priority throughout the year. With this understanding, the robot palletizing system project, launched in 2018 under the roof of the Technology Center within the R&D Center, was completed in the last quarter of 2019. Within the scope of automation investments made within the framework of Industry

4.0, automation systems investments were realized in existing warehouses at Eskişehir Facility.

INFORMATION TECHNOLOGY ACTIVITIES

The Company, in addition to these steps, realized significant changes in its information technology infrastructure in 2019. Significant improvements have been obtained in productivity increasing with digitalization, work continuity, data security and cost development issues.



Powerful Collaboration with Suppliers

In order to offer high quality and healthy products to its customers, Pinar Süt selects all the suppliers collaborated with care in compliance with “Pinar Quality Criteria”.

Pinar Süt works together with more than 18,000 raw milk producers in Turkey. In order to make high quality and health production, the Company selects all the establishments collaborated with care in compliance with “Pinar Quality Criteria”. The Company aims to develop long term business collaborations by determining its suppliers by taking their purchase, R&D and quality insurance functions into consideration.

In order to have the quality milk raw material, Pinar Süt procures milk from 123 dairy farms, of which 16 have “Disease Free Enterprise” and 7 have “AB Certified Enterprise” certificate, with a manufacturing at European Union standards and adopting quality approach of Pinar Süt.

The company also organizes trainings on significant issues like milk quality, herd health, animal breeding and preventive medicine for the suppliers. The Company also informs producers about healthy milk production and raises consciousness. Raw materials other than milk, food auxiliary materials, packaging materials are purchased from suppliers approved by Purchase Department. At this point, the suppliers are included within the system if positive results are obtained from the comprehensive trial works performed with the companies which can supply materials matching Pinar Quality Criteria.

Under the frame of Supplier Evaluation Procedure, suppliers are regularly inspected and evaluated every year on the basis of the criteria formed. As a result of these evaluations, supply works are improved continuously with corrective or preventive actions.



With the awareness that human resources have a crucial role to become one of the trustable and rotted brands in Turkey, Pınar Süt actively utilizes from modern human resources applications.

In order to increase employee loyalty and satisfaction, Pınar Süt held breakfast on March 8, International Women's Day with the participation of all female employees. In order to raise awareness, "Life is Full of Miracles", "Stress Management & Depression & Healthy Nourishment" and "Strong Women Seminar" were organized for female employees. Motivation-enhancing activities such as the traditional "I'm heading to Pınar" and "Rhythm Training" were also held.

Using the "Yaşar Academy" e-learning application, Pınar Süt offers its employees the opportunity to train without time and place restrictions. In 2019, a total of 20,301 hours of training was offered, with an average of 19.65 hours per employee, with Technical and Personal Development Trainings. Throughout the year, 146 university and 51 high school students were given the internship opportunity.

While the average number of employees of the Company was 1,033 in 2019, the support for the employment of women were given. Ratio of the women employees became 19.9%.

Pınar Süt believes in the significance of peace at the workplace on the way going to social peace and the collective labor agreement executed with Single-Food Labor Union covers the period between 1 January 2018 and 31 December 2019.

Fundamental Human Resources Policy

- Staffing at the Company is determined according to the criteria of business economics.
- Internal and external training programs within the framework of plans that are devised for each level are applied in order to ensure the progression of its employees.
- Equal opportunity principle is observed between the employee for the promotions and appointments within the organization.
- By means of a career planning system in which progression plans are implemented, employees who have potential are offered with the broadest possible opportunities for advancement.
- Employees' performance is evaluated on the basis of their fulfillment of targets and their competencies.
- Job descriptions and performance standards are documented for positions at every level from the highest to the lowest.
- Under the Company's occupational health and safety regulations, legally mandated measures are taken to prevent occupational risks, ensure health and safety, and eliminate risk and accident factors.
- The Company's management style is defined as "... [to] maintain our existence as a company that acts fully respectful of the laws and ethical rules, and embrace total quality philosophy and participatory management."
- The Company operates with the principle that all employees will be treated equally and without making any discrimination among them with respect to language, race, color, sex, political beliefs or philosophy, creed, religion, sect, or similar reasons. All necessary measures have been taken to protect this fundamental constitutional right of employees.

INTERNSHIP
OPPORTUNITY FOR
197 STUDENTS

20,301 hours
TOTAL HOUR OF TRAININGS

Pınar Süt Family

With its fair human resources policy shaped in compliance with Yaşar Group corporate culture, Pınar Süt acts with a sense of "Human First".



IN 2019
CORPORATE CARBON
FOOTPRINT CALCULATION
AND REPORTING WORKS
PERFORMED.

Sustainable Environment Understanding

Continuing its investments for the environmental and social sustainability, Pınar Süt performs studies in order to improve consciousness of the employees and the suppliers on this issue in addition to the environment oriented improvements at the production processes in 2019.

Based on 2011, Yaşar Holding initiated carbon footprint calculations in all its companies. Within this context, "Corporate Carbon Footprint" calculation and reporting studies were performed in Pınar Süt in 2019. Accordingly, Pınar Süt continuously carries out activities aimed at reducing the carbon emission of Yaşar Holding by 15%.

Yaşar Holding proposes making water footprint calculation and reporting works in definite pilot regions in order to monitor the consumption of natural sources and improve environmental consciousness. Pınar Süt continues studies at its facilities in order to keep water consumptions in production processes under control.

Pınar Süt realizes the works which are in parallel with the journey set on by Yaşar Holding after signing United Nations Global Principles Convention in 2007 step by step.



Under the frame of sustainability approach, Yaşar Holding has determined five priority areas: energy and climate change, water management, waste management, health and safety, social contribution. Pınar Süt exhibits its sustainability approach and priorities on environmental issues within this scope.

ENVIRONMENTAL POLICY

Pınar Süt observes all relevant laws and regulations on energy and occupational health and safety. The Company applies methods that do not harm environment and human health and reduce resource consumption.

In addition, Pınar Süt continues to raise awareness of its employees, customers and suppliers within the scope of its environmental policy. Waste decreasing, recycling and reuse principles are adopted in the works related to this issue. With this vision, the Company continuously improves its maintenance programs and aims to decrease energy consumptions with new investments.

Pınar Süt includes the suppliers, worked in cooperation with, into a record system prepared on the basis of sustainability. The suppliers are evaluated in terms of their environmental management systems and the operations of these systems and supported to make the necessary improvements in these matters.

ENERGY CONSUMPTION ACTIVITIES

Pınar Süt completed TS ISO 50001:2011 Energy Management System control inspections successfully in 2019. The Company has ensured the continuity of trainings and meetings related to energy efficiency during the year. The Company prepares environmental plans and programs at the beginning of 2019 and performed improvement works in order to decrease source and energy consumption during the year.

Within the scope of "Responsible Consumption and Production", one of the sustainable development goals in 2019, projects were initiated to reduce the carbon and water footprint in various categories.

By reducing the weight of packaging, less plastic was used. There was also a decrease in the packaging tonnage and carbon dioxide emission released on the environmental scale.

PACKAGING WASTE MANAGEMENT

The Company continued to perform solution oriented works and sought for alternatives in order to determine and minimize possible situations which might negatively affect the environment due to production and usage activities during 2019.

Having the Industrial Waste Management Plan, Pınar Süt keeps its records on all internal audits and inspection within the online system opened by T.R. Ministry of Environment and Urbanization.

Pınar Süt has an Industrial Waste Management Plan and continues to log all the internal audit and inspection records into the online system of the Ministry of Environment and Urbanization. All the wastes formed as a result of production and usage activities are disposed at the companies licensed by T.R. Ministry of Environment and Urbanization. Recyclable wastes are sent to licensed companies and recovered.

With the Seveso Notification made to T.R. Ministry of Environment and Urbanization in accordance with the "Regulation on Major Industrial Accidents", the Ministry assesses possible environmental and human effects of chemical substances in Pınar Süt and determines the establishment level.

Cooperation with ÇEVKO



By investing in the environment, using natural resources in the most efficient manner and acting in compliance with the legal legislations on environment, Pınar Süt continues its operations in parallel with its management systems policy.

Prioritizing the environmental awareness among all topics within the Company, Pınar Süt organizes training activities in cooperation with Environmental Protection and Package Wastes Recycling Foundation (ÇEVKO) in order to inform consumers and municipalities about collecting the package wastes from their sources, their recycling and recovery.



Besides the trainings given in order to improve environmental consciousness of the employees, comprehensive trainings are given under the frame of ISO 14001 Environmental Management System works. Furthermore annual Environmental Management System surveys are performed by Turkish Standards Institute (TSE).

Pınar Süt owns "Environmental Permission Certificate" issued by T.R. Ministry of Environment and Urbanization for its Izmir, Eskişehir and Şanlıurfa plants and subject to regular audits and controls performed by the authorized bodies in compliance with environmental legislations.

Additionally, under the frame of compliance with legislations, the Company prepared a "Greenhouse Gas Monitoring Plan" within the scope of the Announcement on "Monitoring and Reporting Greenhouse Gas Emissions" and completed its Greenhouse Gas Inventory Management System software by making the relevant notification to the Ministry of Environment and Urbanization.

IMPROVEMENTS IN LOGISTICS OPERATIONS

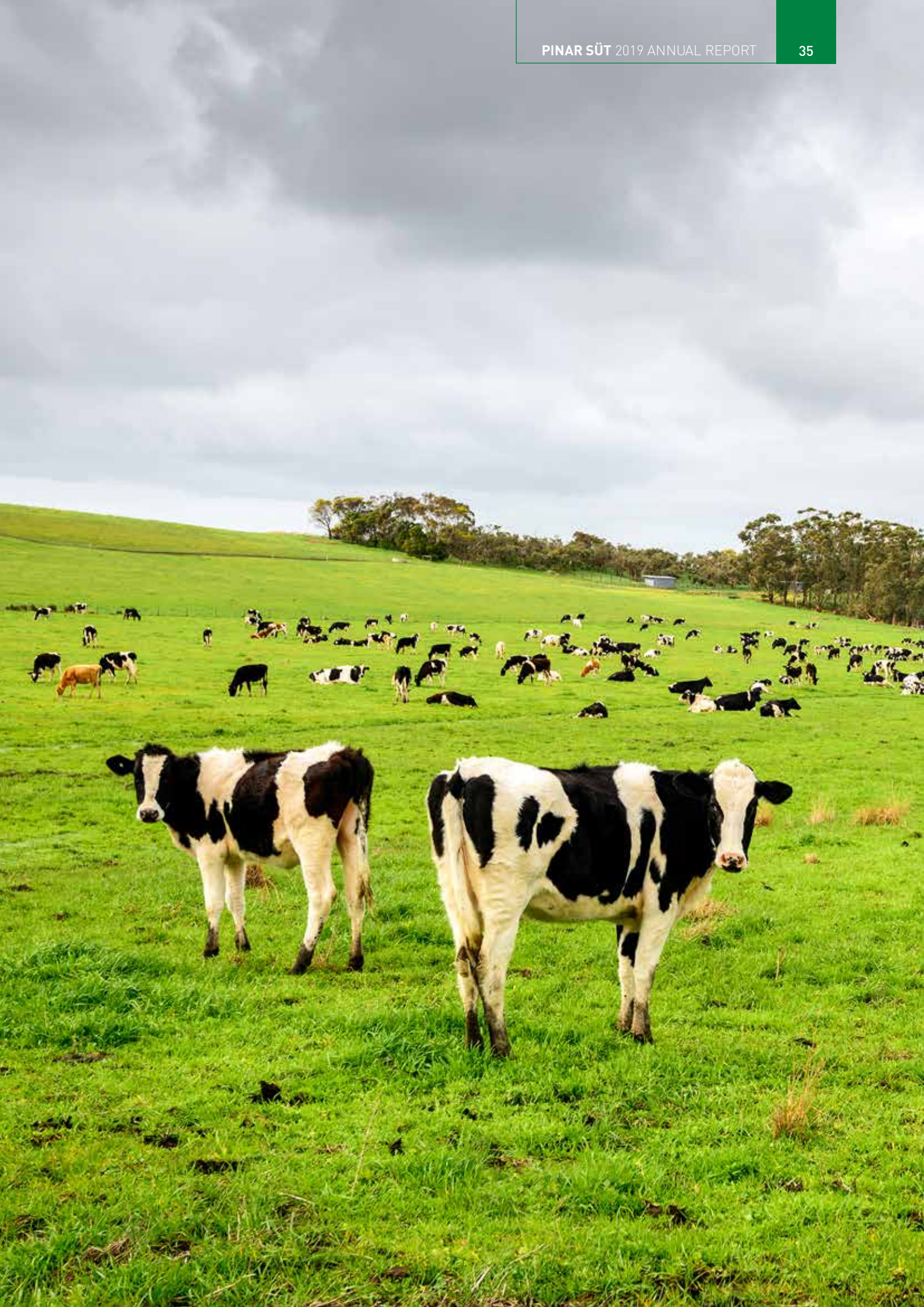
By continuously conducting efficiency studies in logistics processes with the concept of "Green Logistics", Pınar Süt takes an approach focused on customer satisfaction. With this understanding, according to the Dealer (Customer) Satisfaction questionnaire given about 100 dealers in 2019 the satisfaction from the logistics operations and services rendered was measured as 92%.

The usage rate of semi-trailer truck type vehicles for durable goods and refrigerated good transportations within all transportations of Yaşar Group Companies between the cities in 2019 were realized as 92% and 55%, respectively.

Pınar Süt continues its operations with the logistics model based on more and faster transportation volume with less distance and formed with the environmental sustainability vision. On the other hand, service quality and performance of firms to which the Company outsources its logistical services are also analyzed and reported on a monthly basis within the framework of the Lean Six Sigma philosophy. In 2019, average Sigma performance levels of all the logistics service provider companies were realized as 3.92.

Euro 4 and Euro 5 norms were applied in order to keep the exhaust emission levels of the fixed vehicle fleet used for the transportation within Turkey within acceptable limits in 2019.

From the inverse logistic process of Yaşar Food Group companies, occupancy rate of vehicles given a return duty was realized as 96% in 2019.



**more than
3 million
PINAR CHILDREN'S
THEATRE
NUMBER OF CHILDREN
WATCHED**



Corporate Social Responsibility

The Company continues its responsibility activities under Pinar brand and gives significant support to the society in education, sports, arts, environment and sustainability areas.

Yaşar Group realizes social responsibility projects, which have been performed for years and become traditional under "Pinar" brand. The Company realized significant social responsibility projects on different fields in order to build a conscious and healthy society in 2019 as well.

PINAR CHILDREN'S THEATRE

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

During the 2018-2019 school year, Pinar Children's Theatre exhibited its new play "Game Machine" at various schools in Izmir and created a festival for thousands of theatre loving children. The Game Machine, of which first stage took place in Izmir in March, was shown in Samsun as the second stop. Later, the play, which was displayed within the scope of Cultural Events of Denizli Metropolitan Municipality, took stage in Burdur - Gölhisar, Denizli - Çameli, Muğla - Köyceğiz, Aydın - Hatıpkışla, Izmir - Kiraz, and Izmir - Ödemiş during the Turkey tour. Pinar Children's Theatre met with 50 thousand theater-loving children throughout 2019.

INTERNATIONAL PINAR CHILDREN'S PAINTING CONTEST

The theme of International Pinar Children's Painting Contest, which is organized in order to improve the interest of primary and middle school children on painting, was "Draw Your Dream" in 2019. About 35,496 paintings and 1,466 schools from seven regions of Turkey and from NCTR, Germany and via social media took part in the contest.



14 little artists who deserved the awards came together at Pinar Culture & Art Event conducted in Izmir in order to be granted their awards and certificates after the assessment of jury. During the event, children coming from Turkey and abroad had a chance to know Izmir. Award Ceremony for 38th International Pinar Children's Painting Contest was held at Ahmed Adnan Saygun Art Center and the works of little artists were exhibited at Ahmed Adnan Saygun Art Center during 11-28 June 2019. Paintings of the contest winners continued to be exhibited in various areas throughout the year.

PINAR CHILDREN'S PAINTING WORKSHOP

Pinar Children's Painting Workshop is another project aiming to make children familiar with art, was realized for the fourth time in 2019. The workshop reached to the children in 9 different points in 8 provinces - Istanbul, Trabzon, Samsun, Şanlıurfa, Gaziantep, Izmir, Eskişehir and Bursa. Under the frame of Pinar Children's Painting Workshop 3,484 children were directed to take part at Pinar Children's Painting Contest. 215 thousand people were reached through workshop activities.



SUPPORT FOR SPORTS

Pinar brand also continues corporate social responsibility projects in the field of sports. Also, with beverage supply and name sponsorship activities, Pinar, the main sponsor of Karşıyaka Basketball Team since 1998, contributes greatly to the development of basketball in Turkey. The Company also maintains its supports towards different sports branches in Turkey and supports the youth's interest and improvement in sports.

Pinar KSK

With the sense of "Social citizenship", contributions are made towards education, sports and protection of cultural assets. With this corporate culture approach, the company supports Karşıyaka Sports Club under the leadership of Selçuk Yaşar, the Founder and Honorary President of Yaşar Holding. As being the main sponsor, thousands of little sportsmen in Karşıyaka Basketball Team and sports infrastructure have been supported since 1998.

The recent achievements of Pinar Karşıyaka which was sponsored with the aim of making Izmir a city of basketball and integrating youth and children with sports include Turkish Cup Championship, Presidency Cup and Turkish Basketball League Championship. In addition to these achievements, Pinar Karşıyaka has successfully represented our country in international organizations such as Turkish Airlines EuroLeague, 7DAYS EuroCup, FIBA Champions League and FIBA Europe Cup. Pinar has contributed more than 25 thousands children doing sports with the support provided to the Karşıyaka Basketball Youth Branch.

PINAR INSTITUTE

Pinar Institute continues its activities without slowing down since 2013 to contribute to healthy development of the society. Pinar Institute develops projects to raise awareness of the society and to create quality life awareness in areas of food, health and nutrition, and conducts literature researches on food and healthy nutrition to contribute to healthy improvement of the society.



