

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

FINANCIAL STATEMENTS

AT 1 JANUARY - 31 DECEMBER 2022

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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



INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the financial statements

1. Our opinion

We have audited the accompanying financial statements of Pınar Süt Mamülleri Sanayii A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2022, 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 2022, 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 (including Independence Standards) (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 Matters	How the key audit matter was addressed in the audit
<p>Fair value determination of land, land improvements and buildings</p>	<p>audit work for the fair value measurement of land, land improvements and buildings:</p> <ul style="list-style-type: none"> • The competency, capability and objectivity of the independent professional valuers that who were appointed by the Company management were assessed in accordance with relevant audit standards. • The consistency of the data used by the independent professional valuation agency appointed by the Company management was checked with the Company's records by a sample matching study. • In order to evaluate the assumptions and methods used by the Company management and the independent professional valuation firm appointed by the Company management, an external expert was included in our audit to examine the valuation reports selected on a sampling basis in accordance with the provisions of "ISA 620: Use of Work of Expert" standard. • The compliance of the disclosures of fair value determination of land, land improvements and buildings in the financial statements in accordance with the relevant financial reporting standards were evaluated.
<p>As stated in Note 2 of the accompanying financial statements, in accordance with the relevant provisions of TAS 16 "Tangible Fixed Assets" standard in its financial statements, the Company includes land, land improvements and buildings are carried at their fair values.</p>	
<p>As explained in Note 10 of the accompanying financial statements, as a result of the valuations made by the independent professional valuation company appointed by the Company management as of 31 December 2022, the total value increase in the carrying values of land, land improvements and buildings is 1,336.4 million TRY before tax. As of 31 December 2022, the total carrying value of the abovementioned assets are 1,976.2 million TRY.</p>	
<p>The increase in value has been accounted for in the Gains (Losses) on Revaluation of Property Plant and Equipments under shareholders' equity in the statement of financial position, by deducting the deferred tax effect.</p>	
<p>As of 31 December 2022, the total value of land, land improvements and buildings has a significant share in the Company's assets and the applied valuation techniques contain important estimates and assumptions such as comparable prices, construction costs per m², the condition and location of the relevant asset., the fair value determination of land, land improvements and buildings was considered as a key audit matter by us.</p>	
<p>The following audit procedures were addressed in our</p>	



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.
- 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 actions taken to eliminate threats or safeguards applied.

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 2022 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 1 March 2023.

Additional explanation for convenience translation into English

Turkish Financial Reporting Standards differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of IASNOTE 29 -Financial Reporting in Hyperinflationary Economies by 31 December 2022. Accordingly, the accompanying financial statements are not intended to present fairly the financial position and results of operations of the Company in accordance with IFRS.

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

Baki Erdal, SMMM
Independent Auditor

Istanbul, 1 March 2023

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PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**STATEMENTS OF FINANCIAL POSITION (BALANCE SHEET)****AT 31 DECEMBER 2022 AND 2021**

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

	Notes	31 December 2022	31 December 2021
CURRENT ASSETS			
Cash and Cash Equivalents	4	22,168,593	40,250,262
Trade Receivables		1,311,444,516	789,743,400
- Trade Receivables from Related Parties	5	1,305,729,730	781,316,456
- Trade Receivables from Third Parties		5,714,786	8,426,944
Other Receivables		678,442,094	26,530,857
- Other Receivables from Related Parties	5	639,389,079	23,377,115
- Other Receivables from Third Parties		39,053,015	3,153,742
Inventories	8	756,334,157	329,959,713
Prepaid Expenses	9	9,413,888	4,366,589
- Prepaid Expenses to Third Parties		9,413,888	4,366,589
Assets Related to Current Tax		18,995,658	-
Other Current Assets	18	123,204,475	56,933,844
- Other Current Assets from Third Parties		123,204,475	56,933,844
TOTAL CURRENT ASSETS		2,920,003,381	1,247,784,665
NON-CURRENT ASSETS			
Other Receivables		2,247,725	10,386,332
- Other Receivables from Related Parties	5	2,062,500	10,312,500
- Other Receivables from Third Parties		185,225	73,832
Financial Investments	27	516,992,546	176,161,024
Investments in Associates Accounted for	3	579,169,730	281,121,314
Property, Plant and Equipment			
Using Equity Method	10.a	2,971,915,593	1,641,563,244
- Land		1,316,545,504	403,737,267
- Land Improvements		82,636,886	32,030,382
- Buildings		577,038,350	213,023,937
- Machinery, Plant and Equipment		956,713,276	940,737,758
- Vehicles		7,418,947	461,366
- Furniture and Fixtures		13,982,291	13,704,848
- Construction in Progress		17,580,339	37,867,686
Right of Use Assets	10.b	14,724,386	17,377,860
Intangible Assets	11	12,386,544	12,567,202
- Other Intangible Assets		12,386,544	12,567,202
Prepaid Expenses		975,760	362,101
- Prepaid Expenses to Third Parties		975,760	362,101
TOTAL NON-CURRENT ASSETS		4,098,412,284	2,139,539,077
TOTAL ASSETS		7,018,415,665	3,387,323,742

The financial statements at 31 December 2022 and for the year then ended have been approved for issue by Board of Directors of Pınar Süt Mamülleri Sanayii A.Ş. on 1 March 2023. 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.

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
STATEMENTS OF FINANCIAL POSITION (BALANCE SHEET)
AT 31 DECEMBER 2022 AND 2021
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	31 December 2022	31 December 2021
CURRENT LIABILITIES			
Short-Term Borrowings	13	1,272,137,102	385,642,814
- Short-Term Borrowings From Third Parties		1,272,137,102	385,642,814
- Bank Borrowings		764,477,497	385,642,814
- Issued Debt Instruments		507,659,605	-
Short-Term Portion of Long-Term Borrowings	13	60,471,237	52,760,738
- Short-Term Portion of Long-Term Borrowings From Third Parties		60,471,237	52,760,738
- Bank Borrowings		52,688,453	46,102,447
- Borrowings From Lease Liabilities		7,782,784	6,658,291
Other Financial Liabilities		27,459,376	1,056,051
- Other Miscellaneous Financial Liabilities		27,459,376	1,056,051
Trade Payables		1,230,668,457	660,156,982
- Trade Payables to Related Parties	5	114,581,906	51,891,507
- Trade Payables to Third Parties	6	1,116,086,551	608,265,475
Payables Related to Employee Benefits	16	11,892,970	4,660,960
Other Payables		14,026,755	9,049,038
- Other Payables to Related Parties		171,337	1,831,338
- Other Payables to Third Parties	7	13,855,418	7,217,700
Deferred Income		7,904,141	61,694
- Deferred Income From Third Parties		7,904,141	61,694
Current Tax Liabilities	25	-	1,010,455
Short-Term Provisions		2,166,409	1,135,427
- Short-Term Provisions for Employee Benefits	16	2,166,409	1,135,427
Other Current Liabilities		94,703	36,885
- Other Current Liabilities to Third Parties		94,703	36,885
TOTAL CURRENT LIABILITIES		2,626,821,150	1,115,571,044
NON-CURRENT LIABILITIES			
Long-Term Borrowings	13	31,468,123	72,893,749
- Long-Term Borrowings From Third Parties		31,468,123	72,893,749
- Bank Borrowings		22,840,663	60,790,662
- Borrowings From Lease Liabilities		8,627,460	12,103,087
Trade Payables		-	10,429,300
- Trade Payables to Third Parties	6	-	10,429,300
Long-Term Provisions		146,840,115	52,368,021
- Long-Term Provisions for Employee Termination Benefits	16	146,840,115	52,368,021
Deferred Tax Liabilities	25	231,164,334	185,208,744
TOTAL NON-CURRENT LIABILITIES		409,472,572	320,899,814
TOTAL LIABILITIES		3,036,293,722	1,436,470,858

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
STATEMENTS OF FINANCIAL POSITION (BALANCE SHEET)
AT 31 DECEMBER 2022 AND 2021
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	31 December 2022	31 December 2021
EQUITY			
Equity Attributable to Owners of the Parent Company		3,982,121,943	1,950,852,884
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		2,967,193,645	1,321,081,846
- Gain/ (Loss) on Revaluation and Remeasurement		2,164,160,162	1,034,751,841
- Increase/(Decrease) on Revaluation of Property, Plant and Equipment	10	2,246,283,605	1,057,648,792
- Actuarial Gain/(Loss) Arising from Defined Benefit Plans		(82,123,443)	(22,896,951)
- Share of Other Comprehensive Income of Investment-in-Associates Accounted for Using Equity Method that will not be Reclassified to Profit or Loss		341,314,658	148,129,262
- Fair Value Gain of Financial Assets Measured through Other Comprehensive Income	27	461,718,825	138,200,743
Other Comprehensive Income/ (Expense) to be Reclassified to Profit or Loss		46,681,198	31,164,054
- Share of Other Comprehensive Income of Investment-in-Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss		46,681,198	31,164,054
Other Profit or Loss		(442,081)	(884,162)
Restricted Reserves		72,750,429	66,621,303
- Legal Reserves	19	72,750,429	66,621,303
Retained Earnings		454,197,330	354,062,133
Net Profit for the Year		380,276,821	117,343,109
TOTAL EQUITY		3,982,121,943	1,950,852,884
TOTAL LIABILITIES AND EQUITY		7,018,415,665	3,387,323,742