Awareness-Raising Projects

More than 7,500 dairy farmers in 13 different cities were reached with the "Our Milk's Future is in Conscious Hands" project. The studies conducted under the Project were presented to the participants in "Yaşar Sustainability Day", "The Second International Agriculture and Food Ethics Congress" and "Ege University World Food Day". The project, discussed within the work model covering the activities in "The Second National Dairy Congress" and "The First International Turkish World Agriculture and Food Symposium", contributed to the academic literature with its inclusion in the notification booklets of the said events. At the same time, this project has become one of the 25 projects in the international arena that was successfully included in the Impact Champions program by the United Nations Development Program (UNDP) Business Call to Action Platform. It took its place as a sample case analysis in the research report "Management Practices to Bring Inclusive Business to Scale" conducted by UNDP. The case analysis of the project, which has been included in the report through this platform, has been made accessible on the online platform by moving to the online channel. Additionally, in addition to its contributions to the dairy farming in Turkey, the blog post of Pinar Süt written within the framework of the impact management of the studies conducted under the project was published in The Guardian and placed among the projects which are considered as example on the international level.

The Guardian

In another project "Let's Move with Fun and Eat Healthy", the Project Panel was realized with the participation of the Ministry of National Education in Ankara on 21 June 2019. Over 12,000 children in 10 provinces were reached through the project activities. The story book "Rainbow Foods of the Sea" was distributed to all children educated under the project, the interaction with the families of the children were established and thus, the families were also reached thanks to this. The results of the research titled "Investigating the opinions of pre-school education institutions, educators and children on milk and milk consumption" were presented as a poster at the IDF World Milk Summit. An internet portal has been created where teachers who are trained in the project can access educational materials. Other teachers who wanted to implement the project in the same school also had access to materials and the opportunity to implement the activities. In this way, it became possible for more children to receive education.

In 5 September 2019, Mother & Child Nutrition Workshop was organized in the Application Kitchen of Yaşar University Gastronomy and Culinary Arts Department in cooperation with Pinar Institute and Yaşar University. At the event attended by academicians from Ege University and Yaşar University,

mothers prepared healthy snacks for their children. While the mothers were informed about healthy nutrition with the presentations of experts in the field, the children designed aprons for their mothers. Mothers with the aprons prepared healthy snacks in the kitchen. While the mother were in kitchen, the children learned the importance of nutrition and active life with fun.

Scientific Paper Award

The first of the "Scientific Paper Award", given to articles chosen carefully by taking into account the aspects of contribution to science, social benefit and applicability among the articles about food technology, nutrition-health relations and food safety issues and published on referred journals was granted to its holders with the award ceremony held in Yaşar University on 21 May 2019. In

the scientific studies evaluated, Dr. Inst. Şükrü Güleç and Ph.D. Student Tuğçe Boztepe won the first prize with their article titled "Investigation of the effect of high glucose on molecular and genetic regulation in the human small intestine model in vitro" Dr. Pınar Ercan and Prof.

Dr. Sedef Nehir El won the second prize with their article titled "Inhibitory effects of chickpeas and bindii on lipase, -amilase and α -glucosidase", and Res. Asst. Ezgi Doğan Cömert and Prof. Dr. Vural Gökmen won the third prize with their article titled "The mechanism of interaction between insoluble wheat bran and polyphenols that increase antioxidant capacity". The Scientific Paper Award, whose second application period is during 2019, will meet its holders with the award ceremony to be held in 2020.

SPECIAL PUBLICATIONS

Life with Pınar Magazine

Since its first publication in 2004, Life with Pınar Magazine has been an important bridge between the brand and its consumers, business partners and academic and bureaucratic circle. The quarterly magazine is distributed free-of-charge and has been sent out to consumers as an e-bulletin since 2013, and it reached more than 5 thousand people monthly via e-mail.

Pınar Newspaper

Pınar Newspaper is a significant reference for the farmers and consists of issues like stock farming, milk and meat technologies and livestock health. The quarterly producer newspaper is sent to all business partners of Pınar. The newspaper can also be accessed at www.pınar.com.tr.

Social Media Accounts

Pınar is providing beneficial and up-to-date information on mother-children communication and on families through its Twitter, Instagram and Facebook accounts. It also enlightens the youth on topics such as sports and environmental awareness. Pınar includes social responsibility and sustainability issues in its social media accounts and aims to reach different target masses in this way.

SPONSORSHIPS

Pınar takes part in and supports several congresses on several areas like R&D, sustainability and marketing in the food industry. Furthermore, the Company sponsors activities supporting the development of cooking, gastronomy and cuisine culture. Pınar Süt sponsored 9 congresses/summits/forums/symposium and 57 events in 2019.

AWARDS AND CERTIFICATES

Honor Award to Selçuk Yaşar at IDF World Milk Summit

At the World Milk Summit, organized by International Dairy Federation (IDF) in Turkey for the first time, Selçuk Yaşar, the Founder and Honorary President of Yaşar Holding, was granted with "The Honor Award" thanks to his contributions for the establishment and development of dairy sector in Turkey.

Most Popular Companies of Turkey Award

Pınar Süt became "the Most Popular Company" of "the Milk and Dairy Products" category this year as well in "the Most Popular Companies of the Business World" conducted by Zenna Araştırmave Danışmanlık under the guidance of Capital Magazine. Pınar Süt was evaluated by 1,401 executives representing over 600 companies from different sectors of the business world in the study where employer brand creation, product and service orientation and management quality dimensions were prominent.

Reputation Award to Pınar Süt

According to the results of "Repman Turkey" `s Reputation League" which is the largest and most comprehensive reputation management research carried out so far in Turkey by Repman and Zenna Danışmanlık, Pınar Süt was granted with success award in Repman Turkey `s Reputation League. In the study conducted with 13,744 people aged 18 and older during January-February 2019 period in Turkey, the 7 major dimension constituting the reputation management performance, 12 detail performance criteria forming the dimensions and the business results which the reputation affects were taken into consideration for each of the 155 companies representing 17 industries. Furthermore, the general behaviors of consumers and trends towards reputation were questioned for each industry in the study.

Superior Taste Award to Pınar Plain Kefir from Europe

Pınar Plain Kefir was granted with "Superior Taste Award" by the jury consisting of Michelin starred chefs and sommelier at the ceremony held in Belgium by International Taste and Quality Institute (ITQI).

2019 Gulfood Innovation Award with Pınar Choco Labneh

Pınar, also the leader food brand of Gulf and Middle Eastern countries, was granted with the 2019 Gulfood Innovation Award in the "Most Innovative Dairy Products" category at the Gulfood Fair held at the Dubai World Trade Center between February 17-21, 2019 with its Pınar Choco Labneh product, which was specially developed according to taste and use habits of the region. Gulfood Innovation Awards, attended by numerous well-known brands in twelve different categories, were evaluated by a jury of prestigious industry leaders.

CERTIFICATES AND DOCUMENTS

TS EN ISO 9001 Quality Management System Certificate

TSE FSSC 22000 Food Safety System Certificate - Eskişehir Factory

TSE FSSC 22000 Food Safety System Certificate - Izmir Factory

TSE FSSC 22000 Food Safety System Certificate - Urfa Factory

TS EN ISO 14001 Energy Management System Certificate

OHS - OHSAS TS 18001 Occupational Health and Safety Management System

TS EN ISO 50001 Energy Management System Certificate

TSE Halal Conformity Certificate - Eskişehir Factory

TSE Halal Conformity Certificate - Izmir Factory

TSE Halal Conformity Certificate - Şanlıurfa Factory

Milestones

Pinar Süt has obtained many firsts and achievements in the field of milk and dairy products for which it has been a leader for 46 years.

Growing with Firsts

- 1973** ● Pinar Süt is established.
- 1975** ● Turkey's first UHT milk and packaged dairy products are introduced to consumers
- 1976** ● The Company begins producing Turkey's first processed cheese and chocolate milk.
- 1978** ● Pinar Kashkaval Cheese Slices and Cream Cheese are introduced to consumers.
- 1980** ● Pinar Cheddar cheese was produced.
- 1982** ● The Company begins exporting milk, cheese, butter, yoghurt and strawberry milk to Central Europe, the Turkish Republic of Northern Cyprus and the Middle East.
- 1983** ● Pinar Yem is founded to provide high quality feed for manufacturers.
 - Turkey's first domestically-manufactured mayonnaise goes on sale.
 - Pinar White, Turkey's first pasteurized cheese, and the powdered product, chantilly cream, go into production.
 - Cheese Triangles goes into production.
- 1984** ● Pinar Süt begins exporting Pinar Labneh cheese to Kuwait.
- 1985** ● Pinar Labneh is introduced to the Turkish market.
- 1990** ● Pinar begins producing fruit juices.
- 1991** ● Turkey's first pasteurized milk goes on sale.
- 1992** ● Pinar Yoghurt is awarded with the TSE's Golden Packaging award for the introduction of the country's first foil-sealed cap.
- 1993** ● Pinar Süt becomes the first food industry company in Turkey to be awarded TS ISO 9002 Quality Management System certification.
- 1994** ● Pinar Süt receives TSE Golden Packaging award for its 10-liter bag-in-box pack.
 - The Company becomes the first dairy products company in its sector to receive TS ISO 9001.
- 1995** ● Long-life fruit yoghurts and ready-to-serve desserts go into production.
 - Light, Extra Light Yoghurt and Light Triangle Cheese are introduced to market.
- 1997** ● Pinar Süt opens its Eskişehir Plant.
- 1998** ● 100% Pure Pinar fruit juices go on sale.
- 1999** ● Pinar Süt introduces the Denge branded milks (lactose-free, high-calcium, enriched with A, D, E vitamins) for the first time in Turkey.
- 2001** ● UHT milk in aseptic bottles goes into production.
- 2004** ● Pinar introduces its Kafela and Çikola milk product line.
 - TS 13001 HACCP Food Safety Management System Certification is awarded.
- 2005** ● Pinar Organic Milk, Turkey's first organic milk, is introduced to the market.
- 2008** ● Lean 6 Sigma starts at the Company as a first in Turkey's food industry.
 - Pinar Kid's Milk is introduced to the market.
- 2010** ● Honey Flavored Pinar Kid's Milk, and Pinar Breakfast White Cheese products go on sale.
- 2011** ● Consumers are introduced to Pinar's Gourmet series including Cheddar Cheese Spread, Thyme & Olive-Cheese Spread, Triangular Cheese and Pinar Organic Yoghurt.
- 2012** ● Clotted Cream, Turkey's first creamy tasting clotted-cream with 50% less calories goes on sale.
 - Pinar Professional is established to cater for the away-from-home channel.
- 2013** ● Pinar Süt is awarded with TS 18001 Occupational Health and Safety Management System and TS EN ISO 50001 Energy Management System certification.
 - Pinar Süt becomes licensed to export milk and dairy products to EU Countries.
 - Pinar Institute is established to raise awareness of society about food, health and nutrition.
- 2014** ● Enjoyment cheese and organic butter are launched
- 2015** ● Pinar Süt Şanlıurfa Plant goes into operation.
 - White Cheese Soft and Creamy is launched.
- 2016** ● Pinar Go Cheese series and Pinar Aç-Bitir Sliced Cheese are presented to consumers' taste.
- 2017** ● Pinar Protein product group is released to market.
 - R&D center starts operation.
- 2018** ● Pinar Kefir is introduced to market.
- 2019** ● Pinar Institute's "The Future of Our Milk is in Conscious Hands " project is included in the Impact Champions programme by the United Nations Development Programme (UNDP) Business Call to Action Platform.

CORPORATE GOVERNANCE PRACTICES AND FINANCIAL INFORMATION

BOARD OF DIRECTORS

İdil Yiğitbaşı - Chairperson

Graduated from Boğaziçi University Business Administration Department in 1986 and completed MBA in Indiana University in 1989. Having started her professional life in Yaşar Group at finance sector in 1986, İdil Yiğitbaşı held office as Vice Coordinator of System and Financial Analysis between 1990-1995, Yaşar Food Group Coordinator in 1995, Yaşar Food Group Vice Chairperson between 1997-2001 and Vice Chairperson responsible for Pınar Food Group Milk and Dairy products between 1 February 2001 - 31 January 2006 and Board Member at Group companies. She acted as Vice Chairperson of Yaşar Holding Board of Directors between 2003-2009, Chairperson of Yaşar Holding between 2009-2015. İdil Yiğitbaşı continues her office as Vice Chairperson of the Board of Yaşar Holding since April 2015, Vice Chairperson of the Board of Hedef Ziraat, Chairperson of the Board at Pınar Süt ve Viking Kağıt companies and Board Member at Yaşar Group companies. İdil Yiğitbaşı is Vice Chairperson of Selçuk Yaşar Sports and Education Foundation, Board Member of Yaşar Education and Cultural Foundation, Pınar Institute Chairperson of the Board, Member of Foreign Economic Relations Board (DEİK), Board Member of İzmir Culture, Art and Education foundation (İKSEV), Board Member of Turkish Industrialists and Businessmen Association (TÜSİAD), Consultation Committee Member of Turkish Milk, Meat, Food Industrialists and Producers Union Association (SETBİR), Aegean Industrialists and Businessmen Association (ESİAD), Aegean Young Businessmen Association (EĞİAD), Association of Advertisers (RVD) and Turkish Corporate Management Association (TKYD).

Emine Feyhan Yaşar - Vice Chairperson

Feyhan Yaşar started his business career in 1978 as a Human Resources Specialist at DYO which is one of Yaşar Group companies. Later, Feyhan Yaşar served as the Personnel Relations Coordinator of Yaşar Group and took office in various positions in the fields of finance and management, mainly tourism. She then took office as Chairman of the Board of Directors of Yaşar Holding between 2004 and 2009 after Selçuk Yaşar, the founder of Yaşar Group, became the Honorary Chairman. Feyhan Yaşar currently serves as Vice Chairman of the Board of Directors of Yaşar Holding and Hedef Ziraat, while serving as Chairman of the Board of Directors of Pınar Et, Pınar Su, Altın Yunus Çeşme, Yaşar Bilgi, Yadex International, HDF FZCO and HADAF Foods, which are companies of Yaşar Group, and holds offices on the boards of Directors of other Group companies. In addition to her business career, Feyhan Yaşar, taking active part in many non-governmental organizations which support to te development of society in education, culture and sports fields, is the Vice Chairman of Yaşar Education and Culture Foundtion Administrative Council, Member of Board of Directors of Selçuk Yaşar Sports and Education Foundation and Member of Board of Trustees of Yaşar University. Feyhan Yaşar, who has been a Member of the Board of Directors of TÜSİAD and Chairman of the Danish Business Council (DEİK) over the years, has participated in the annual DAVOS meetings with her membership of the World Economic Forum (WEF). She is currently a member Turkish Union of Chambers and Exchange Commodities TOBB), Chairman of Beverages Industry Commission, Member of Business Council Execution Board of Foreign Economic Relationships Board (DEİK) in United Arabic Emirates, member of EBSO Council, MEmber of SEV Board of Trustees, Member of Boğaziçi University Foundation Board of Trustees, and also member of TUSIAD, SETBIR and ESIAD. Feyhan Yaşar has been providing individual support to the excavations of the Ancient City of Teos in Seferihisar, İzmir, carried out by T.R. Ministry of Culture and Tourism since 2011. Feyhan Yaşar is Honorary İzmir Consul of Luxembourg since 2014. After American Girls College in İzmir, Feyhan Yaşar completed her undergraduate studies at Boğaziçi University, Faculty of Administrative Sciences, Department of Business Administration, and her master's degree in Economics Major at Dokuz Eylül University. Feyhan Yaşar speaks English and French, and is mother of two children.

Mustafa Selim Yaşar - Member

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

BOARD OF DIRECTORS

Kemal Semerciler - Independent Member

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

Metin Akman - Independent Member

Born in Ankara in 1966, Metin Akman received Bachelor's degree at Business Administration from METU Faculty of Economics and Administrative Sciences in 1989 and Master degree at International Economics Law from Bilkent University Faculty of Law in 2013. Starting his professional career in Unilever in 1989, Akman later continued his career as an entrepreneur. He implemented successful projects in the fields of chemistry, agriculture, food, animal husbandry, renewable energy, cooperated with international companies, and acted as a consultant for company acquisitions and mergers. Mr. Akman acted as the Chairperson of the Board at Nutreco - Trouw Nutrition Turkey, based in The Netherlands until 2019, and currently holds office as Chairperson of Anako Yumurta Ürünleri company. Believing in the importance of social development, Metin Akman actively contributes to the activities of non-governmental organizations and sectoral associations that represent solidarity, volunteerism and solidarity in addition to business life. In order to contribute to the transformation of the scientific potential of the university into economic value by being transferred to the industry, he lectured Business Plan Development courses for 3 years in Bilkent University Faculty of Economics and Business Administration, Department of Business Administration within the scope of the university – industry cooperation. Member of TÜSIAD Turkish Industrialists and Businessmen Association, Ankara Chamber of Commerce and Industry, Konya Chamber of Industry, Turkish Association of Feed Additives Producers, Hacettepe Nazmi Hoşal Education Foundation, Egg Producers Association, International Egg Commission and Sustainable Development Association, Metin Akman was elected as member of TÜSIAD in 2014 and held this office until 2019. He is a corporate member of United Nations Global Compact, Anako Yumurta Ürünleri Şirketi where he holds office as Chairperson. Also taking active duties in international organizations, Akman holds office as Chairperson of Business at OECD (BIAC-Economy and Industry Consultation Committee) Commission of Agriculture and Food. Taking part as moderator in B20 Summit conducted in Antalya in 2015, Akman moderated the subjects of agricultural growth and global competition power at the summit. Metin Akman serves on the board of Directors of some companies within Yaşar Group.