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
STATEMENTS OF FINANCIAL POSITION (BALANCE SHEET)
AT 31 DECEMBER 2022 AND 2021
(Amounts expressed in Turkish Lira ("TRY") unless otherwise indicated.)

	Notes	1 January - 31 December 2022	1 January - 31 December 2021
PROFIT OR LOSS			
Revenue	20	5,830,852,903	2,681,942,094
Cost of Sales	20	(5,084,423,706)	(2,333,826,475)
Gross Profit from Trading Operations		746,429,197	348,115,619
GROSS PROFIT	20	746,429,197	348,115,619
General Administrative Expenses	21	(119,532,387)	(66,123,791)
Marketing Expenses	21	(296,020,498)	(165,782,397)
Research and Development Expenses	21	(32,046,664)	(17,853,795)
Other Income from Operating Activities	22	194,943,190	151,248,078
Other Expense from Operating Activities	22	(114,245,376)	(34,834,452)
OPERATING PROFIT		379,527,462	214,769,262
Income From Investing Activities	23	62,239,009	14,097,748
Expense From Investing Activities	23	(2,606,511)	(3,806,707)
Share of Results of Investment-in-Associates	3	104,446,568	32,456,654
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		543,606,528	257,516,957
Financial Income	24	4,531,959	5,086,425
Financial Expenses	24	(209,753,099)	(142,265,917)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		338,385,388	120,337,465
Tax (Expense)/ Income from Continuing Operations		41,891,433	(2,994,356)
- Current Tax Expense	25	(11,253,985)	(2,030,083)
- Deferred Tax (Expense)/ Income	25	53,145,418	(964,273)
PROFIT FOR THE YEAR CONTINUING OPERATIONS		380,276,821	117,343,109
PROFIT FOR THE YEAR		380,276,821	117,343,109
Earnings Per Share		8,4598	2,6105
- Earnings per Kr1 number of 100 shares from continuing operations	26	8,4598	2,6105

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2022 AND 2021**

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

		1 January - Notes 31 December 2022	1 January - 31 December 2021
OTHER COMPREHENSIVE INCOME			
Items not to be Reclassified to Profit or Loss		1,698,571,828	778,749,401
Increase in Revaluation of Property, Plant and Equipment	10	1,336,428,770	894,580,713
Fair Value Loss Of Financial Assets Measured Through Other Comprehensive Income	27	340,141,685	(16,139,009)
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will not be Reclassified to Profit or Loss		199,153,788	59,417,999
- Losses on Remeasurements of Defined Benefit Plans of Associates Accounted for Using Equity Method	3	(8,832,313)	(481,403)
- Revaluation Increases (Decreases) of Property, Plant and Equipment of Associates Accounted for Using Equity Method	3	207,986,101	59,899,402
Actuarial Loss Arising from Defined Benefit Plans	16	(74,033,118)	(3,923,026)
Taxes Relating To Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss		(103,119,297)	(155,187,276)
- Gains on Revaluation of Property, Plant and Equipment, Tax Effect	25	(101,302,318)	(156,864,916)
- Fair Value Gain Of Financial Assets Measured Through Other Comprehensive Income, Tax Effect	25	(16,623,603)	893,035
- Actuarial Gain/ (Loss) Arising from Defined Benefit Plans, Tax Effect	25	14,806,624	784,605
Items to be Reclassified to Profit or Loss		15,517,146	16,061,727
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss		15,517,146	16,061,727
- Gains on Foreign Currency Translation Differences Of Associates Accounted for Using Equity Method	3	15,517,146	16,061,727
OTHER COMPREHENSIVE INCOME		1,714,088,974	794,811,128
TOTAL COMPREHENSIVE INCOME		2,094,365,795	912,154,237