Cengiz Erol - Member

Cengiz Erol had his bachelor's degree in Business Administration from Ege University in 1974, his master's degree in finance and accounting from the State University of New York (SUNY) in 1979 and his doctorate degree in International Trade and Finance from State of New York University in 1983. Cengiz Erol worked as an Assistant Professor of Finance at Çukurova University from 1983 to 1985, as Associate Professor of Finance at Yarmouk University in Jordan from 1985 to 1990 and in the Department of Business Administration at the Middle East Technical University (METU) from 1990 to 1993, and as Professor of Finance in Middle East Technical University from 1993 to 2010. He was an Advisor to the CEO of Ereğli Demir Çelik Fabrikaları A.Ş. between 1991 and 1994, Board Member at Ankara Sigorta and Chairperson at Ankara Emeklilik Sigorta between 2000 and 2003, advisor to the Board of Directors at İnterfarma Tıbb. Mal. A.Ş. from 2002 to 2004, Board Member at İnterfarma Tıbb. Mal. A.Ş. from 2004 to 2008, Head of the Department of Business Administration at METU from 2008 to 2010 and worked as Assistant to President of METU and Member of Executive Board of Student Assessment, Selection and Placement Center (ÖSYM). After holding the office as the Head of the Department of International Trade and Finance at Izmir University of Economics from 2011 to 2013, Erol served as faculty member in the same department and the Manager of the Institute of Social Sciences from 2010 to 2015. Cengiz Erol, who has served on the boards of Directors of companies within Yaşar Group since March 2014, has also been a faculty member at Yaşar University since 2017.

Yılmaz Gökoğlu - Member

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

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

RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

RISK MANAGEMENT

The scope, working principles and procedures applicable to the Corporate Risk Management activities carried out at Yaşar Group companies were formulated in accordance with the Regulations. In this context, under which conditions should the risk management activities be carried out, the duties and responsibilities related to risk management, processes, reports, confidence procedures and risk management terminology have been established.

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

Risk Management Policy

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

Works of Early Detection of Risk Committee

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

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

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

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

Along the line, the risks suffered by the Company are

- Classified under the headings of strategic, operational, financial, external and compliance risks, and analyzed according to their impact and probability,

- Existing controls for significant risks are reviewed with respect to their design and implementation, and the most appropriate strategies and actions are identified,
- Results of the actions are followed up, and
- Findings and likely developments are reported to appropriate units for assessment.

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

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

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

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

Under the internal auditing activities; effectiveness of Company's current risk management system, sufficiency, effectiveness and productivity of internal audit system are assessed and recommendations are made to improve them. Also, determination and application of required actions for detections and suggestions in this respect are closely monitored.

LEGAL DISCLOSURES

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

Resolutions taken in the Ordinary General Assembly meeting held on 28 March 2019 were applied. No Extraordinary General Assembly Meeting was held in 2019.

Affiliated Companies Report

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

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

Necessary disclosures on the transactions our company carried out with the associated parties are covered in the present report. In this report prepared by the Company's Board of Directors concluded that in all transactions the Company carried out during 2019 with its controlling company or with its affiliates, an appropriate counter-performance was provided in each transaction according to the conditions and state known to us at the time the transaction and/or the action was realized or taken or avoided to be taken; that there were no actions taken or avoided which might potentially cause loss to the Company, and that there are no transactions or actions that would require equalization within this scope.

Donations and Grants

The Company may donate to foundations and such other persons and/or institutions established for various purposes in line with limitations set forth by Capital Markets Board and other relevant regulations. In 2019, the company donated TL 2,400,426 to various institutions and organizations.

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

Disclosure on the matter is stated in footnote 14 of our financial statements issued for the period of 01.01.2019 - 31.12.2019.

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

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

Amendments of Articles of Association Made During the Year

There is no amendment in articles of association.

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

The financial rights provided to the Chairperson and members of the board of directors and senior executives are determined in accordance with the remuneration policy on our website. The sum of the fees and similar payments provided to the senior managers is TL 7,561,535.

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

There are no private or public audits completed within 2019.

Disclosure About the Company's Shareholders' Equity

It is seen that existence of issued capital in amount of TL 44,951,051 was protected greatly with an equity level of TL 898,247,134 as of 31 December 2019.

Voting Rights and Minority Rights

Article 8 of the Company's articles of incorporation grants the following privilege regarding nominations to the Board of Directors:

“Should the Board of Directors be constituted of five members, three of them shall be elected from among the nominees indicated by Group A shareholders, one member each shall be elected from among the nominees indicated by Group B and Group C shareholders. In case the Board consists of seven members, four of them shall be elected from among the nominees indicated by Group A shareholders, two members shall be elected from among the nominees indicated by Group B shareholders, and one member shall be elected from among the nominees indicated by Group C shareholders.

In case the Board consists of nine members, five of them shall be elected from among the nominees indicated by Group A shareholders, three members shall be elected from among the nominees indicated by Group B shareholders, and one member shall be elected from among the nominees indicated by Group C shareholders. The Board of Directors may elect Executive member if they decide so. However, the Chairperson and the Executive Member are determined among members representing Group A.” The Company’s articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. Each share is entitled to one vote. Article 23 of the Company’s articles of incorporation, which governs the exercise of voting rights, reads as follows:

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

There are no other companies in which the Company has a cross-ownership.

Operating Principles of Activity of the Board of Directors

The operating principles of the Board of Directors are regulated as follows in Article 10 of the Company’s articles of incorporation: Accordingly:

“The Board of Directors shall convene as the Company’s affairs and operations may require. However, the Board must meet at least monthly. Board of Directors meetings are convened with a majority of its full membership and decisions are passed with a majority of those present in the meeting.”

The details of the 2019 activities of the Board of Directors are provided below:

During the reporting period, the Board of Directors convened 55 times. Meetings are usually attended by all members. Damages which may be caused to the company by the faults of Board Members during their tasks are insured to cover 25% of the capital.

Number, Structure and Independence of the Committees Established Under the Board of Directors

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

The Corporate Governance Committee fulfills the duties of the Nomination Committee and the Remuneration Committee. When performing their activities, the committees under the Board of Directors adhere to the operating principles that are posted also on the Company website.

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

LEGAL DISCLOSURES

disclosed. Corporate Governance Committee Chairperson is non-executive Independent Board Member Kemal Semerciler, Committee Members are non-executive Board Members Cengiz Erol and Yılmaz Gökoğlu and Investor Relations Department Manager is Gökhan Kavur. Corporate Governance Committee meets at least on a quarterly basis and holds at least four meetings in one year.

The Corporate Governance Committee establishes whether the Corporate Governance Principles are implemented at the Company, the grounds for non-implementation, if applicable, and the conflicts of interest arising from failure to fully comply with these principles. Corporate Governance Committee oversees the activities of the Investor Relations Department.

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

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

The Early Detection of Risks Committee is responsible for early detection of risks that may endanger the existence, development and continuity of the company, taking the necessary measures and managing the risk. The Committee

is headed by Kemal Semerciler, a non-executive and independent board member, and its members are Cengiz Erol and Yılmaz Gökoğlu, who are non-executive board members.

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

Profit Distribution Policy

The profit distribution policy for 2013 and subsequent years prepared in accordance with the Capital Market Regulations of Pınar Süt Mamulleri Sanayii A.Ş. has been submitted to the General Assembly for approval and has been publicly disclosed. The said information is available at Company's corporate website (www.pinar.com.tr) in Turkish and English on the investor relations page.

Access to the Company's Corporate Governance Compliance Report and Corporate Governance Fact Sheet

The Company's Corporate Governance Compliance Report (URF), Corporate Governance Information Form (KYBF), and the Corporate Governance Compliance Report (URF), for 2019, prepared as per the decision of CMB dated 10.01.2019 and no: 2/49 are disclosed to public on corporate website of Public Disclosure Platform (KAP) (www.kap.gov.tr).

AGENDA

ORDINARY GENERAL ASSEMBLY AGENDA OF PINAR SÜT MAMULLERİ SANAYİİ A.Ş. FOR 2020, DATED 25 MARCH 2020

1. Opening and Election of Meeting's Chairman,
2. Authorizing the Chairman to sign the minutes of General Assembly Meeting,
3. Reading, negotiations and approving the Annual Report for 2019 prepared by the Company's Board of Directors
4. Reading and negotiating the Independent Audit Report for 2019 fiscal year,
5. Reading, discussion and approval of 2019 Financial Statements,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2019 operations,
7. Laying down the Independent Audit Firm designated by the Board of Directors for the approval of the General Assembly Pursuant to the Turkish Commercial Code and the Capital Markets Board requirements,
8. Determining the number of Board directors and their terms of office; making elections in accordance with the number of Board directors so determined; designating independent Board members,
9. Determining the rights provided to the Board directors such as compensation and attendance fees, bonuses and premiums pursuant to Article 408 of the Turkish Commercial Code,
10. Informing shareholders, pursuant to Article 12 of the Corporate Governance Communiqué no. II-17.1 issued by the Capital Markets Board, about guarantees, pledges, mortgages and sureties that have been granted by the Company in favor of third parties and about any income and benefits that may have been derived,
11. Informing shareholders about any donations that were made during the year and laying down the donation limit set under the Capital Market legislation for the approval of the General Assembly,
12. Deliberating and voting on matters pertaining to the year's profits,
13. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,
14. Wishes and opinions, closing.

STATEMENT OF INDEPENDENCE

26/03/2019

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

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

and therefore I will serve at the board of directors of the company as an independent member.

Best Regards,

KEMAL SEMERCİLER



STATEMENT OF INDEPENDENCE

26/03/2019

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

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

and therefore I will serve at the board of directors of the company as an independent member.

Best Regards,

Metin AKMAN



PROFIT DISTRIBUTION POLICY

At the Board of Directors meeting of our Company dated 02.03.2020;

For the calculation of net distributable profit of 2019, the Turkish Commercial Code, Capital Market Legislation, Corporate Tax, Income Tax and other legal regulations, articles in our articles of incorporation regarding profit distribution as well as our Profit Distribution Policy were considered, and according to the financial statements independently audited and prepared based on Turkish Accounting Standards and in accordance with Communiqué II-14.1 of Capital Markets Board, General Legal Reserves were not kept from the net period profit of 2019 which is TL 34,679,832 as it reached the legal limits, and the net distributable period profit was calculated as TL 34,679,832.

It was decided to present the following issues for the approval of the Ordinary General Assembly: out of the calculated distributable profit, to distribute the amount of TL 7,416,052 as First Dividend to Shareholders as equal to 20% of distributable profit, considering the donations in amount of TL 2,400,426 made within the year in line with CMB regulations, keeping the Board of Directors Allocation not exceeding 5% ratio in the articles of association over the remaining amount, to distribute profit share over the remaining amount not to exceed 3% ratio to various foundations established for various purposes and to distribute Second Dividend to Shareholders in amount of TL 9,890,103 as equal to 32.73% of total net nominal issued capital (TL 44,951,051) together with First Dividend Amount over the remaining amount (net amount of First and Second Dividend is TL 14,710,232), to keep General Legal Reserves in amount of TL 1,719,454, and to keep the entire remaining amount as Extraordinary Legal Reserves.

For each share that is traded on stock exchange with a nominal amount of TL 1, a cash dividend of TL 0.3273 will be paid.

Please kindly be informed.

Best Regards,
PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

PROFIT DISTRIBUTION TABLE FOR 2019 (TL)

1.	Paid-in/Issued Capital		44,951,051
2.	General Legal Reserves (According to Legal Records)		62,315,345
Information on the privileges if there is any privilege in profit distribution under Articles of Association			
		According to CMB	According to Legal Records
3.	Period Profit	25,418,942	21,789,662
4.	Taxes (-)	9,260,890	(451,192)
5.	Net Period Profit (=)	34,679,832	21,338,470
6.	Accumulated Losses (-)	0	0
7.	General Legal Reserves (-)	0	0
8.	NET DISTRIBUTABLE PERIOD PROFIT (=)	34,679,832	21,338,470
9.	Donations made within the Year (-)	2,400,426	
10.	Net Distributable Period Profit including Donations	37,080,258	
11.	First Dividend to Shareholders		
	- Cash	7,416,052	
	- For free		
	- Total	7,416,052	
12.	Dividend Distributed to Privileged Shareholders		
13.	Other Dividend Distributed		
	- To Board Members	1,358,792	
	- To Employees		
	- To Non-shareholders	777,149	
14.	Dividend Distributed to Redeemed Shares Holders		
15.	Second Dividend to Shareholders	9,890,103	
16.	General Legal Reserves	1,719,454	
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	13,518,282	176,920

STATEMENT OF PROFIT SHARE RATIOS

	GROUP	TOTAL DISTRIBUTED DIVIDEND		TOTAL DISTRIBUTED DIVIDEND/NET DISTRIBUTABLE PERIOD PROFIT	DIVIDEND FOR 1 TL NOMINAL SHARE	
		CASH (TL)	FREE (TL)	RATIO (%)	AMOUNT (TL)	RATIO (%)
NET	There is no privileged shareholders group for profits	14,710,232		42.42%	0.3273	32.73
	TOTAL	14,710,232		42.42%	0.3273	32.73

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

a) During the operating period ended 31 December 2019, PINAR SÜT MAMULLERİ SANAYİİ A.Ş. ("the Company") achieved compliance with the entirety of the mandatory articles of the Corporate Governance Principles appended to the "Communiqué No: II.17.1 on Corporate Governance (" the Communiqué ") issued by the Capital Markets Board of Turkey (CMB).

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

The explanations to be made by our company in accordance with Article 8 of the Corporate Governance Communiqué on corporate governance principles which have not yet been complied with and which are not mandatory are presented below with required explanations:

- 1.3.11** in the articles of association of our company, there is no article regarding the participation of stakeholders and the media in the General Assembly. Officers of independent auditing firms and officers of corporate governance grading institutions also participate in our General Assembly meetings and no request for participation from the stakeholders or the media has reached to our company.
- 1.5.2** In parallel with general practices, rights were granted to the minority within the framework of the provisions of general regulations. The company's capital structure and public disclosure ratio is expected to continue in this manner.
- 4.3.9** There has been no policy for the proportion of female members in the board of directors, but there is currently 2 female member in the board of directors.
- 4.4.7** The board members of our company are not limited for taking other duties outside the company and the duties of the board members are presented to the shareholders for information by including in the annual report.
- 4.5.5** Since there are two independent members in the company's board of directors, it is impossible for a board member to take part in only one Committee.
- 4.6.1** There is no performance evaluation system for the board of directors.
- 4.6.5** In line with general practices, salaries paid to board members and managers with administrative responsibility are disclosed in the annual activity report collectively.

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

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY ISSUED AS PER ARTICLE 9 OF CAPITAL MARKET BOARD-COMMUNIQUÉ ON PRINCIPALS OF FINANCIAL STATEMENTS IN CAPITAL MARKET NUMBERED II-14.1

We declare that according to "Principles Notice Relating Financial Reporting in Capital Market" notice of Capital Market Board (CMB) with no II-14.1, statement of financial position, comprehensive income statement, cash flow statement and statement of changes in equity as well as activity report of board of directors along with the footnotes prepared in accordance with the formats stated by Turkish Accounting Standards/Turkish Financial Reporting Standards (TMS/TFRS) and CMB, prepared by our company, subjected to independent supervision by independent auditing and accepted with the Decision of Board of Directors of Pınar Süt Mamulleri Sanayii A.Ş. dated March 2, 2020 and no 2020/9, belonging to financial year of January 1, 2019 - December 31, 2019;

1. Our company examined the reports,
2. Do not contain any deficiency which may result in any misleading situation as of the date when an explanation against the truth in important matters are made within the information which we have within our area of duty and liability in our company,
3. Within the framework of information we have on our duties and responsibilities in our company, the financial statements prepared in accordance with the communiqué reflect the true information on active and passive assets, financial status, profit and loss of the enterprise and our activity report honestly reflects the development and performance of work and financial status of the enterprise, including the significant risks and uncertainties,

In accordance with the CMB's decision dated 10.01.2019 No. 2/49, the Corporate Governance Compliance Report ("URF") prepared for the fiscal period 01.01.2019-31.12.2019 and the Corporate Governance Information Form ("KYBF") were examined by us and that these reports were prepared in accordance with the procedures and principles specified in the Corporate Governance Communiqué of CMB no: II-17.1 as well as in the decisions taken.

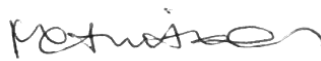
So we declare.
Best Regards,

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

Kemal SEMERCİLER
Head of Audit Committee



Metin AKMAN
Audit Committee Member



Gürkan HEKİMOĞLU
General Manager





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

To the General Assembly of Pinar Süt Mamulleri Sanayii A.Ş.

1. Opinion

We have audited the annual report of Pinar Süt Mamulleri Sanayii A.Ş. (the "Company") for the 1 January - 31 December 2019 period.

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

2. Basis for Opinion

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

3. Our Audit Opinion on the Full Set Financial Statements

We expressed an unqualified opinion in the auditor's report dated 28 February 2020 on the full set financial statements for the 1 January - 31 December 2019 period.

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

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

- a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;

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

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

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

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

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

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

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

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Mehmet Karakurt, SMMM
Partner

İstanbul, 28 February 2020

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

FINANCIAL STATEMENTS

AT 1 JANUARY - 31 DECEMBER 2019

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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



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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Pınar Süt Mamulleri Sanayii A.Ş.

A. Audit of the financial statements

1. Our opinion

We have audited the accompanying financial statements of Pınar Süt Mamulleri Sanayii A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

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

3. Key audit matters

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

Key Audit Matter**How the key audit matter was addressed in the audit****Fair value measurement of land and land improvements and buildings (Refer to Notes 2.6.4 and 10)**

In accordance with TAS 36, "Property, plant and equipment", land and land improvements and buildings are carried at fair value on the financial statements.

The fair value gain before tax amounting to TL 35,485,821 was appraised by the independent professional valuers at 31 December 2019. The fair value gain was recognised as revaluation reserve in equity, net of applicable deferred income tax in the financial position.

This was a key audit matter since the total amount of the land and land improvements and buildings as of 31 December 2019 has a significant share in the assets of the Company and these valuations include estimations and assumptions that are sensitive to discount rates, the location and zoning status, benchmark prices per m², and the construction costs per m².