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2022 AND 2021

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

1 January -31 December 2021											
	Share Capital	Adjustment to Share Capital	Increase/ (Decrease on Revaluation of Property Plant and Equipment	Losses on Remeasurements of Defined Benefit Plans	Revaluation or Classifications of Assets at Fair Value Through Other Comprehensive Income	Other Comprehensive Income/(Expense) not to be Reclassified in Profit or Loss		Other Comprehensive Income/(Expense) to be Reclassified in Profit or Loss		Retained Earnings/ (Losses)	Total Equity
						Share of Other Comprehensive Income of Associates	Share of Other Comprehensive Income of Associates	Share of Other Comprehensive Income of Associates	Share of Other Comprehensive Income of Associates		
Balances at the beginning of the period	44,951,051	16,513,550	336,915,821	(19,758,530)	153,446,717	89,079,638	15,102,327	(1,326,243)	64,510,334	321,991,686	40,187,453
Transfers	-	-	(16,982,826)	-	-	(368,375)	-	-	-	57,538,654	(40,187,453)
Dividends	-	-	-	-	-	-	-	-	2,110,969	(25,468,207)	(23,357,238)
Due to other changes (decrease)/ increase	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	737,715,797	(3,138,421)	(15,245,974)	59,417,999	16,061,727	442,081	-	-	442,081
-Net profit for the year	-	-	-	-	-	-	-	-	-	-	912,154,237
-Other comprehensive income/ (expense)	-	-	737,715,797	(3,138,421)	(15,245,974)	59,417,999	16,061,727	-	-	-	117,343,109
Balances at the end of the period	44,951,051	16,513,550	1,057,648,792	(22,896,951)	138,200,743	148,129,262	31,164,054	(884,162)	66,621,303	354,062,133	1,950,852,884
1 January -31 December 2022											
Balances at the beginning of the period	44,951,051	16,513,550	1,057,648,792	(22,896,951)	138,200,743	148,129,262	31,164,054	(884,162)	66,621,303	354,062,133	1,950,852,884
Transfers	-	-	(46,491,636)	-	-	(5,968,392)	-	-	-	169,803,137	(63,538,814)
Dividends	-	-	-	-	-	-	-	-	6,129,126	(69,667,940)	-
Due to other changes (decrease)/ increase	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	1,235,126,449	(59,226,492)	323,518,082	199,153,788	15,517,144	442,081	-	-	442,081
-Net profit for the year	-	-	-	-	-	-	-	-	-	-	380,276,821
-Other comprehensive income/ (expense)	-	-	1,235,126,449	(59,226,492)	323,518,082	199,153,788	15,517,144	-	-	-	380,276,821
Balances at the end of the period	44,951,051	16,513,550	2,246,283,605	(82,123,443)	461,718,825	341,314,658	46,681,198	(442,081)	72,750,429	454,197,330	3,982,121,943