The following audit procedures were addressed in our audit work for the fair value measurement of land and land improvements and buildings:

- We assessed in accordance with relevant audit standards that the competency, capability and objectivity of the independent professional valuers who were appointed by the Company management.
- We checked and agreed the completeness and reconcile the input data in terms of m², location and zoning status, used by the independent professional valuers who were appointed by the Company management, on a sample basis, with the Company's records. In addition to that certain estimates and assumptions such as the discount rates, market reference prices per m² and construction costs per m² were assessed with the help of the external auditor expert.
- In accordance with the provisions of "ISA 620: Use of Work of Expert" standard, we got our external auditor expert involved on a sample basis to evaluate the assumptions and methods used by the Company management and the independent professional valuers who were appointed by the Company management.
- The compliance of the disclosures of fair value determination of land and land improvements and buildings in the financial statements in accordance with the relevant financial reporting standards were evaluated.



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

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

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

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

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

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

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 28 February 2020.

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

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Mehmet Karakurt, SMMM
Partner

İstanbul, 28 February 2020

CONTENTS	PAGE
STATEMENTS OF FINANCIAL POSITION (BALANCE SHEETS)	64-66
STATEMENTS OF COMPREHENSIVE INCOME	67-68
STATEMENTS OF CHANGES IN EQUITY	69
STATEMENTS OF CASH FLOWS	70-71
NOTES TO THE FINANCIAL STATEMENTS	72-136
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS	72
NOTE 2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS	72-92
NOTE 3 INTERESTS IN OTHER ENTITIES	92-93
NOTE 4 CASH AND CASH EQUIVALENTS	93
NOTE 5 TRANSACTIONS AND BALANCES WITH RELATED PARTIES	94-98
NOTE 6 TRADE RECEIVABLES AND PAYABLES	99-100
NOTE 7 OTHER RECEIVABLES AND PAYABLES	100
NOTE 8 INVENTORIES	100
NOTE 9 PREPAID EXPENSES AND DEFERRED INCOME	101
NOTE 10 PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS	102-105
NOTE 11 INTANGIBLE ASSETS	106
NOTE 12 GOVERNMENT GRANTS AND INCENTIVES	106
NOTE 13 BORROWINGS AND BORROWING COSTS	106-109
NOTE 14 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	109-111
NOTE 15 COMMITMENTS	111
NOTE 16 EMPLOYEE BENEFITS	112-113
NOTE 17 EXPENSES BY NATURE	113
NOTE 18 OTHER ASSETS AND LIABILITIES	113-114
NOTE 19 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS	114-116
NOTE 20 REVENUE AND COST OF SALES	116
NOTE 21 GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES	117
NOTE 22 OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES	118
NOTE 23 INCOME/ EXPENSES FROM INVESTING ACTIVITIES	118
NOTE 24 FINANCIAL INCOME/ EXPENSES	119
NOTE 25 INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)	119-122
NOTE 26 EARNINGS PER SHARE	123
NOTE 27 FINANCIAL INSTRUMENTS	123-124
NOTE 28 NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS	124-133
NOTE 29 FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT)	134-136
NOTE 30 SUBSEQUENT EVENTS	136

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)

AT 31 DECEMBER 2019 AND 2018

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

	Notes	31 December 2019	31 December 2018
CURRENT ASSETS			
Cash and Cash Equivalents	4	15,456,092	1,193,004
Trade Receivables		370,032,551	292,348,136
- Trade Receivables from Related Parties	5	358,117,229	283,012,940
- Trade Receivables from Third Parties	6	11,915,322	9,335,196
Other Receivables		2,600,161	6,517,360
- Other Receivables from Related Parties	5	66,411	83,399
- Other Receivables from Third Parties	7	2,533,750	6,433,961
Inventories	8	157,745,936	169,199,697
Prepaid Expenses	9	5,620,707	3,451,261
- Prepaid Expenses to Third Parties		5,620,707	3,451,261
Current Income Tax Assets	25	87,351	-
Other Current Assets	18	28,871,730	35,429,115
- Other Current Assets from Third Parties		28,871,730	35,429,115
TOTAL CURRENT ASSETS		580,414,528	508,138,573
NON-CURRENT ASSETS			
Financial Investments	27	85,837,114	46,114,555
Other Receivables		13,359	13,359
- Other Receivables from Third Parties		13,359	13,359
Investments in Associates Accounted for Using Equity Method	3	120,655,150	83,320,562
Property, Plant and Equipment	10.a	753,717,617	751,713,962
- Land		183,225,000	162,713,500
- Land Improvements		14,640,000	13,344,008
- Buildings		92,043,235	80,397,486
- Machinery, Plant and Equipment		446,856,908	449,717,529
- Vehicles		790,593	501,615
- Furniture and Fixtures		9,781,236	10,659,698
- Construction in Progress		6,380,645	34,380,126
Right of Use Assets	10.b	2,565,460	-
Intangible Assets	11	5,186,648	2,826,000
- Other Intangible Assets		5,186,648	2,826,000
Prepaid Expenses	9	585,228	269,783
- Prepaid Expenses to Third Parties		585,228	269,783
TOTAL NON-CURRENTS ASSETS		968,560,576	884,258,221
TOTAL ASSETS		1,548,975,104	1,392,396,794

The financial statements at 31 December 2019 and for the year then ended have been approved for issue by Board of Directors of Pınar Süt Mamulleri Sanayii A.Ş. on 28 February 2020. General Assembly and specified regulatory bodies have the right to make amendments after statutory financial statements issued.

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

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)

AT 31 DECEMBER 2019 AND 2018

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

	Notes	31 December 2019	31 December 2018
CURRENT LIABILITIES			
Short-Term Borrowings	13	31,228,891	65,255,444
- Short-Term Borrowings From Third Parties		31,228,891	65,255,444
- Bank Borrowings		31,228,891	65,255,444
Short-Term Portion of Long-Term Borrowings	13	36,066,746	40,841,356
- Short-Term Portion of Long-Term Borrowings From Third Parties		36,066,746	40,841,356
- Bank Borrowings		34,251,409	40,841,356
- Borrowings From Lease Liabilities		1,815,337	-
Other Financial Liabilities		46,394	-
- Other Miscellaneous Financial Liabilities		46,394	-
Trade Payables		389,599,442	349,291,785
- Trade Payables to Related Parties	5	42,874,119	25,628,099
- Trade Payables to Third Parties	6	346,725,323	323,663,686
Payables Related to Employee Benefits	16	2,270,967	1,803,146
Other Payables		11,662,231	12,764,453
- Other Payables to Related Parties	5	8,070,235	9,914,320
- Other Payables to Third Parties	7	3,591,996	2,850,133
Deferred Income		1,053	2,391,616
- Deferred Income From Third Parties	9	1,053	2,391,616
Current Tax Liabilities	25	-	51,237
Short-Term Provisions		670,613	308,267
- Short-Term Provisions for Employee Benefits	16	670,613	308,267
Other Current Liabilities	18	26,980	20,018
- Other Current Liabilities to Third Parties		26,980	20,018
TOTAL CURRENT LIABILITIES		471,573,317	472,727,322
NON-CURRENT LIABILITIES			
Long-Term Borrowings	13	85,306,202	25,555,556
- Long-Term Borrowings From Third Parties		85,306,202	25,555,556
- Bank Borrowings		84,586,318	25,555,556
- Borrowings From Lease Liabilities		719,884	-
Trade Payables		29,837,820	49,739,044
- Trade Payables to Third Parties	6	29,837,820	49,739,044
Long-Term Provisions		27,321,115	22,965,781
- Long-Term Provisions for Employee Termination Benefits	16	27,321,115	22,965,781
Deferred Tax Liabilities	25	36,689,516	39,968,864
TOTAL NON-CURRENT LIABILITIES		179,154,653	138,229,245
TOTAL LIABILITIES		650,727,970	610,956,567

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)

AT 31 DECEMBER 2019 AND 2018

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

	Notes	31 December 2019	31 December 2018
EQUITY			
Equity Attributable to			
Owners of the Parent Company			
		898,247,134	781,440,227
Share Capital	19	44,951,051	44,951,051
Adjustment to Share Capital	19	16,513,550	16,513,550
Other Comprehensive Income/ (Expense) not to be			
Reclassified to Profit or Loss		440,217,395	352,043,990
- Gain/ (Loss) on Revaluation and Remeasurement		339,409,227	327,487,629
- Increase/ (Decrease) on Revaluation of			
Property, Plant and Equipment	10	353,044,854	338,600,210
- Actuarial Gain/ (Loss) Arising from			
Defined Benefit Plans		(13,635,627)	(11,112,581)
- Share of Other Comprehensive Income			
of Investment-in-Associates Accounted for			
Using Equity Method that will not be Reclassified to			
Profit or Loss		44,384,831	5,838,102
- Fair Value Gain of Financial Assets Measured			
through Other Comprehensive Income	27	56,423,337	18,718,259
Other Comprehensive Income/ (Expense) to be			
Reclassified to Profit or Loss		9,133,658	7,797,614
- Share of Other Comprehensive Income			
of Investment-in-Associates Accounted for			
Using Equity Method that will be Reclassified to			
Profit or Loss		9,133,658	7,797,614
Other Profit or Loss		(1,768,324)	-
Restricted Reserves		62,790,880	60,800,423
- Legal Reserves	19	62,790,880	60,800,423
Retained Earnings		291,729,092	250,117,294
Net Profit for the Year		34,679,832	49,216,305
TOTAL EQUITY		898,247,134	781,440,227
TOTAL LIABILITIES AND EQUITY		1,548,975,104	1,392,396,794

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

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

**STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018**

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

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
PROFIT OR LOSS			
Revenue	20	1,664,585,471	1,487,832,140
Cost of Sales	20	(1,461,507,503)	(1,256,251,399)
Gross Profit from Trading Operations		203,077,968	231,580,741
GROSS PROFIT	20	203,077,968	231,580,741
General Administrative Expenses	21	(50,070,772)	(42,416,015)
Marketing Expenses	21	(105,686,818)	(98,857,932)
Research and Development Expenses	21	(14,302,642)	(13,467,250)
Other Income from Operating Activities	22	36,325,282	27,662,497
Other Expense from Operating Activities	22	(16,052,113)	(23,320,515)
OPERATING PROFIT		53,290,905	81,181,526
Income From Investing Activities	23	5,371,748	6,508,616
Expense From Investing Activities	23	(9,745)	(2,001,188)
Share of Results of Investment-in-Associates	3	4,368,187	13,620,781
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		63,021,095	99,309,735
Financial Income	24	7,529,704	10,268,163
Financial Expenses	24	(45,131,857)	(73,043,992)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		25,418,942	36,533,906
Tax Income/ (Expense) from Continuing Operations		9,260,890	12,682,399
- Current Tax Expense	25	(451,192)	(539,771)
- Deferred Tax Income	25	9,712,082	13,222,170
PROFIT FOR THE YEAR CONTINUING OPERATIONS		34,679,832	49,216,305
PROFIT FOR THE YEAR		34,679,832	49,216,305
Earnings Per Share		0.7715	1.0949
- Earnings per Kr1 number of 100 shares from continuing operations	26	0.7715	1.0949

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2019 AND 2018

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

Notes	1 January - 31 December 2019	1 January - 31 December 2018
OTHER COMPREHENSIVE INCOME		
Items not to be Reclassified to Profit or Loss	104,711,475	48,554,829
Increase in Revaluation of Property, Plant and Equipment	10 35,485,821	110,110,531
Fair Value Gain Of Financial Assets Measured Through Other Comprehensive Income	27 39,722,559	(27,567,542)
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	39,089,636	(11,959,257)
- Gains (Losses) on Remeasurements of Defined Benefit Plans of Associates Accounted for Using Equity Method	3 (628,105)	(361,757)
- Revaluation Increases (Decreases) of Property, Plant and Equipments of Associates Accounted for Using Equity Method	3 39,717,741	(11,597,500)
Actuarial Gain/ Loss Arising from Defined Benefit Plans	16 (3,153,808)	(1,626,259)
Taxes Relating To Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss	(6,432,733)	(20,402,644)
- Gains on Revaluation of Property, Plant and Equipment, Tax Effect	25 (5,046,014)	(22,022,106)
- Fair Value Gain Of Financial Assets Measured Through Other Comprehensive Income, Tax Effect	25 (2,017,481)	1,294,210
- Actuarial Gain/ (Loss) Arising from Defined Benefit Plans, Tax Effect	25 630,762	325,252
Items to be Reclassified to Profit or Loss	1,336,044	3,347,737
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss	1,336,044	3,347,737
- Gains (Losses) on Foreign Currency Translation Differences Of Associates Accounted For Using Equity Method	3 1,336,044	3,347,737
OTHER COMPREHENSIVE INCOME	106,047,519	51,902,566
TOTAL COMPREHENSIVE INCOME	140,727,351	101,118,871

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

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

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

	Other Comprehensive Income/ (Expense) not to be Reclassified in Profit or Loss		Other Comprehensive Income/ (Expense) to be Reclassified in Profit or Loss		Share of Other Comprehensive Income of Associates Accounted to Equity Method that will be Reclassified to Profit or Loss	Other Gains/ (Losses)/ Profit or Loss	Retained Earnings	Net Profit for the year	Total Equity	
	Share Capital	Adjustment to Share Capital	Increase/ (Decrease) on Revaluation of Property Plant and Equipments	Gains (Losses) on Remeasurements of Defined Benefit Plans						Revaluation or Classifications of Assets at Fair Value Through Other Comprehensive Income
1 January -31 December 2018										
Balances at the beginning of the period	44,951,051	16,513,550	261,716,422	(9,811,574)	44,991,591	18,139,069	59,129,038	212,121,181	47,082,544	699,282,749
Transfers	-	-	(11,204,637)	-	-	(341,710)	-	58,628,891	(47,082,544)	-
Total comprehensive income	-	-	88,088,425	(1,301,007)	(26,273,332)	(11,959,257)	-	-	49,216,305	101,118,871
- Net profit for the year	-	-	-	-	-	-	-	-	49,216,305	49,216,305
- Other comprehensive income/ (expense)	-	-	88,088,425	(1,301,007)	(26,273,332)	(11,959,257)	-	-	-	51,902,566
Profit shares	-	-	-	-	-	-	1,671,385	(20,632,778)	-	(18,961,393)
Balances at the end of the period	44,951,051	16,513,550	338,600,210	(11,112,581)	18,718,259	5,838,102	60,800,423	250,117,294	49,216,305	781,440,227
1 January -31 December 2019										
Balances at the beginning of the period	44,951,051	16,513,550	338,600,210	(11,112,581)	18,718,259	5,838,102	60,800,423	250,117,294	49,216,305	781,440,227
Transfers	-	-	(15,995,163)	-	-	(542,907)	-	65,754,375	(49,216,305)	-
Due to other changes (decrease)/ increase	-	-	-	-	-	-	-	-	-	(1,768,324)
Total comprehensive income	-	-	30,439,807	(2,523,046)	37,705,078	39,089,636	-	-	34,679,832	140,727,351
- Net profit for the year	-	-	-	-	-	-	-	-	34,679,832	34,679,832
- Other comprehensive income/ (expense)	-	-	30,439,807	(2,523,046)	37,705,078	39,089,636	-	-	-	106,047,519
Profit shares	-	-	-	-	-	-	1,990,457	(24,142,577)	-	(22,152,120)
Balances at the end of the period	44,951,051	16,513,550	353,044,854	(13,635,627)	56,423,337	44,384,831	62,790,880	291,729,092	34,679,832	898,247,134

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AT 31 DECEMBER 2019 AND 2018

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

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES		60,357,357	123,983,195
Net Profit (Loss) for the Year		34,679,832	49,216,305
Profit (Loss) for the Year from Continuing Activities		34,679,832	49,216,305
Adjustments Related to Reconciliation of Net Profit (Loss) for the Year:		68,046,523	49,168,236
Adjustments for Depreciation and Amortization	10	49,777,554	34,216,280
Adjustments for Impairments/ Reversals		56,739	6,126
- Adjustments for Decrease in Fair Value of Inventories		56,739	6,126
Adjustments for Provisions		5,235,996	5,486,324
- Adjustments for (Reversal of)			
Provisions Related with Employee Benefits	16	5,235,996	5,486,324
Adjustments for Dividend Income	23	(5,084,993)	(4,333,747)
Adjustments for Interest Income/ (Expense)		27,377,253	28,608,811
- Adjustments for Interest Income		(6,962,560)	(2,894,724)
- Adjustments for Interest Expense		34,339,813	31,503,535
Adjustments for Unrealized Foreign Currency Translation Differences		4,813,383	9,151,241
Adjustments for Fair Value (Gains) Losses on Derivative Financial Instruments		-	3,349,552
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method		(4,368,187)	(13,620,781)
- Adjustments for Undistributed Profits of Associates	3	(4,368,187)	(13,620,781)
Adjustments for Tax Income/ Losses	25	(9,260,890)	(12,682,399)
Adjustments for Gain/ Losses on Sale of Tangible Assets		(277,015)	(173,679)
Adjustments for Other Adjustments Related to Profit/Loss Reconciliation		(223,317)	(839,492)
Changes in Working Capital:		(40,046,200)	25,557,069
Adjustments For Increases/ (Decreases) In Trade Receivables		(73,482,107)	(38,779,599)
- (Decreases)/ Increases In Trade Receivables From Related Parties		(70,901,981)	(41,933,289)
- (Decreases)/ Increases In Trade Receivables Form Third Parties		(2,580,126)	3,153,690
Adjustments For Increases In Other Receivables		544,701	1,242,025
Increases In Other Receivables From Third Parties		544,701	1,242,025
Adjustments For Increases/ (Decreases) In Inventories		11,453,761	(23,361,838)
(Decreases)/ Increases In Prepaid Expenses		(2,169,446)	1,086,832
Adjustments for Increases/ (Decreases) in trade payables		19,939,212	95,359,881
- Increase In Trade Accounts Payables To Related Parties		15,867,939	7,543,947
- Increase In Trade Accounts Payables To Third Parties		4,071,273	87,815,934
Increases/Decreases In Debts From Employment Termination Benefits		1,136,250	(701,611)
Adjustments For Increases In Other Payable		741,863	507,129
- Increases In Other Payable From Third Parties		741,863	507,129
Adjustments For Increases/ (Decreases) In Deferred Income		(2,390,563)	2,368,427
Adjustments For Increases/Decreases In Other Liabilities Of Working Capital		4,180,129	(12,164,177)
- Increase (Decrease) In Other Assets Related With Operations		4,173,169	(11,874,007)
- Increase (Decrease) In Other Payables Related With Operations		6,960	(290,170)
Cash Flows From Operating Activities:		62,680,155	123,941,610
Employee termination benefits paid		(4,340,555)	(3,895,510)
Income taxes refund/ (paid)		(589,779)	511,327
Government grants received		2,607,536	3,425,768