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENTS OF CASH FLOW FOR THE YEARS ENDED AT 31 DECEMBER 2022 AND 2021

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

	Notes	1 January - 31 December 2022	1 January - 31 December 2021
CASH FLOWS FROM OPERATING ACTIVITIES		(38,270,583)	36,637,236
Net Profit/ (Loss) for the Year		380,276,821	117,343,109
Profit/ (Loss) for the Year from Continuing Activities		380,276,821	117,343,109
Adjustments Related to Reconciliation of Net Profit/ (Loss) for the Year:		128,100,964	55,434,862
Adjustments for Depreciation and Amortization	10	93,108,474	60,079,075
Adjustments for Impairments/ Reversals		1,927,996	554,778
- Adjustments for Decrease in Fair Value of Inventories	3	1,927,996	554,778
Adjustments for Provisions		41,514,458	8,239,006
- Adjustments for (Reversal of)			
Provisions Related with Employee Benefits		41,514,458	8,239,006
Adjustments for Dividend Income	23	(6,665,958)	(8,297,498)
Adjustments for Interest Income/ (Expense)		138,825,664	74,119,585
- Adjustments for Interest Income		(57,314,417)	(8,025,937)
- Adjustments for Interest Expense		196,140,081	82,145,522
Adjustments for Unrealized Foreign Currency Translation Differences		4,629,455	(53,004,313)
Adjustments for Fair Value Loss (Gains)		153,500	-
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method		(104,446,568)	(32,456,654)
- Adjustments for Undistributed Profits of Associates	3	(104,446,568)	(32,456,654)
Adjustments for Tax Income	25	(41,891,433)	2,994,356
Adjustments for Gain/ Losses on Sale of Tangible Assets		2,075,991	3,518,851
Adjustments for Losses (Gains) Due to Sales of Affiliates, Joint Ventures and Financial Investments or Changes in Shares		457,177	-
Adjustments for Other Adjustments Related to Profit/ Loss Reconciliation		(1,587,792)	(312,324)
Changes in Working Capital:		(502,136,680)	(129,865,756)
Adjustments For Increases/ (Decreases) In Trade Receivables		(548,880,053)	(191,097,855)
- (Decreases)/ Increases In Trade Receivables From Related Parties		(551,592,211)	(186,983,641)
- (Decreases)/ Increases In Trade Receivables From Third Parties		2,712,158	(4,114,214)
Adjustments For Increases In Other Receivables		(48,873,160)	(11,953,200)
- Increases/ Decreases In Other Receivables From Third Parties		(48,873,160)	(11,953,200)
Adjustments For Increases/ (Decreases) In Inventories		(426,374,444)	(113,128,840)
(Decreases)/ Increases In Prepaid Expenses		(5,047,299)	(1,519,547)
Adjustments for Increases/ (Decreases) in Trade Payables		565,691,723	201,882,941
- Increase In Trade Accounts Payables To Related Parties		60,519,915	(15,744,946)
- Increase In Trade Accounts Payables To Third Parties		505,171,808	217,627,887
Increases/ Decreases In Debts From Employment Termination Benefits		9,554,130	1,104,716
Adjustments For Increases In Other Payable		6,637,717	(317,088)
- Increases In Other Payable From Third Parties		6,637,717	(317,088)
Adjustments For Increases/ (Decreases) In Deferred Income		7,842,447	38,554
Adjustments For Increases/ Decreases In Other Liabilities Of Working Capital		(62,687,741)	(14,875,437)
- Increase/ (Decrease) In Other Assets Related With Operations		(62,745,581)	(14,866,502)
- Increase (Decrease) In Other Payables Related With Operations		57,840	(8,935)
		57,840	(8,935)
Cash Flows From Operating Activities:		6,241,105	42,912,215
Employee Termination Benefits Paid	16	(7,296,045)	(3,852,881)
Income Taxes Refund/ (Paid)		(35,278,388)	(1,154,125)
Government Grants Received		(1,937,255)	(1,267,973)

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
STATEMENTS OF CASH FLOW FOR THE YEARS ENDED AT
31 DECEMBER 2022 AND 2021

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

	Notes	1 January - 31 December 2022	1 January - 31 December 2021
CASH FLOWS FROM INVESTING ACTIVITIES:		(601,721,637)	(34,403,497)
Cash Inflows Due to Sale of Shares or Capital Decrease of Affiliates and / or Joint Ventures	3	5,381,921	-
Cash Outflows Due to Share Purchase or Capital Increase of Affiliates and/or Joint Ventures		(689,836)	(4,387,050)
Cash Inflows Due To Sales Of Tangible Assets		3,027,422	2,004,749
- Cash Inflows Due To Sales Of Tangible Assets		3,027,422	2,004,749
Cash Outflows Due To Purchases Of Tangible And Intangible Assets		(78,789,977)	(55,984,329)
- Cash Outflows Due To Purchases Of Tangible Assets		(77,105,302)	(51,307,418)
- Cash Outflows Due To Purchases Of Intangible Assets		(1,684,675)	(4,676,911)
Cash Payments Of Advances And Loans		(608,737,715)	(5,093,036)
- Cash Advances And Loans Made To Related Parties		(607,761,964)	(4,730,935)
- Other Cash Advances And Loans Made To Other Parties		(975,751)	(362,101)
Cash Payments Of Advances And Loans		362,101	3,092,444
- Other Cash Advances And Loans Made To Other Parties		362,101	3,092,444
Dividends Received	5	20,410,030	17,937,788
Interest Received		57,314,417	8,025,937
CASH FLOWS FROM FINANCING ACTIVITIES		621,894,584	37,621,560
Cash inflow Proceeds From Borrowings		2,330,823,174	727,788,506
- Cash inflow From Borrowings		1,823,163,569	727,788,506
- Cash Inflows from Issued Debt Instruments		507,659,605	-
Cash outflow from Payments Of Borrowings		(1,420,050,134)	(572,019,647)
- Cash outflow From Other Financial Payments Of Borrowings		(1,446,453,459)	(572,019,647)
- Cash Outflows from Other Financial Debt Payments		26,403,325	-
Increase/ (Decrease) In Other Payables To Related Parties		-	(1,108,827)
Cash Outflows from Lease Liabilities		(12,315,460)	(9,457,893)
Cash Outflows from Derivative Instruments		(153,500)	-
Dividends Paid		(65,198,814)	(26,542,239)
Interest Paid		(211,210,682)	(76,272,842)
Other Cash Inputs (Outputs)		-	(4,765,498)
Net Increase/ (Decrease) In Cash And Cash Equivalents Before Foreign Currency Translation Differences		(18,097,636)	39,855,299
EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		15,967	33,178
Net Increase/ (Decrease) In Cash And Cash Equivalents		(18,081,669)	39,888,477
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		40,250,262	361,785
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		22,168,593	40,250,262

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2022

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Pınar Süt Mamülleri 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.

99% (2021: 99%) 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 (2021: 61.41%) (Note 19).

The average number of employees are 1,277 in the period (1 January - 31 December 2021: 1,162).

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 4 October 2022 by POA and the format and mandatory information recommended by CMB.

POAASA made a statement on January 20, 2022, in order to eliminate the hesitations about whether the companies applying TFRS will apply TAS 29 Financial Reporting in High Inflation Economies in the 2021 financial reporting period. Accordingly, it has been stated that the enterprises applying TFRS do not need to make any adjustments within the scope of TAS 29 Financial Reporting in High Inflation Economies ("TAS 29"), and no new statement has been made by the POA on the application of TAS 29 afterwards. Considering that no new disclosure has been made as of the date these financial statements were prepared, no inflation adjustment was made in accordance with TAS 29 while preparing the financial statements as of 31 December 2022.

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 ("TRY").

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2022
(Amounts expressed in Turkish Lira ("TRY") 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 that are issued but not effective as at 31 December 2022:

- Amendment to TFRS 16, 'Leases' – Covid-19 related rent concessions Extension of the practical expedient (effective 1 April 2021); As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to TFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.
- A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16; effective from annual periods beginning on or after 1 January 2022.
 - Amendments to TFRS 3, 'Business combinations' update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - Amendments to TAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
 - Amendments to TAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Annual improvements make minor amendments to TFRS 1, 'First-time Adoption of TFRS', TFRS 9, 'Financial Instruments', TAS 41, 'Agriculture' and the Illustrative Examples accompanying TFRS 16, 'Leases'.

b) New standards, amendments and interpretations issued and effective as of 31 December 2022 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 2022:

- Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

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

2.2 Amendments in Turkish Financial Reporting Standards

c) Standards, amendments and interpretations that are issued but not effective as at 31 December 2022: (Continued)

- Amendment to TAS 12 – Deferred tax related to assets and liabilities arising from a single transaction; effective from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
- Amendment to TAS 1 – Non current liabilities with covenants; effective from annual periods beginning on or after 1 January 2024. These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

The company will evaluate the effects of the above changes on its operations and apply them as of the effective date. The standards and amendments that were published as of 31 December 2022 but have not come into force yet and are not related to the Company's activities are not given 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 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/IFRS, 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.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Basis of Consolidation (Continued)

The table below sets out the associates and the proportion of ownership interest as of 31 December 2022 and 2021 (Note 3):

	Share/Voting Right (%)	
<u>Investments-in-associates</u>	2022	2021
YBP	31.82	31.82
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	25.65	30.52
Pınar Foods GmbH ("Pınar 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 Pınar Foods operating in Germany are prepared according to the legislation of the country in which it operates and adjusted to the financial reporting standards issued by the TFRS. The assets and liabilities of foreign associate are translated into TRY from the foreign exchange rates at the balance sheet date, and the statement of comprehensive income items of foreign associate are translated into TRY at the average foreign exchange rates in the period.

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.

The exchange rates at the dates of the statement of financial position and for the translation of items in the statement of profit or loss and other comprehensive income are as follows:

<u>End of period asset purchase:</u>	31 December 2022	31 December 2021
USD /TRY	18,6983	13,3290
EURO /TRY	19,9349	15,0867
<u>End of period liability sales:</u>		
USD /TRY	18,7320	13,3530
EURO /TRY	19,9708	15,1139
<u>Annual average:</u>	1 January - 31 December 2022	1 January - 31 December 2021
USD /TRY	16,5512	8,8854
EURO /TRY	17,3642	10,4687

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2022

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

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

2.3 Basis of Consolidation (Continued)

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 TRY 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.

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 2022 on a comparative basis with balance sheet at 31 December 2021; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2022 on a comparative basis with financial statements for the period of 1 January - 31 December 2021.