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

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

**STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AT
31 DECEMBER 2019 AND 2018**

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

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
CASH FLOWS FROM INVESTING ACTIVITIES:		2,329,561	(48,855,543)
Proceeds From Sale Of Tangible And Intangible Assets		478,778	5,832,442
- Proceeds From Sale Of Tangible Assets		478,778	5,832,442
Cash Outflows Due To Purchases Of Tangible And Intangible Assets		(15,532,528)	(67,606,418)
- Cash Outflows Due To Purchases Of Tangible Assets		(12,538,402)	(66,175,250)
- Cash Outflows Due To Purchases Of Intangible Assets		(2,994,126)	(1,431,168)
Cash Payments Of Advances And Loans		(298,457)	2,404,277
- Cash Advances And Loans Made To Related Parties		16,988	1,181,224
- Other Cash Advances And Loans Made To Other Parties		(315,445)	1,223,053
Dividends Received	5	10,719,208	7,619,432
Interest Received		6,962,560	2,894,724
CASH FLOWS FROM FINANCING ACTIVITIES:		(48,904,344)	(75,270,860)
Cash In Flow Proceeds From Borrowings		204,211,641	287,374,692
- Cash In Flow From Borrowings		204,211,641	287,374,692
Cash Outflow Payments Of Borrowings		(191,846,281)	(299,245,392)
- Repayments Of Borrowings		(191,892,675)	(299,245,392)
- Cash Outflow From Other Financial Payments Of Borrowings		46,394	-
Cash Outflow From Derivative Instruments		-	(3,349,552)
Increase/ (Decrease) In Other Payables To Related Parties		(3,784,085)	(9,885,246)
Cash Outflows from Lease Liabilities		(4,900,884)	-
Dividends Paid	5	(20,212,118)	(19,541,399)
Interest Paid		(32,372,617)	(30,623,963)
Net Increase/ (Decrease) In Cash And Cash Equivalents Before Foreign Currency Translation Differences		13,782,574	(143,208)
EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		480,514	6,510
Net Increase/ (Decrease) In Cash And Cash Equivalents		14,263,088	(136,698)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1,193,004	1,329,702
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		15,456,092	1,193,004

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Pınar Süt Mamulleri Sanayii A.Ş. ("the Company") was established in 1973 and the main operations of the Company are the processing, production and sales of milk, dairy products, fruit juice, sauces and powder products. The Company's production facilities are located in İzmir - Pınarbaşı, Eskişehir and Şanlıurfa Organized Industry Zone. The Company sells its products under "Pınar" brand, which is one of the leading brands in food and beverages business in Turkey.

98% (2018: 96%) of sales and distribution of the Company's products in the domestic market are performed by its investment-in-associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), and substantial portion of its exports are performed by Yaşar Dış Ticaret A.Ş., ("YDT") which are both Yaşar Group companies (Note 5).

The Company shares are quoted on the Borsa İstanbul ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 61.41% shares of the Company (2018: 61.41%) (Note 19).

The average number of employees are 1,033 in the period (31 December 2018: 1,100).

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

Yunus Emre Mah. Kemalpaşa Cad. No: 317
Bornova/ İzmir

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1. Basis of Presentation of Financial Statements

The accompanying financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, "Principals of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, financial statements are prepared in accordance with Turkish Accounting Standards/ Turkish Financial Reporting Standards ("TAS"/ "TFRS") and its addendum and interpretations ("TFRSI") issued by the Public Oversight Accounting and Auditing Standards Authority ("POAASA") Turkish Accounting Standards Board. The financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 15April 2019 by POA and the format and mandatory information recommended 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, financial statements of the Company have been prepared accordingly.

The Company maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. Subsidiary operating in foreign country has prepared their financial statements in accordance with the laws and regulations of the country in which it operates. Financial statements have been prepared under the historical cost convention as modified by the revaluation of land, land improvements and buildings, machinery and equipment, derivative financial instruments, which are measured at fair values. These financial statements are based on the functional currency of the company, Turkish Lira ("TL").

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.2. Amendments in Turkish Financial Reporting Standards

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

Amendment to TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirmed two points: (1) that reasonable compensation for prepayments can be both negative or positive cash flows when considering whether a financial asset solely has cash flows that are principal and interest and (2) that when a financial liability measured at 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. The Company management believes that this standard will not have a significant impact on the Company's financial statements.

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. The Company management believes that this standard will not have a significant impact on the Company's financial statements.

TFRS 16, 'Leases'; effective from annual periods beginning on or after 1 January 2019, with earlier application permitted if TFRS 15 'Revenue from Contracts with Customers' is also applied. This standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Effects of standard change are explained in Note 2.5.1.

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 IFRS IC 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. The Company management believes that this standard will not have a significant impact on the Company's financial statements.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.2. Amendments in Turkish Financial Reporting Standards (Continued)

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

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

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

- use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement;
- 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.

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

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

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:

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.2. Amendments in Turkish Financial Reporting Standards (Continued)

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

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

2.3. Basis of Consolidation

The Company does not have any subsidiary to be in the financial statements. The investments in associates are accounted for using the equity method. These are undertakings over which the Company has between 20% and 50% of the voting rights, or over which the Company has significant influence but not control. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

According to the equity method, the total comprehensive income/ (expense) of the affiliates after tax after the purchase is reflected in the Company's total comprehensive income/ (expense) to the extent of the share of the Company in the subsidiary. Dividends received or to be received from associates are recognized as a reduction in the book value of the investment.

The accounting policies of the investment in associate which is accounted for using equity method changed to ensure the consistency with the policies adopted by the Company.

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 Company is terminated as long as the Company 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 2.6.6.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.3. Basis of Consolidation (Continued)

	Share/Voting Right (%)	
	2019	2018
<u>Investments-in-associates</u>		
YBP	31.82	31.82
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	30.52	30.52
Pinar Foods GmbH ("Pinar Foods")	44.94	44.94

Foreign currency translation

Transactions and balances

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

Translation of financial statements of foreign associate

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

Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are measured and presented in TL which is the parent Company's functional and the Company's presentation currency.

2.4. Offsetting

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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

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

2.5. Comparative Information

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 December 2019 on a comparative basis with balance sheet at 31 December 2018; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2019 on a comparative basis with financial statements for the period of 1 January - 31 December 2018.

Any change in the accounting policies resulted from the first time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

The Company has applied the accounting policy changes resulting from the new standard, amendments and interpretations effective as of January 1, 2019 and the first application of the "TFRS 16 Leases" standard in accordance with the transitional provisions of the relevant standard. The accounting policy changes originating from the mentioned standards and the effects of the application of the related standards for the first time are as follows:

2.5.1. TFRS 16 - Leases

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

The Company as the lessee

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

- a) The contract contains an identified asset: - this may be specified explicitly or implicitly,
- b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified,
- c) The Company has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use and
- d) The Company has the right to direct use of the asset. The Company concludes to have the right of use, when it is predetermined how and for what purpose the Company will use the asset. The Company has the right to direct use of asset if either:

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.5.1. TFRS 16 - Leases (Continued)

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

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

Right of use asset

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

- The amount of the initial measurement of lease liability,
- Any lease payments made at or before the commencement date, less any lease incentives received,
- Any initial direct costs incurred by the lessee and
- In case of event, the costs of restoration are included by the Company in line with the underlying assets, rental provision and agreement (excluding stock production costs).

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

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

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

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

Lease liability

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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

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

2.5.1. TFRS 16 - Leases (Continued)

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

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

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

Extension and early termination options

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

Variable lease payments

Lease payments arising from a part of company lease agreements consist of variable lease payments. The mentioned variable lease payments, which are not included in the scope of TFRS 16, are recorded as lease expense on the income statement in the relevant period.

Facilitating applications

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

The Company as the lessor

The Company's activities as a lessor do not include a significant amount.

The First Transition to TFRS 16 "Leases"

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.5.1. TFRS 16 - Leases (Continued)

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

	1 January 2019
Operating lease commitments disclosed in accordance with TAS 17	12,120,802
- Short term leases (-)	(4,851,589)
- Low value leases (-)	(57,258)
Lease liability recognised under TFRS 16 (not discounted)	7,211,955
Lease liability recognised under TFRS 16 (discounted with alternative borrowing rate)	5,890,731
- Short term lease liability	5,170,847
- Long term lease liability	719,884

As of 1 January 2019, the weighted average of the alternative borrowing rates applied to the lease obligations of the Company is 24.85%.

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

	31 December 2019	1 January 2019
Building	833,477	3,280,008
Vehicles	1,731,983	2,610,723
	2,565,460	5,890,731

The company leases various warehouses, vehicles and forklifts. Lease contracts are made for fixed periods of 2-3 years for vehicles, and for fixed periods of 2 years for buildings.

In addition, some of these lease agreements include other components, such as lease and non-lease, and the Company's management has evaluated the lease and non-lease components as a single lease component in accordance with its evaluations and related terms of TFRS 16 standard.

2.6 Summary of Significant Accounting Policies

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.6.1 Revenue recognition

The Company recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

The Company recognizes revenue based on the following main principles:

- a) Identification of customer contracts,
- b) Identification of performance obligations,
- c) Determination of transaction price in the contract,
- d) Allocation of price to performance obligations,
- e) Recognition of revenue when the performance obligations are 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 fulfils the performance obligations related to the sales in time, it measures the progress of the fulfilment of the performance obligations in full and takes the proceeds to the financial statements. Revenue related to performance obligations, such as goods or service transfer commitments, is recognized when customers are in control of the goods or services.

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

- a) The parties to the Convention have ratified the contract (in accordance with written, oral or other commercial practices) and undertakes to carry out their own actions,
- b) The Company may define the rights related to the goods or services to be transferred by each party,
- c) The Company may define the payment terms related to the goods or services to be transferred,
- d) The contract is essentially commercial,

It is probable that the Company will be charged for the goods or services to be transferred to the customer. When evaluating whether the collectability of a price is probable, the entity shall consider only the customer's ability to pay the price at the due date and its intent.

Revenue from sale of goods

The Company recognizes revenue from the production and sale milk and dairy products (cheese, yoghurt etc.) fruit juice, sauce and powder products. Sales are recognised when control of the products have transferred to the customer.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.6.1 Revenue recognition (Continued)

The company considers the following indicators of the transfer of control,

- 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 fulfils the obligation 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 completed transaction is entitled to collect a price directly corresponding to the value of the customer from its customers (delivery of products), the Company recognise the revenue to the financial statements for the amount it has the right to invoice.

The Company recognizes a refund liability in the financial statements if the entity receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received for which the entity does not expect to be entitled and recognised as advances received on the financial position. The refund liability is updated at the end of each reporting period for changes in circumstances.

Other income is accounted as follows:

Interest Income

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

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

Rental income - recognized evenly on an accrual basis.

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

2.6.2 Financial assets

Classification and measurement

The Company classifies its financial assets as financial assets carried at amortized cost and financial assets carried at fair value through other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. The Company classifies financial assets on the date of purchase.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.6.2 Financial assets (Continued)

(a) Financial assets carried at amortized cost

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

Impairment

The Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, The 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 evaluated the effect of the calculation of ECL model as of 31 December 2019 and expected that the effects of the calculation will not have significant impact on the financial statements.

(b) Financial assets measured at fair value through other comprehensive income ("FVOCI")

Assets that the Company 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 irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss, to present subsequent changes in fair value in other comprehensive income.

FVOCI include "Financial Investments" in the statement of financial position. On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings. In case of the sale of assets with fair value difference recorded in other comprehensive income, the valuation difference classified into other comprehensive income is classified in retained earnings.

Where there is no listed fair value of the financial assets carried at fair value through other comprehensive income, the generally accepted valuation methods used in the calculation of the fair value include certain assumptions based on the best estimates of the management and the values that may occur in the case of the purchase/sale transactions may differ from these values. (Note 27).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.6.3 Inventories

The Company's raw material inventory mainly consist of cheddar cheese, lactic butter and packaging materials used for production of dairy products and fruit juice; work-in-progress inventory mainly consist of raw milk, milk powder, melting cheese, pasteurized lactic butter and pasteurized milk; finished goods inventory mainly consist of UHT milk, white cheese, kasseri, labne, packaged fruit juice, butter, sauces and yogurt; and other inventory mainly consist of spare part and pallet.

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

2.6.4 Property, plant and equipment

Property, plant and equipment except for land, land improvements and buildings and machinery and equipment are stated at cost less accumulated depreciation and if exists provisions. Land, land improvements and buildings as of 31 December 2019 and machinery and equipment as of 31 December 2018 are stated at fair value less accumulated depreciation, based on valuations made by external independent expert (Note 10). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset and the net amount is restated to the revalued amount of the asset.

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

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

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

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 10). Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of property, plant and equipment are as follows:

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

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

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

2.6.4 Property, plant and equipment (Continued)

	<u>Years</u>
Buildings and land improvements	15-50
Machinery and equipment	15-25
Furniture and fixtures	5-10
Motor vehicles	5

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

An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

If the property, plant and equipments that are impaired, are revalued, the impairment is charged to the revaluation reserves to the extent that the amount offsetting previous increases of the same asset charged in the revaluation reserves and all other decreases are recognised in the statement of comprehensive income.

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

2.6.5 Intangible assets

Intangible assets have finite useful lives and mainly comprise acquired rights and information processing software. Intangible assets acquired before carried at cost in the equivalent purchasing power of TL as and items acquired after 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 11).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.6.5 Intangible assets (Continued)

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 the Company at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

2.6.6 Impairment of assets

Impairment of non-financial assets:

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

Assets are allocated to cash generating units for the purpose of impairment testing, which is undertaken on the lowest level. An impairment loss is recognized for the amount by which the carrying amount of the asset or any cash-generating unit of that asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. Impairment losses are accounted for in the statement of comprehensive income. Impairment losses can be reversed to the extent that increased carrying amount of an asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years provided that increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period in which the impairment loss was recognized.

2.6.7 Borrowing and borrowing costs

Borrowings are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 24). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 13). 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.

According to the TAS 23 "Borrowing and borrowing costs (revised)" qualifying assets, 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.6.8 Going concern

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

2.6.9 Earning 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 26).

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

2.6.10 Subsequent events

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

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

2.6.11 Provisions, contingent liabilities and contingent assets

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities (Note 14). 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.6.11 Provisions, contingent liabilities and contingent assets (Continued)

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

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

ii. *Provision for profit sharing and bonus plans*

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

2.6.12 Accounting policies, errors and change in accounting estimates

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

2.6.13 Related parties

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.6.13 Related parties (Continued)

b) An entity is related to a reporting entity if any of the following conditions applies:

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

2.6.14 Segment reporting

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

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

2.6.15 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 (Note 25). The adjustments related to prior period tax liabilities are recognized in other operating expenses.

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

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.6.15 Taxation on income (Continued)

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. In this respect, the Company recognised deferred income tax assets arising from tax losses carried forward and other deductible differences as their future utilisation is virtually certain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made (Note 25).

2.6.16 Statement of cash flow

In the statement of cash flows, cash flows are classified into three categories as operating, investing and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investing activities indicate cash inflows and outflows resulting from property, plant and 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.

2.6.17 Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on shares are recognized as an appropriation of the profit in the period in which they are declared. Dividend income is recognized when the Company's right to receive the payment is established.

2.6.18 Government grants and incentive

Grants from the government are recognized at their fair value when there is a reasonable assurance that grant will be received and the Company will comply with all relevant conditions after fulfilling minimum requirements.

2.6.19 Research and development expenses

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.6.20 Critical accounting estimates and judgments

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

a) **Revaluation of land, buildings and land improvements, machinery and equipment:**

Revaluations are performed with the sufficient regularity to ensure that the carrying amounts of the revalued property, plant and equipment 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 yearly revaluations and fair value measurements are considered unnecessary.

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

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

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

- The most effective and efficient uses assessment was made in fair value calculations and the current intended use objectives were determined as the most effective and efficient uses and revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements were based on the method of cost approach.
- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

2.6.20 Critical accounting estimates and judgments (Continued)

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

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

2.7 Compliance Declaration To Resolutions Published By POAASA And TFRS

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority. As Company management, we declare that the current and previous period financial statements together with the summary of the important accounting policies and notes to the financial statements are prepared and presented in accordance with Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority.