2.6.1 TFRS 16 Leases

The Company - as a lessee

At inception of a contract, the Company assesses whether a 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. To assess whether a contract conveys the right to control the use of an identified asset, The Company assess whether:

- the contract involved the use of an identified asset - this may be specified explicitly or implicitly.
- 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.
- 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
- 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:

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

2.6 Summary of significant accounting policies (Continued)

2.6.1 TFRS 16 Leases

The Company - as a lessee (Continued)

- i. the Company has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or,
- ii. the Company designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

The Company books a right of use and a lease obligation to the financial statements at the date that the lease is commenced.

Right of use asset

The right of use asset is initially recognized at cost comprising of:

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

To apply a cost model, the Company measure the right-of-use asset at cost:

- less any accumulated depreciation and any accumulated impairment losses and
- adjusted for any remeasurement of the lease liability.

The Company applies TAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment (Note 11.b).The Company apply 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. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company use the lessee's alternative borrowing rate.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- 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,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

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

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

2.6 Summary of significant accounting policies (Continued)

2.6.1 TFRS 16 Leases (Continued)

Lease Liability (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

The lease obligation is determined by considering the extension and early termination options in the contracts. Most of the extension and early termination options included in the contracts consist of options that are jointly applicable by the Company and the lessor. The Company determines the rental period by including the extension and early termination options in the Company's initiative according to the relevant contract and if the options are reasonably accurate, it is included in the rental period. If the conditions change significantly, the assessment is reviewed by the Company. The Company does not have a lease agreement with extension and early termination options.

Facilitating applications

Short-term lease contracts with a lease period of 12 months and less, and contracts for warehouse leases that are determined to be of low value by the Company have been evaluated within the scope of the exemption recognized by TFRS 16 Leases Standard and payments related to these agreements continue to be recognized as expenses. A single discount rate has been applied to a portfolio (such as leases with the remaining lease term similar for a similar asset class in a similar economic environment) of leases with reasonably similar properties.

Company - as lessor

All of the Company's leases as lessor are operational leases.

2.6.2 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

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

2.6 Summary of significant accounting policies (Continued)

2.6.2 Revenue Recognition (Continued)

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

The Company recognize revenue from its customers only when all of the following criteria are met:

- a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customer business practices) and are committed to perform their respective obligations,
- b) The Company can identify each party's rights regarding the goods or services to be transferred.
- c) The Company can identify the payment terms for the goods or services to be transferred.
- d) The contract has commercial substance,

It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Company shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

Revenue from product sales

ŞThe company generates revenue by the production and sales of bottled water stocks, natural and aromatic mineral water, fruity beverages, lemonade. Revenue is recognized when product control is transferred to the customer.

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

- a) The Company has a present right to payment for the asset,
- b) The customer has legal title to the asset,
- c) The Company has transferred physical possession of the asset,
- d) Allocation of price to performance obligations,
- e) Recognition of revenue when the performance obligations are fulfilled.

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

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

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

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

2.6 Summary of significant accounting policies (Continued)

2.6.3 Financial assets

Classification and measurement

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

(a) Financial assets 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 as of 31 December 2020 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).

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

2.6 Summary of significant accounting policies (Continued)

2.6.4 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, labneh, packaged fruit juice, butter, sauces and yogurt; and other inventory mainly consist of spare part and pallet.

Company's raw materials mainly consist of materials and packaging materials which are used to produce bottled water, finished goods mainly consist of bottled water. Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories comprise all costs of cost of spring water agreements and it's cost of rent agreements, purchase of material and other costs incurred in bringing the inventories to their present location and condition such as labor and appropriate amount of factory overheads (based on normal operating capacities). The cost of inventories is determined on the monthly weighted average basis (Note 8).

2.6.5 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. Land, land improvements and buildings and machinery and equipment are reflected in the financial statements at their fair values determined by an independent valuation company as of 31 December 2021 (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. Property, plant and equipment except for land, land improvements and buildings and machinery and equipment are carried at cost, less accumulated amortisation and impairment losses.

Increases in the carrying amount arising on the revaluation of land, land improvements and buildings and machinery and equipment are credited to the revaluation reserve in equity, net of applicable deferred income tax. 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. 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. 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 accumulated losses, and the amount transferred is net of any related deferred income tax.

Buildings, machinery and equipment are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. It is expected that the residual value of property, plant and equipment except for demijohn and baskets would not be material amounts.

Advances given for tangible assets purchases are followed under prepaid expenses under fixed assets until the related asset is activated. In each reporting period, the scrap value of the tangible fixed assets is reviewed and necessary adjustments are made prospectively.