NOTE 3 - INTERESTS IN OTHER ENTITIES

Investments in associates:

	31 December 2019		31 December 2018	
	TL	(%)	TL	(%)
YBP	87,980,354	31.82	53,388,670	31.82
Desa Enerji	16,557,185	30.52	15,776,196	30.52
Pinar Foods	16,117,611	44.94	14,155,696	44.94
	120,655,150		83,320,562	

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

	2019	2018
1 January	83,320,562	81,593,648
Share of profit before taxation of investments-in-associates - net	4,368,187	13,620,781
Increase in fair value reserves of investments-in-associates - net	38,379,678	(12,599,798)
Dividend income from investments-in-associates (Note 5.ii.d)	(5,634,215)	(3,285,685)
Currency translation reserve	1,336,044	3,347,737
Increase in revaluation reserve of investments-in-associates	1,338,063	1,002,297
Actuarial loss arising from defined benefit plans of investments-in associates - net	(628,105)	(361,757)
(Decrease)/ increase due to other changes	(1,768,324)	-
Elimination of net effect of unrealized profits on inventory	(56,739)	3,339
31 December	120,655,150	83,320,562

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 3 - INTERESTS IN OTHER ENTITIES (Continued)

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

	31 December 2019				
	Assets	Liabilities	Net Sales	Net Profit	Other Comprehensive Income/(Expense)
- YBP	786,692,664	508,414,561	2,237,381,807	5,746,846	122,518,642
- Desa Enerji	64,946,891	10,696,614	70,005,710	7,358,199	485,051
- Pinar Foods	37,949,095	2,084,360	90,192,248	1,392,685	3,287,008

	31 December 2018				
	Assets	Liabilities	Net Sales	Net Profit	Other Comprehensive Income/(Expense)
- YBP	602,667,726	433,278,443	2,014,722,720	35,191,208	(39,799,770)
- Desa Enerji	59,763,155	8,071,818	66,896,365	5,201,922	3,284,067
- Pinar Foods	32,548,960	1,049,856	86,444,830	1,858,729	7,448,771

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

Associates	Nature of business	Based on
- YBP	Marketing and distribution	Turkey
- Desa Enerji	Energy generation	Turkey
- Pinar Foods	Marketing and distribution	Germany

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash in hands	48,208	43,968
Banks	15,407,884	1,149,036
- Demand deposits	8,592,884	361,036
- TL	250,385	361,036
- Foreign currency	8,342,499	-
- Time deposits	6,815,000	788,000
- TL	6,815,000	788,000
	15,456,092	1,193,004

As of 31 December 2019 the Company has time deposits amounting to TL6,815,000 with an effective interest rate of 10.23% per annum ('p.a.') (2018: TL788,000 and 20.53%).

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. Details of cash and cash equivalents in foreign currency are presented in Note 28.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2019 and 2018 are as follows:

i) Balances with related parties:

	31 December 2019	31 December 2018
a) Short - term trade receivables from related parties:		
YBP	256,752,326	227,523,377
YDT	101,364,903	55,489,563
	358,117,229	283,012,940

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

As of 31 December 2019, trade receivables from related parties amounting to TL49,731,181 (2018: TL30,284,396) over which no provision for impairment is provided of overdue receivables and aging is shown Note 28.a.

b) Other short - term receivables from related parties:

DYO Boya Fab. San. ve Tic. A.Ş. ("DYO Boya")	64,941	67,055
Other	1,470	16,344
	66,411	83,399

c) Short - term trade payables to related parties:

Yadex International GmbH ("Yadex")	18,365,382	4,430,131
Çamlı Yem Besicilik Sanayi ve Tic. A.Ş. ("Çamlı Yem")	12,339,214	15,170,707
Yaşar Holding	4,402,141	3,736,330
HDF FZCO	3,911,565	-
Desa Enerji	2,320,966	1,726,949
Other	1,534,851	563,982
	42,874,119	25,628,099

Trade payables to Çamlı Yem and Yadex mainly consist of raw material purchases.

d) Other short-term payables to related parties:

Yaşar Holding	-	4,086,386
Other	8,070,235	5,827,934
	8,070,235	9,914,320

Majority of other short term payables to related parties which are amounting to TL7,707,546 consist of bonus payments to board of directors according to the decision taken at the General Assembly Meetings held at 29 March 2019, 30 March 2018, 30 March 2017 and 30 March 2016 (31 December 2018: Bonus payments according to the decision taken at General Assembly Meetings held at 30 March 2018, 30 March 2017 and 30 March 2016).

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

ii) Transaction with related parties:

	1 January - 31 December 2019	1 January - 31 December 2018
a) Product sales:		
YBP	1,373,582,459	1,215,499,584
YDT	260,860,458	227,845,536
Pınar Et	637,438	598,304
Other	110,588	2,834
	1,635,190,943	1,443,946,258

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

b) Service sales:

YDT	12,960,646	11,555,478
YBP	562,237	1,072,758
Çamlı Yem	348,584	466,175
Pınar Et	222,958	559,137
Other	876,104	552,078
	14,970,529	14,205,626

c) Other income from operating activities:

YBP	7,111,968	1,056,749
YDT	5,219,752	19,919,358
Çamlı Yem	1,668,795	1,210,574
Other	23,878	-
	14,024,393	22,186,681

Other income from operating activities mostly consist of foreign exchange income from export receivables and building and vehicle rent income from YBP and Çamlı Yem.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

	1 January - 31 December 2019	1 January - 31 December 2018
d) Dividends received:		
Pınar Et	5,070,136	2,671,359
YBP (*)	4,021,445	2,459,280
Desa Enerji (*)	1,612,770	826,405
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	14,857	21,921
Çamlı Yem	-	1,640,467
	10,719,208	7,619,432

(*) Investment in associate (Note 3).

e) Other expenses from operating activities:

YDT	3,929,264	9,277,856
Çamlı Yem	469,353	570,630
Yaşar Holding	207,288	157,809
Other	220,234	326,234
	4,826,139	10,332,529

Other expenses from operating activities are mostly consist of unearned financial expenses, interest expenses and foreign exchange expenses related with trade payables to related parties of the Company.

f) Product purchases:

Desa Enerji	24,423,836	18,963,580
Çamlı Yem	20,151,060	17,659,175
Yadex	19,952,878	18,936,293
Hedef Ziraat Ticaret A.Ş.	6,565,231	4,649,950
Other	215,307	202,448
	71,308,312	60,411,446

The Company imports raw materials through Yadex, purchases steam and electricity from Desa Enerji, and purchases raw material from Çamlı Yem.

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

	1 January - 31 December 2019	1 January - 31 December 2018
g) Service purchases:		
Yaşar Holding	19,123,676	16,192,065
YDT	14,068,243	20,337,094
YBP	12,495,966	11,835,082
HDF FZCO	3,632,293	335,922
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("YABİM")	3,197,552	1,634,625
Bintur	683,613	582,580
Other	1,287,785	642,023
	54,489,128	51,559,391

Service purchases made from YDT mainly consist of the reflection of various export costs of foreign sales and service commissions. Service purchases from Yaşar Holding are related to various services and consultancy charges. The service purchases from the Company's group company and its associate YBP consist of promotional and advertising services and promotion expenses reflected to the company.

h) Financial income from related parties:

Yaşar Holding	2,777,023	2,470,088
	2,777,023	2,470,088

The majority of finance income consists of bail commission charges amounting to TL2,777,023 (2018: TL2,470,088), for the borrowings obtained by the Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company (Note 24.a). The commission rates of bail and financing used in the associated intercompany charges is 0.50% p.a. (2018: 0.50% p.a.).

i) Dividends and profit shares to related parties:

Yaşar Holding	11,731,658	10,489,483
Yaşar Eğitim Vakfı	1,107,921	-
Other	1,947,622	1,887,674
	14,787,201	12,377,157

On the Ordinary Meeting of the General Assembly for the year 2019 as of 28 March 2019, it has been decided to distribute dividend amounting to TL22,152,120 (2018: TL18,961,399). TL7,364,917 portion of this dividend (2018: TL6,584,236) was paid to other shareholders.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

	1 January - 31 December 2019	1 January - 31 December 2018
j) Donations to related parties:		
Yaşar Eğitim Vakfı	2,243,402	1,326,382
Other	157,024	-
	2,400,426	1,326,382
k) Financial expenses from related parties:		
Yaşar Holding	414,232	522,811
Other	587,111	1,267,918
	1,001,343	1,790,729

Significant portion of financial expenses consist of the bail charges related to the guarantees provided by Yaşar Group companies as guarantor.

l) Key management compensation:

Key management includes members of Board of Directors and directors. The compensation paid or payable to key management is shown below:

Total short-term employee benefits	7,447,643	6,853,207
Other long-term benefits	113,891	207,551
	7,561,534	7,060,758

The portion of total short-term benefits amounting to TL1,940,000 (31 December 2018: TL1,880,000) consists of Board of Directors appropriation according to the decision taken at the Ordinary Meeting of the General Assembly.

m) Bails given to related parties:

As of 31 December 2019 Pınar Et, YBP, Çamlı Yem and DYO Boya have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets at 6 November 2014, amounting to USD205,592,000 equivalent of TL1,221,257,598 due 6 May 2020. An Indemnity Agreement was signed between Yaşar Holding and the above mentioned 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.

n) Bails received from related parties:

Received bails are related with guarantee letter amounting to TL97,755,556 guarantees provided by YBP, YDT and Yaşar Holding (31 December 2018: guarantees provided by YBP, YDT and Yaşar Holding related with guarantee letters amounting to TL61,333,333).

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
a) Short - term trade receivables from third parties:		
Customer current accounts	2,532,658	1,980,506
Cheques and notes receivable	9,949,125	7,921,151
	12,481,783	9,901,657
Less: Provision for impairment of receivables	(566,461)	(566,461)
	11,915,322	9,335,196

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

Overdue	1,986,689	1,639,080
0 - 30 days	3,514,991	4,595,257
31 - 60 days	5,750,700	3,100,859
61 - 90 days	662,942	-
	11,915,322	9,335,196

The Company management does not expect any collection risk regarding its trade receivables overdue but not impaired amounting to TL1,986,689 as of 31 December 2019 (31 December 2018: TL1,639,080) considering its past experience and subsequent collections (Note 28.a).

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

	31 December 2019	31 December 2018
0 - 3 months	1,986,689	1,639,080

b) Short - term trade payables to third parties:

	31 December 2019	31 December 2018
Supplier current accounts	346,725,323	323,663,686

Trade payables mature within two months (31 December 2018: Two months).

c) Long-term trade payables to third parties:

Supplier current accounts	29,837,820	49,739,044
---------------------------	------------	------------

Long-term trade payables to third parties are comprised of payables regarding property, plant and equipment purchases that are amounting to EUR4,486,485 as of 31 December 2019 (31 December 2018: EUR8,251,335)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

The redemption schedules of long-term trade payables at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
2020	-	22,694,538
2021	16,189,771	14,674,156
2022	9,058,824	8,210,776
2023	4,589,225	4,159,574
	29,837,820	49,739,044

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
a) Other short-term receivables from third parties:		
Value Added Tax ("VAT") receivable	1,521,839	3,898,461
Deposits and guarantees given	734,242	2,114,836
Other	277,669	420,664
	2,533,750	6,433,961
b) Other short-term payables to third parties:		
Taxes and funds payable	3,343,849	2,608,486
Other	248,147	241,647
	3,591,996	2,850,133

NOTE 8 - INVENTORIES

	31 December 2019	31 December 2018
Raw materials	56,765,589	53,140,957
- Raw materials	50,392,659	49,350,020
- Raw materials in transit	6,372,930	3,790,937
Work-in-progress	36,825,822	50,114,803
Finished goods	57,681,095	56,626,137
Spare parts and palettes	6,473,430	9,317,800
	157,745,936	169,199,697

The costs of inventories recognized as expense and included in cost of sales amounted to TL1,242,724,885 (2018: TL1,065,257,417) (Note 17). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell as of 31 December 2019.

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

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

NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2019	31 December 2018
a) Short - term prepaid expenses to third parties:		
Prepaid expenses	2,954,241	3,110,021
Advances given	2,666,466	341,240
	5,620,707	3,451,261
b) Long - term prepaid expenses to third parties:		
Advances given	423,513	269,783
Prepaid expenses	161,715	-
	585,228	269,783
c) Short - term deferred income from third parties:		
Advances received	1,053	2,391,616
	1,053	2,391,616

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

a) Property, Plant And Equipment:

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

	1 January 2019	Additions	Disposals	Transfers	Accumulated Depreciation Netting Before Valuation	Revaluation Increasing	31 December 2019
Cost or revaluation:							
Land	162,713,500	-	-	-	-	20,511,500	183,225,000
Land improvements and buildings	97,235,560	379,112	-	1,259,592	(7,165,350)	14,974,321	106,683,235
Machinery, plant and equipment	449,717,529	6,682,742	(249,702)	29,722,258	-	-	485,872,827
Motor vehicles	6,696,391	416,524	(68,437)	-	-	-	7,044,478
Furniture and fixtures	57,808,415	1,890,356	(361,771)	-	-	-	59,337,000
Construction in progress	34,380,126	3,169,668	(187,299)	(30,981,850)	-	-	6,380,645
	808,551,521	12,538,402	(867,209)	-	(7,165,350)	35,485,821	848,543,185
Accumulated depreciation:							
Land improvements and buildings	(3,494,066)	(3,671,284)	-	-	7,165,350	-	-
Machinery, plant and equipment	-	(39,272,628)	256,709	-	-	-	(39,015,919)
Motor vehicles	(6,194,776)	(127,545)	68,436	-	-	-	(6,253,885)
Furniture and fixtures	(47,148,717)	(2,747,347)	340,300	-	-	-	(49,555,764)
	(56,837,559)	(45,818,804)	665,445	-	7,165,350	-	(94,825,568)
Net book value	751,713,962						753,717,617

As of 31 December 2019, main additions to property, plant and equipment are comprised of investments related to machinery and equipment.

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (Continued)

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

	1 January 2018	Additions	Disposals	Transfers	Accumulated Depreciation Netting Before Valuation	Revaluation Increasing	31 December 2018
Cost or revaluation:							
Land	162,713,500	-	-	-	-	-	162,713,500
Land improvements and buildings	93,599,500	1,438,430	(1,746,301)	3,943,931	-	-	97,235,560
Machinery, plant and equipment	319,726,099	19,988,244	(4,149,330)	30,708,916	(26,666,931)	110,110,531	449,717,529
Motor vehicles	6,774,403	195,038	(273,050)	-	-	-	6,696,391
Furniture and fixtures	56,711,279	2,074,461	(977,325)	-	-	-	57,808,415
Construction in progress	26,553,896	42,479,077	-	(34,652,847)	-	-	34,380,126
	666,078,677	66,175,250	(7,146,006)	-	(26,666,931)	110,110,531	808,551,521
Accumulated depreciation:							
Land improvements and buildings	-	(3,600,784)	106,718	-	-	-	(3,494,066)
Machinery, plant and equipment	-	(26,851,241)	184,310	-	26,666,931	-	-
Motor vehicles	(6,374,961)	(92,865)	273,050	-	-	-	(6,194,776)
Furniture and fixtures	(44,931,869)	(3,140,013)	923,165	-	-	-	(47,148,717)
	(51,306,830)	(33,684,903)	1,487,243	-	26,666,931	-	(56,837,559)
Net book value	614,771,847						751,713,962

As of 31 December 2018, main additions to property, plant and equipment are comprised of investments related to machinery and equipment and furniture and fixtures.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (Continued)

b) Right of Use Assets:

	1 January 2019	Effects of change in accounting policies	Additions	Disposals	31 December 2019
Cost:					
Land improvements and buildings	-	3,280,008	-	-	3,280,008
Motor vehicles	-	2,610,723	-	-	2,610,723
	-	5,890,731	-	-	5,890,731
Accumulated depreciation:					
Land improvements and buildings	-	-	(2,446,531)	-	(2,446,531)
Motor vehicles	-	-	(878,740)	-	(878,740)
	-	-	(3,325,271)	-	(3,325,271)
Net book value	-	5,890,731	(3,325,271)	-	2,565,460

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 10 - PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (Continued)

There are no mortgages or other collaterals placed on property, plant and equipment as of 31 December 2019 (2018: None).

Current year's depreciation and amortization charges were allocated to cost of goods sold by TL38,698,589 (2018: TL28,590,874) to the cost of inventories by TL759,652 (2018: TL715,657), to marketing expenses by TL4,554,266 (2018: TL2,077,212) (Note 21.a), to general administrative expenses by TL4,792,216 (2018: TL2,218,636) (Note 21.b), to research and development expenses by TL972,830 (2018: TL613,901) (Note 21.c).

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

	2019	2018
1 January	338,600,210	261,716,422
Disposal of revaluation funds due to sale of property, plant and equipment - net	(14,511)	(2,700,130)
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements - net	30,439,807	-
Machinery, plants and equipment revaluation resulting increase - net	-	88,088,425
Depreciation transfer upon revaluation reserve - net	(15,980,653)	(8,504,507)
31 December	353,044,853	338,600,210

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

	Land	Land improvements and buildings	Machinery and equipment
31 December 2019			
Cost	9,059,482	76,005,904	406,951,795
Less: Accumulated depreciation	-	(24,175,836)	(134,367,502)
Net book value	9,059,482	51,830,068	272,584,293
31 December 2018			
Cost	9,059,482	74,367,201	370,814,636
Less: Accumulated depreciation	-	(21,807,580)	(113,619,242)
Net book value	9,059,482	52,559,621	257,195,394

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 11 - INTANGIBLE ASSETS

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

	1 January 2019	Additions	31 December 2019
Costs:			
Rights	13,130,556	686,285	13,816,841
Construction in progress	1,702,109	2,307,842	4,009,951
Less: Accumulated amortization	(12,006,665)	(633,479)	(12,640,144)
Net book value	2,826,000		5,186,648
	1 January 2018	Additions	31 December 2018
Costs:			
Rights	12,808,201	322,355	13,130,556
Construction in progress	593,295	1,108,814	1,702,109
Less: Accumulated amortization	(11,475,288)	(531,377)	(12,006,665)
Net book value	1,926,208		2,826,000

NOTE 12 - GOVERNMENT GRANTS AND INCENTIVES

During 2019, in scope of Turquality Project implemented by Undersecretariat of Foreign Trade to support brandization of products made in Turkey in foreign markets and to settle the image of Turkish goods, the Company was provided TL492,142 (2018: TL833,034) government incentive. As of 31 December 2019, the company has incentive accrual amounting to TL2,512,167 (31 December 2018: TL3,675,970).

There are investment incentive certificates to which the Company has been entitled by the official authorities (Note 25).

NOTE 13 - BORROWINGS AND BORROWING COSTS

	31 December 2019	31 December 2018
From third parties:		
Short-term borrowings	31,228,891	65,255,444
Short-term portion of long-term borrowings	34,251,409	40,841,356
Borrowings from lease liabilities	1,815,337	-
Short-term borrowings	67,295,637	106,096,800
Long-term borrowings	84,586,318	25,555,556
Borrowings from lease liabilities	719,884	-
Long-term borrowings	85,306,202	25,555,556
	152,601,839	131,652,356

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 13 - BORROWINGS AND BORROWING COSTS (Continued)

Borrowings:

	Effective weighted average interest rate p.a. (%)		Original currency		TL equivalent	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Short - term borrowings:						
TL borrowings (*)	-	31.76	490,542	38,950,944	490,542	38,950,944
USD borrowings (*)	3.22	3.22	5,000,000	5,000,000	29,701,000	26,304,500
EUR leasing borrowings	3.12	-	155,978	-	1,037,349	-
Short - term portion of long - term bank borrowings:						
TL borrowings (**)	14.50	15.07	34,251,409	40,841,356	34,251,409	40,841,356
Total short - term borrowings					65,480,300	106,096,800
Long - term bank borrowings:						
TL borrowings (**)	13.64	14.31	83,034,921	25,555,556	83,034,921	25,555,556
EUR leasing borrowings	3.12	-	233,272	-	1,551,397	-
Total long - term bank borrowings					84,586,318	25,555,556

(*) As of 31 December 2019 short-term financial liabilities consist of spot loans. Interest rate for spot loans is 0% p.a. (31 December 2018: 31.76% p.a.). As of 31 December 2019 USD short-term financial liabilities consist of export credits with interest rate 3.22% p.a. (31 December 2018: 3.22% p.a.).

(**) As of 31 December 2019 TL denominated long-term borrowings consist of loans with a fixed interest rate of 11.55% p.a and 16.30% p.a. (As of 31 December 2018, TL denominated long-term borrowings consist of loans with a fixed interest rate of 12.95% p.a and 16.30% p.a.).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 13 - BORROWINGS AND BORROWING COSTS (Continued)

Guarantees given for The Company's financial liabilities and other financial liabilities are explained in Note 14.

The redemption schedule of long-term borrowings at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
2020	-	10,000,000
2021	32,214,890	15,555,556
2022	22,885,714	-
2023	22,885,714	-
2024	6,600,000	-
	84,586,318	25,555,556

31 December 2019 and 2018 are prepared in accordance with the Company's variable interest rate and the fixed rate renewal date net financial debt maturity breakdown is as follows:

31 December 2019

Borrowings with fixed rates	152,601,839
Total	152,601,839

31 December 2018

Borrowings with fixed rates	131,652,356
Total	131,652,356

There is no floating interest rate borrowing as of 31 December 2019 (31 December 2018: None).

The carrying amounts and fair values of borrowings are as follows:

	Carrying Amounts		Fair Values	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Bank borrowings	152,601,839	131,652,356	154,686,504	129,146,646

The fair values are based on cash flows discounted using the rates based on the borrowing rates of 11.23% p.a. and 1.63% p.a. for TL and USD denominated bank borrowings, respectively (31 December 2018: 24.02% p.a., 2.85% p.a. for TL and USD denominated bank borrowings, respectively).

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 13 - BORROWINGS AND BORROWING COSTS (Continued)

As of 31 December 2019 and 2018 the movement of net borrowings are as follows:

	2019	2018
1 January	130,459,352	145,869,756
Cash in flow from borrowings	201,622,895	287,374,692
Repayment of borrowings	(191,892,675)	(299,245,392)
Currency translation difference	4,128,100	(4,555,975)
Accrual of interest effect	1,967,196	879,573
Change in cash and cash equivalents	(14,263,087)	136,698
Borrowings from lease liabilities	2,535,221	-
Borrowings from financial lease liabilities	2,588,746	-
31 December	137,145,748	130,459,352

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
a) Guarantees given:		
Bails	1,221,257,598	1,315,225,000
Letter of guarantee	71,144,502	50,381,694
Other	668,273	-
	1,293,070,373	1,365,606,694

As of 31 December 2019 Pınar Et, YBP, Çamlı Yem and DYO Boya have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets at 6 November 2014, amounting to USD205,592,000 equivalent of TL1,221,257,598 due 6 May 2020. An Indemnity Agreement was signed between Yaşar Holding and the above mentioned 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	31 December 2019			31 December 2018		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
The CPMs given by the Company:						
A. Total amount of CPM given for the Company's own legal personality			71,812,775			50,381,694
	TL	40,734,718	40,734,718	TL	24,041,315	24,041,315
	USD	5,231,820	31,078,057	USD	5,006,820	26,340,379
B. Total amount of CPM given on behalf of fully consolidated companies		-	-		-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties		-	-		-	-
D. Total amount of other CPM			1,221,257,598			1,315,225,000
i. Total amount of CPM given on behalf of the majority shareholder			1,221,257,598			1,315,225,000
	USD	205,592,000	1,221,257,598	USD	250,000,000	1,315,225,000
ii. Total amount of CPM given to behalf of other the Company companies which are not in scope of B and C		-	-		-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C		-	-		-	-
Total			1,293,070,373			1,365,606,694

The ratio of total amount of other CPM to Equity

136%

168%

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

	31 December 2019	31 December 2018
b) Guarantees received:		
Bails	97,755,556	61,333,333
Guarantee notes	12,862,946	10,308,154
Letters of guarantee	12,214,873	4,244,889
Guarantee cheques	301,269	266,817
	123,134,644	76,153,193

Received bails are related with guarantee letter amounting to TL97,755,556 guarantees provided by YBP, YDT and Yaşar Holding (31 December 2018: Received bails are related with guarantee letter amounting to TL61,333,333 guarantees provided by YBP, YDT and Yaşar Holding).

Foreign currency denominated guarantees given as of 31 December 2019 is as follows:

Guarantees received	EUR	1,246,900
----------------------------	-----	-----------

Foreign currency denominated guarantees given as of 31 December 2018 is as follows:

Guarantees received	EUR	459,508
	USD	480,717

c) Major litigations

Ministry of Finance has carried out a tax inspection against the Company and charged tax penalties amounting to total of TL3,835,663 comprising of TL1,723,468 VAT penalties and TL2,112,195 tax loss penalties for the transactions in fiscal years between 2006 and 2011. The Company applied to İzmir 2nd Tax Court for cancellation of those tax penalties and except for the lawsuit regarding inconsistency, however they were lost. The Company appealed to a higher court to suspend the execution within the legal time and Supreme Court granted a motion for stay of execution in favor of the Company. It was subsequently decided by the Supreme Court that the decision of the court be dismissed in favor of the Company as well. The defendant administration requested to Supreme Court for correction of the decision on dismissal. In this context, the legal counselor of the Company believe that the likelihood of the rejection of the correction request by the Supreme Court is highly probable and the local court is expected to re-examine the file and decide accordingly. On the other hand, the previous suspension decree delivered by the court was removed and the penalty was annulled in the lawsuit filed in the İzmir 3rd Tax Court by the Company against the penalty subsequently given as a result of the tax assessment made in 2011. The Company management and legal counselor of the Company believe that the likelihood of losing the cases is considered to be remote. As a result, no provision was accounted for in the financial statements as of 31 December 2019.

NOTE 15 - COMMITMENTS

As of 31 December 2019 the Company has not any purchase commitments (2018: None).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 16 - EMPLOYEE BENEFITS

a) Payables related to employee benefits:

	31 December 2019	31 December 2018
Social security premiums payable	2,021,096	1,717,592
Payables to personnel	249,871	85,554
	2,270,967	1,803,146

b) Short-term provisions for employee benefits:

Provision for seniority incentive bonus	670,613	308,267
	670,613	308,267

c) Long-term provisions for employee benefits:

Provision for employment termination benefits	25,913,225	21,863,974
Provision for seniority incentive bonus	1,407,890	1,101,807
	27,321,115	22,965,781

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

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL6,730.15 which is effective from 1 January 2020 (1 January 2019: TL6,017.60) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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

	2019	2018
Discount rate (%)	5.00	5.00
Probability of retirement (%)	97.18	97.32

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 16 - EMPLOYEE BENEFITS (Continued)

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

	2019	2018
1 January	21,863,974	18,646,901
Interest costs	3,163,977	3,603,082
Actuarial losses	3,153,808	1,626,259
Paid during the year	(4,340,555)	(3,895,510)
Annual charge	2,072,021	1,883,242
31 December	25,913,225	21,863,974

The total of interest cost, actuarial losses and increase during the year amounting to TL8,389,806 (2018: TL7,112,583) was included in general administrative expenses amounting to TL2,072,021 (2018: TL1,883,242) financial expenses amounting to TL3,163,977, and other comprehensive income amounting to TL3,153,808 (2018: TL1,626,259).

NOTE 17 - EXPENSES BY NATURE

	1 January - 31 December 2019	1 January - 31 December 2018
Direct material costs	1,242,724,885	1,065,257,417
Staff costs	91,615,278	84,151,958
Energy	59,393,803	45,840,733
Depreciation and amortization	49,777,554	34,216,280
Repair and maintenance	45,436,177	48,262,131
Advertisement	38,104,717	40,719,058
Consultancy charges	20,031,921	16,679,256
Other	84,483,400	75,865,763
	1,631,567,735	1,410,992,596

NOTE 18 - OTHER ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
a) Other current assets from third parties:		
Deferred Value Added Tax	26,254,999	31,925,371
Income accrual	2,612,660	3,499,672
Other	4,071	4,072
	28,871,730	35,429,115

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 18 - OTHER ASSETS AND LIABILITIES (Continued)

b) Other current liabilities to third parties:

	31 December 2019	31 December 2018
Expense accruals	26,980	20,018
	26,980	20,018

NOTE 19 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company adopted the registered share capital system available to companies registered to the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr1. The Company's historical authorized registered capital at 31 December 2019 and 2018 are as follows:

	31 December 2019	31 December 2018
Registered share capital (historical values)	80,000,000	80,000,000
Authorized registered share capital with a nominal	44,951,051	44,951,051

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

Shareholder	31 December 2019		31 December 2018	
	Share (%)	(TL)	Share (%)	(TL)
Yaşar Holding (A,B,C)	61.41	27,603,901	61.41	27,603,901
Public Part (C)	37.95	17,060,367	37.95	17,060,367
Other	0.64	286,783	0.64	286,783
Share capital	100.00	44,951,051	100.00	44,951,051
Adjustment to share capital		16,513,550		16,513,550
Total paid-in capital		61,464,601		61,464,601

Adjustment to share capital amounting to TL16,513,550 (2018: TL16,513,550) represents the remaining amount after net-off the accumulated losses of 2003 from the difference between restated (inflation adjusted) share capital and historical cost of share capital (before inflation adjustment).

Regarding to Capital Market Regulation, in Turkey companies have right to exceed registered capital thereby addition of all reserves to capital to increase registered capital amount one-time. On the other hand, registered capital amount is not exceed through cash increase.

As of 31 December 2019, there are 4,495,105,125 (2018: 4,495,105,125) units of shares each with a face value of Kr1 each.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

The Company's capital is composed of 172,800 units of A type shares and 126,000 units of B type shares and 4,494,806,325 units of C type shares, and the C type shares are traded on the ISE. Based on the Company's Articles of Association, the Board of Directors comprises five to nine members elected by the General Assembly from the Company's shareholders or from outside the Company personnel, in accordance with the provisions of the Turkish Commercial Code and the CMB Regulation. In the event the Board of Directors comprises of five members, three are elected from among candidates nominated by shareholders bearing A type shares, one from those nominated by shareholders bearing B type shares and one from those nominated by shareholders bearing C type shares. In the event the Board of Directors comprises of seven members, four are elected from among candidates nominated by shareholders bearing A type shares, two from those nominated by shareholders bearing B type shares, and one from those nominated by shareholders bearing C type shares. In the event the Board of Directors comprises of nine members, five are elected from among the candidates nominated by shareholders bearing A type shares, three from those nominated by shareholders bearing B type shares, and one from those nominated by shareholders bearing C type shares. Executive director can be appointed by Board of Directors in case of their decision. Moreover, the chairman of the board and the executive director are selected among shareholders of A type shares.

Board of Directors has authority to classify new shares as registered or bearer separately in accordance with the CMB regulations. Companies can increase their share capital by way of bonus issue to existing shareholders in proportion of their shareholding rates.

Retained earnings, as per the statutory financial statements, are available for distribution, subject to the legal reserve requirement referred to below:

The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% all distributions in excess of 5% of the Company's share capital. Under TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid in share capital.

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

- the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Adjustment to Share Capital";
- the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, shall be classified under "Retained earnings". Other equity items shall be carried at the amounts in accordance with the CMB Financial Reporting Standards.

There are no use of capital correction differences other than being added to capital.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

Companies distribute dividends in accordance with their dividend payment policies numbered II-19.1 settled by CMB on 1 February 2014 and dividend payment decision taken in general assembly and also in conformity with relevant legislations.

The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of associations. In addition, dividend can be distributed by fixed or variable installments and advance dividend can be paid in accordance with profit on financial statements of the company.

Within the framework of Article 28 of the Articles of Association, after the loss from the previous year (if any) is deducted from the net profit for the period, the legal reserve and first dividend are set aside from the balance within the framework of the Capital Markets Regulation. Later, an amount up to 3% of the remaining amount can be allocated for facilities established in the company as per Article 522 of the Turkish Commercial Code, within the framework of the General Assembly decision. An amount up to 5% can be allocated to members of a board of directors as an allocation provision, based on the parameters the board of directors sets and thinks necessary. An amount up to 5% can be allocated for social aid, premiums (profits), bonuses, etc. as per board of directors decisions.

Unless the general reserves that has to be appropriated in accordance with TCC or the dividend to shareholders as determined in the articles of association or dividend policy are set aside; no decision can be taken to set aside other reserves, to transfer reserves to the subsequent year or to distribute dividends to holders of usufruct right certificates, to board of directors members or to employees; and no dividend can be distributed to those unless the determined dividend to shareholders is paid in cash. For the listed companies, dividend distribution is made evenly to all existing shares as of the date of dividend distribution without considering the date of issuance and acquisition of the shares.

Based on the decision of General Assembly meeting on 28 March 2019, the Company has decided to distribute TL22,152,120 of the distributable net profit for the year 2018 as dividend and payments to boards. In context of this dividend distribution decision, the Company separated TL1,990,457 as "Restricted Reserves".

NOTE 20 - REVENUE AND COST OF SALES

	1 January - 31 December 2019	1 January - 31 December 2018
Domestic sales	1,930,887,119	1,741,304,821
Export sales	260,860,458	227,953,589
Merchandise goods sales	131,000	224,974
Gross sales	2,191,878,577	1,969,483,384
Less: Discounts	(490,261,138)	(439,153,438)
Returns	(37,031,968)	(42,497,806)
Net sales	1,664,585,471	1,487,832,140
Cost of merchandise goods sold	(122,734)	(214,201)
Cost of goods sold	(1,461,384,769)	(1,256,037,198)
Cost of sales	(1,461,507,503)	(1,256,251,399)
Gross profit	203,077,968	231,580,741

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

	1 January - 31 December 2019	1 January - 31 December 2018
a) Marketing expenses:		
Advertisement	38,104,717	40,719,058
Staff costs	11,061,229	9,620,553
Outsourced services	9,529,888	7,460,072
Consultancy	8,905,567	7,961,815
Repair and maintenance	7,324,932	8,799,224
Transportation	5,352,370	3,638,510
Depreciation and amortization	4,554,266	2,077,212
Other	20,853,849	18,581,488
	105,686,818	98,857,932
b) General administrative expenses:		
Consultancy charges	11,126,354	8,717,441
Staff costs	11,027,001	13,093,840
Outsourced services	8,108,944	6,377,728
Depreciation and amortization	4,792,216	2,218,636
Taxes (Corporate tax excluded)	3,100,730	3,386,108
Repair and maintenance	2,152,863	1,955,841
Termination benefits	2,072,021	1,883,242
Energy	1,169,926	997,445
Other	6,520,717	3,785,734
	50,070,772	42,416,015
c) Research and development expenses:		
Staff costs	5,477,057	5,614,895
Repair and maintenance	4,283,562	3,932,426
Outsourced services	2,491,323	2,148,534
Depreciation and amortization	972,830	613,901
Other	1,077,870	1,157,494
	14,302,642	13,467,250

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 22 - OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2019	1 January - 31 December 2018
a) Other income from operating activities:		
Insurance damage compensation (*)	15,176,030	-
Foreign exchange gain	9,596,662	19,958,496
Interest income	6,096,156	2,212,477
Rent income	2,770,985	2,254,213
Income from sale of auxiliary material and scrap	1,198,411	1,205,613
Other	1,487,038	2,031,699
	36,325,282	27,662,497

(*) The insurance company made an insurance claim compensation payment amounting to TL 15,176,030, based on the damage occurred in 2019.

b) Other expense from operating activities:		
Interest expense	(7,585,434)	(1,326,674)
Foreign exchange loss	(4,534,085)	(16,227,152)
Donations	(2,400,426)	(2,511,700)
Other	(1,532,168)	(3,254,989)
	(16,052,113)	(23,320,515)

NOTE 23 - INCOME/ EXPENSES FROM INVESTING ACTIVITIES

	1 January - 31 December 2019	1 January - 31 December 2018
a) Income from investing activities:		
Dividend income (*)	5,084,993	4,333,747
Income from sales of property, plant and equipment	286,755	2,174,869
	5,371,748	6,508,616

(*) Note 5.ii.d.

b) Expense from investing activities:		
Loss from sales of property, plant and equipment	(9,745)	(2,001,188)
	(9,745)	(2,001,188)

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

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

NOTE 24 - FINANCIAL INCOME/ EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
a) Financial income:		
Foreign exchange gain	3,886,277	7,115,828
Bail income from related parties	2,615,299	2,470,088
Interest income	1,028,128	682,247
	7,529,704	10,268,163
b) Financial expenses:		
Interest expense	(26,745,397)	(27,750,293)
Foreign exchange loss	(12,849,140)	(33,043,350)
Bail expense	(665,500)	(632,778)
Interest expense on term purchases	(8,982)	(2,426,568)
Foreign exchange losses from derivative transactions	-	(3,349,552)
Other	(4,862,838)	(5,841,451)
	(45,131,857)	(73,043,992)

NOTE 25 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

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

	31 December 2019	31 December 2018
Corporation taxes currently payable	451,192	539,771
Less: Prepaid corporate tax	(538,543)	(488,534)
Current income tax liabilities		
(Assets related to current period tax)	(87,351)	51,237

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

Corporation tax is payable at a rate of 22% for 2019 (2018: 22%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 25 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Corporations are required to pay advance corporation tax quarterly at the rate of 22% (2018: 22%) on their corporate income. Advance tax is declared by 17th and payable by the 17th (2018: 17th) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within last day of fourth month following the close of the financial year to which they relate.

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

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

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

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

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

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

Transfer Pricing

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

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 25 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

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

	1 January - 31 December 2019	1 January - 31 December 2018
Current corporation tax expense	(451,192)	(539,771)
Deferred tax income	9,712,082	13,222,170
Taxation on income	9,260,890	12,682,399

The reconciliation of tax expense is as follows:

	1 January - 31 December 2019	1 January - 31 December 2018
Profit before tax	25,418,942	36,533,906
Tax calculated at tax rates applicable to the profit	(5,592,167)	(8,037,460)
Expenses not deductible for tax purposes	(194,446)	(160,349)
Tax effect upon the results of investments-in-associates	961,001	2,996,572
Income tax due to dividends received from available-for-sale investments	1,118,697	953,424
Utilized investment incentive during period	4,064,364	5,172,324
Recognition of deferred income tax asset / (liability) on investment incentive	8,528,886	11,316,618
Other	374,555	441,270
Total taxation on income	9,260,890	12,682,399

Deferred income taxes

The company recognizes deferred income tax assets and liabilities based upon temporary differences arising between its financial statements are reported in accordance with the CMB Financial Reporting Standards and its tax purpose financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (2018: 20%).

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on Amendments to Certain Tax Laws and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 25 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2019 and 2018 using the enacted tax rates at the balance sheet dates are as follows:

	31 December 2019		31 December 2018	
	Cumulative temporary differences	Deferred income tax assets/ (liabilities)	Cumulative temporary differences	Deferred income tax assets/ (liabilities)
Revaluation of property, plant and equipment	419,511,871	(66,467,018)	404,012,748	(65,412,539)
Difference between carrying values (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	96,758,883	(19,552,502)	82,165,445	(16,633,814)
Difference between carrying value and tax bases of available-for-sale investments	61,425,940	(2,931,690)	21,703,382	(914,210)
Unused tax credits (*)	195,165,249	46,297,051	169,131,231	37,768,166
Provision for employment termination benefits	(25,913,225)	5,182,645	(21,863,974)	4,372,795
Other	(3,909,994)	782,000	(4,253,694)	850,738
Deferred tax liabilities - net		(36,689,514)		(39,968,864)

(*) The Company has investment incentive certificate relating with modernization investment at Şanlıurfa, Eskişehir and İzmir facilities. As of 31 December 2019, based on the best estimate of the Company management, it is highly probable to utilize the deferred income tax asset upon investment incentive, amounted to TL46,297,051 (2018: TL37,768,166)

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

	2019	2018
1 January	(39,968,864)	(31,960,112)
Credited to statement of comprehensive income	9,712,082	13,222,170
Charged to actuarial gain/loss arising from defined benefit plans	630,762	325,252
Charged to fair value reserve of available-for-sale investments	(2,017,481)	1,294,210
Calculated on revaluation fund	(5,046,014)	(22,022,106)
Cash refunds of taxes paid in past years	-	(828,278)
31 December	(36,689,514)	(39,968,864)

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

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

NOTE 26 - EARNINGS PER SHARE

		1 January - 31 December 2019	1 January - 31 December 2018
Profit for the year	A	34,679,832	49,216,305
Weighted average number of shares with a Kr1 face value (Note 19)	B	4,495,105,125	4,495,105,125
Earnings per share with a Kr1 face value	A/B	0,7715	1,0949

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

NOTE 27 - FINANCIAL INSTRUMENTS

Financial assets carried at fair value through other comprehensive income:

	31 December 2019	31 December 2018
Fair value difference assets recorded in other comprehensive income	85,837,114	46,114,555
	85,837,114	46,114,555

	31 December 2019		31 December 2018	
	TL	(%)	TL	(%)
Pınar Et	49,981,173	12.58	27,901,577	12.58
Çamlı Yem	25,205,918	5.47	12,005,969	5.47
Pınar Su	9,111,858	8.77	4,909,406	8.77
YDT	1,365,766	0.93	1,148,861	1.76
Bintur	153,038	1.33	129,381	1.33
Other	19,361	-	19,361	-
	85,837,114		46,114,555	

Pınar Et and Pınar Su are stated at quoted market prices as they are listed on ISE; YDT, Bintur and Çamlı Yem are stated at their fair values which are determined based on the discounted cash flows as of 31 December 2019 by using the market interest rates and the risk premium specific to unlisted companies within the related sectors.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 27 - FINANCIAL INSTRUMENTS (Continued)

The discount and growth rates used in discounted cash flow models as at 31 December 2019 and 2018 are as follows:

	Discount Rate(%)		Growth Rate(%)	
	2019	2018	2019	2018
Bintur	20.21	24.48	1	1
YDT	19.01	23.28	1	1
Çamlı Yem	16.42	20.31	4	3

The movements of financial assets carried at fair value through other comprehensive income in 2019 and 2018 were as follows:

	2019	2018
1 January	46,114,555	73,682,096
Fair value gain/ (loss)		
Pinar Et	22,079,596	(24,859,990)
Pinar Su	4,202,452	(2,160,139)
YDT	216,905	558,751
Bintur	23,657	(7,088)
Çamlı Yem	13,199,949	(1,099,075)
31 December	85,837,114	46,114,555

The movements of financial assets carried at fair value through other comprehensive income in 2019 and 2018 were as follows:

	2019	2018
1 January	18,718,259	44,991,591
Fair value loss	39,722,559	(27,567,542)
Deferred income tax on fair value reserve of financial assets carried at fair value through other comprehensive income (Note 25)	(2,017,481)	1,294,210
31 December	56,423,337	18,718,259

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

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

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 (fluctuations in raw material prices, especially raw milk).

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

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

- Safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk;
- Effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures;
- Effective monitoring and minimizing risks sourced from counterparts.

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risks arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Majority of the Company's sales in domestic market are made to its investments in associate, YBP, and its exports are made to YDT which are both Yaşar Group Companies. In line with past experiences and current condition trade receivables are monitored by the Company Management and necessary provisions for impairment is recognized. The Company management believes that credit risk arises from receivables is well managed. The Company management believes that there is no risk for non-trade receivables from related parties since they are mainly comprised of receivables from shareholders. The credit risk analysis of the Company as of 31 December 2019 and 2018 are as follows:

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2019

	Receivables				
	Trade Receivables (1)		Other Receivables		Bank Deposits
	Related Parties	Third Parties	Related Parties	Third Parties	
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	358,117,229	12,262,931	2,533,750	2,533,750	
- The part of maximum credit risk covered with guarantees	-	350,000	-	-	-
A Net book value of financial assets not due or not impaired	308,386,048	10,276,242	2,533,750	2,533,750	15,407,884
B. Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired (3)	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)	49,731,181	1,986,689	-	-	-
- The part covered by guarantees	-	350,000	-	-	-
D. Net book value of assets impaired					
- Past due amount (gross book value)	-	566,461	-	-	-
- Impairment amount (-)	-	(566,461)	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) Notes 5 and 6.

(2) Unearned credit finance income and secured portions of due and overdue receivables are taken into consideration while determining aforementioned amounts.

(3) Considering the past experiences the Company management believes that no additional credit risk for the collection of these receivables.

(4) Considering the past experiences and collections subsequent to the balance sheet date, the Company management does not foresee any collection problem for the overdue receivables (Notes 5 and 6).

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2018

	Receivables				
	Trade Receivables (1)		Other Receivables		Bank Deposits
	Related Parties	Third Parties	Related Parties	Third Parties	
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	283,012,940	9,335,196	83,399	6,433,961	1,149,036
- The part of maximum credit risk covered with guarantees	-	950,668	-	-	-
A Net book value of financial assets not due or not impaired	252,728,544	7,696,116	83,399	6,433,961	1,149,036
B. Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired (3)	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)	30,284,396	1,639,080	-	-	-
- The part covered by guarantees	-	434,891	-	-	-
D. Net book value of assets impaired	-	-	-	-	-
- Past due amount (gross book value)	-	566,461	-	-	-
- Impairment amount (-)	-	(566,461)	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) Notes 5 and 6.

(2) Unearned credit finance income and secured portions of due and overdue receivables are taken into consideration while determining aforementioned amounts.

(3) Considering the past experiences the Company management believes that no additional credit risk for the collection of these receivables.

(4) Considering the past experiences and collections subsequent to the balance sheet date, the Company management does not foresee any collection problem for the overdue receivables (Notes 5 and 6).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2019

	Receivables		Total
	Related Parties	Third Parties	
Past due 1 - 30 days	16,418,796	1,420,228	17,839,024
Past due 1 - 3 months	26,679,583	-	26,679,583
Past due 3 - 12 months	6,632,802	566,461	7,199,263
<i>The part of credit risk covered with guarantees</i>	-	350,000	350,000
	49,731,181	1,986,689	51,717,870

31 December 2018

	Receivables		Total
	Related Parties	Third Parties	
Past due 1 - 30 days	24,833,658	1,639,080	26,472,738
Past due 1 - 3 months	5,025,353	-	5,025,353
Past due 3 - 12 months	425,385	-	425,385
<i>The part of credit risk covered with guarantees</i>	-	434,891	434,891
	30,284,396	1,639,080	31,923,476

b) Liquidity risk:

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

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

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2019				
	Carrying value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contractual maturity dates:					
Financial Liabilities					
Financial Liabilities	152,601,839	207,579,400	39,758,930	40,651,963	127,168,507
Trade Payables	419,437,262	419,437,262	356,318,338	33,281,103	29,837,821
Other Payables	11,662,231	11,662,231	-	11,662,231	-
	583,701,332	638,678,893	396,077,268	85,595,297	157,006,328

	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					
Financial Liabilities	131,652,356	152,182,918	3,920,257	116,570,370	31,692,291
Trade Payables	399,030,829	404,555,999	327,054,737	26,042,603	51,458,659
Other Payables	12,764,453	13,377,411	612,958	12,764,453	-
	543,447,638	570,116,328	331,587,952	155,377,426	83,150,950

c) Market risk:

i) Foreign exchange risk

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	Foreign Currency Position							
	31 December 2019				31 December 2018			
	TL Equivalent	USD	EUR	Other (TL Equivalent)	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Receivables	97,422,304	16,292,923	96,094	-	51,933,883	9,841,979	25,915	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	8,383,211	1,406,620	4,151	-	24,598	2,848	1,595	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	105,805,515	17,699,543	100,245	-	51,958,481	9,844,827	27,510	-
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)	105,805,515	17,699,543	100,245	-	51,958,481	9,844,827	27,510	-
10. Trade Payables	57,147,905	1,930,603	6,862,362	40,913	50,641,472	594,132	7,882,516	509
11. Financial Liabilities	30,738,350	5,000,000	155,978	-	26,304,500	5,000,000	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	87,886,255	6,930,603	7,018,340	40,913	76,945,972	5,594,132	7,882,516	509
14. Trade Payables	29,837,817	-	4,486,484	-	49,739,045	-	8,251,335	-
15. Financial Liabilities	1,551,400	-	233,272	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	31,389,217	-	4,719,756	-	49,739,045	-	8,251,335	-
18. Total Liabilities (13+17)	119,275,472	6,930,603	11,738,096	40,913	126,685,017	5,594,132	16,133,851	509
19. Net Asset/ (Liability) Position of Off-Balance Sheet								
Derivative Instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Amount of Hedged Asset	-	-	-	-	-	-	-	-
19b. Amount of Hedged Liability	-	-	-	-	-	-	-	-
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	(13,469,957)	10,768,940	(11,637,851)	(40,913)	(74,726,536)	4,250,695	(16,106,341)	(509)
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (TFRS 7.B23)								
(=1+2a+5+6a-10-11-12a-14-15-16a)	(13,469,957)	10,768,940	(11,637,851)	(40,913)	(74,726,536)	4,250,695	(16,106,341)	(509)
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	-	-	-	-	-	-	-	-
23. Hedged amount for Foreign Currency Assets	-	-	-	-	-	-	-	-
24. Hedged amount for Foreign Currency Liability	-	-	-	-	-	-	-	-
25. Export	260,860,458	42,989,550	473,991	14,497,378	227,953,589	42,321,878	336,686	21,669,127
26. Import	56,051,935	-	8,842,499	-	82,959,913	-	14,668,451	-

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2019

	Sensitivity Analysis for Foreign Currency Risk			
	Profit/ (Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	6,396,965	(6,396,965)	6,396,965	(6,396,965)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	6,396,965	(6,396,965)	6,396,965	(6,396,965)
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR - net	(7,739,869)	7,739,869	(7,739,869)	7,739,869
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	(7,739,869)	7,739,869	(7,739,869)	7,739,869
Change of Other Currencies by average 10% against TL:				
7- Assets/ Liabilities denominated in other foreign currencies - net	(4,091)	4,091	(4,091)	4,091
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	(4,091)	4,091	(4,091)	4,091
TOTAL (3+6+9)	(1,346,995)	1,346,995	(1,346,995)	1,346,995

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 28 - 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	2,236,248	(2,236,248)	2,236,248	(2,236,248)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	2,236,248	(2,236,248)	2,236,248	(2,236,248)
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR - net	(9,708,902)	9,708,902	(9,708,902)	9,708,902
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	(9,708,902)	9,708,902	(9,708,902)	9,708,902
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)	(7,472,654)	7,472,654	(7,472,654)	7,472,654

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

ii) Interest rate risk

As of 31 December 2019 and 2018, the Company has not financial assets and liabilities with floating rate.

iii) Price risk

The profitability of the Company's operations and the cash flows generated by those operations are affected by changes in the raw material prices and market competition that are closely monitored by the Company management and precautions for cost efficiency are taken. The Company does not anticipate that prices of raw milk and other raw materials will change significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline or increase in the prices of raw milk and other stocks and raw materials.

The current risks are properly monitored by Board of Directors and Audit Committee regularly in considering the need for active financial risk management.

d) Capital risk management:

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

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

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

	31 December 2019	31 December 2018
Financial liabilities	152,601,839	131,652,356
Less: Cash and cash equivalents (Note 4)	(15,456,092)	(1,193,004)
Net debt	137,145,747	130,459,352
Total equity	898,247,134	781,440,227
Net debt/ equity ratio	15.27%	16.69%

The Company management regularly monitors the debt/ equity ratio and updates when necessary.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Classification of financial assets

The Company classified financial assets and liabilities as available-for-sale investments, borrowings and receivables. Cash and cash equivalents (Note 4), trade receivables (Notes 5 and 6) and other receivables (Note 5) of the Company are categorized as loans and receivables; and measured at amortized cost using effective interest method. Available-for-sale investments of the Company are disclosed in Note 27. Financial liabilities, other financial liabilities (Note 13), trade payables (Note 6) and other payables (Note 5) are categorized as financial liabilities measured at amortized costs using effective interest method.

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

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

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

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value. The fair values of certain financial assets carried at costs, including cash and due from banks, receivables and other financial assets are considered to approximate their respective carrying values due to their short-term nature. Available-for-sale investments are carried at their fair values. The fair values of available-for-sale investments which do not have quoted market prices in active markets, are determined by using general accepted valuation techniques or stated at cost, less a provision for impairment, if any, by assuming the carrying values do not differ materially from their fair values.

Financial liabilities

Fair values of bank borrowings are disclosed in Note 13.

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.

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

The table below analyses financial instruments except for the certain available for sale investments which are measured at cost less impairment, if any, as their fair values cannot be reliably estimated using generally accepted valuation techniques, carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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

31 December 2019

	Level 1	Level 2	Level 3	Total
Assets:				
Financial investments	59,093,031	-	26,744,083	85,837,114
Total assets	59,093,031	-	26,744,083	85,837,114

31 December 2018

	Level 1	Level 2	Level 3	Total
Assets:				
Financial investments	32,810,983	-	13,303,572	46,114,555
Total assets	32,810,983	-	13,303,572	46,114,555

As of 31 December 2019 and 2018, there is no transfer between the Levels 1 and 3.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

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

31 December 2019

	Level 1	Level 2	Level 3	Total
Tangible Assets:				
Land	-	183,225,000	-	183,225,000
Buildings and land improvements	-	106,683,235	-	106,683,235
Machinery and equipment	-	446,856,907	-	446,856,907
Total assets	-	736,765,142	-	736,765,142

31 December 2018

	Level 1	Level 2	Level 3	Total
Tangible Assets:				
Land	-	162,713,500	-	162,713,500
Buildings and land improvements	-	93,741,494	-	93,741,494
Machinery and equipment	-	449,717,529	-	449,717,529
Total assets	-	706,172,523	-	706,172,523

NOTE 30 - SUBSEQUENT EVENTS

None (31 December 2018: None).

.....

INFORMATION FOR INVESTORS

Stock Exchange

Shares of Pınar Süt Mamulleri Sanayii A.Ş. are traded at Borsa İstanbul Main Market - Group 1 under ticker symbol PNSUT.

Initial Public Offering Date: 03.02.1986

Ordinary General Assembly Meeting

Pınar Süt Mamulleri Sanayii A.Ş. In accordance with the resolution taken by the Board of Directors, Ordinary General Assembly Meeting of the Company will be held on 25 March 2020 Wednesday at 11:30 at the factory building located at Yunus Emre Mah. Kemalpaşa Cad. No:317 Bornova/İZMİR.

Profit Distribution Policy

The profit distribution policy for 2013 and subsequent years prepared in accordance with the Capital Market Regulations of Pınar Süt Mamulleri Sanayii A.Ş. has been submitted to the General Assembly for approval and has been publicly disclosed. The relevant information is available at Company's corporate website (www.pinar.com.tr) in Turkish and English on the Investor Relations page.

Investor Relations

Pınar Süt Mamulleri Sanayii A.Ş.

The investor relations department

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

Phone: (232) 495 00 00

Fax: (232) 484 17 89

E-mail: investorrelations@pinarsut.com.tr

To access Pınar Süt investor relations web site:



Pınar Süt Share Performance (Compared to BIST ALL Index)