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

2.6 Summary of significant accounting policies (Continued)

2.6.5 Property, plant and equipment (Continued)

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 annual depreciation rates for property, plant and equipment, which are based on the approximate useful lives of such assets, are as follows;

	<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).

Where the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. If the property, plant and equipment that are impaired are revalued, the impairment is charged to the revaluation reserves for an amount equivalent to the increases included in the revaluation reserve in the preceding periods and the remaining amount is recognised in the statement of comprehensive income. At each balance sheet date, estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively.

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

2.6.6 Intangible assets

Buildings, machinery and equipment are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. It is expected that the residual value of property, plant and equipment except for demijohn and baskets would not be material amounts. Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 11). Land is not depreciated as it is deemed to have an indefinite life. The annual depreciation rates for property, plant and equipment, which are based on the approximate useful lives of such assets, are as follows;

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

2.6 Summary of significant accounting policies (Continued)

2.6.6 Intangible assets (Continued)

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value or 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. The Company derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Subsequent costs included in the asset's carrying value or recognised as separate asset, are depreciated based on their useful lives.

2.6.7 Impairment of assets

Impairment of financial assets:

- Assets carried at amortized cost

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

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

- Significant financial difficulty of the issuer or obligor,
- A breach of contract, such as a default or delinquency in interest or principal payments,
- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
- It becomes probable that the borrower will enter bankruptcy or another financial reorganisation,
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) Adverse changes in the payment status of borrowers in the portfolio and
 - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income. If, in the following period, the amount of the impairment loss decreases and this decrease can be attributed to an event that occurred after the impairment was realized (such as an improvement in the borrower's credit rating), the reversal of the previously recorded impairment is recorded in the income statement.

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

2.6 Summary of significant accounting policies (Continued)

2.6.7 Impairment of assets (Continued)

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.

2.6.8 Borrowing and borrowing cost

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). Qualifying assets are described as assets that necessarily take a substantial period of time to get ready for their intended use or sale within a year or more period. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2.6.9 Going concern

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

2.6.10 Loss per share

Loss per share disclosed in the statement of income and other comprehensive income are determined by dividing net profit/(loss) 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 loss per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues 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.

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

2.6 Summary of significant accounting policies (Continued)

2.6.11 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.

2.6.12 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.

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

Employment termination benefits, as required by the Turkish Labour 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 Labour 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.

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

2.6 Summary of significant accounting policies (Continued)

2.6.13 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.

2.6.14 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). Related parties are determined by considering the following conditions.

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

The person concerned,

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

b) 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.

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.15 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.

2.6.16 Taxation on income

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date (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.

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).

2.6.17 Statement of cash flow

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

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.18 Share capital and dividends

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

2.6.19 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.

2.6.20 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.

2.6.21 Significant accounting assessments, estimates and assumptions

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

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

The frequency of revaluation studies is determined to ensure that the carried values of the tangible fixed assets and investment properties are not significantly different from their fair values as of the end of the relevant reporting period. The frequency of the revaluation studies depends on the change in the fair value of the tangible assets. In cases where the fair value of a revalued asset is considered to be significantly different from its carrying value, the revaluation study needs to be repeated, and this study is carried out for the entire class of assets with the revaluated asset as of the same date. On the other hand, it is not necessary to repeat the revaluation studies every year for the tangible fixed assets whose fair value changes are insignificant.

In this context, as a result of the evaluations made by the Company management, land and land improvements and buildings and investment properties as of 31 December 2021, property, plant and equipment, on the fair value determined by the valuation studies carried out by an independent professional valuation company. is reflected in the tables.

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.21 Significant accounting assessments, estimates and assumptions(Continued)

a) Revaluation of land, buildings and land improvements, machinery and equipments (Continued)

Details of the methods and assumptions used within the scope of the valuation studies performed are as follows.

- In fair value calculations, the most effective and efficient use evaluation was made and the current usage purposes were determined as the most effective and efficient use, and the peer comparison method was used for lands and plots, and the cost approach method was used for underground and surface landscapes and buildings.
- In the peer comparison method, the existing market information was used, the prices were adjusted within the framework of the criteria that may affect the market value, considering the similar real estates that were recently put on the market, and the average m² sales value for the plots subject to the report was determined. The peers found were compared according to criteria such as location, size, zoning status, physical characteristics, and real estate marketing firms were interviewed for an up to date evaluation of the real estate market, and the existing knowledge of an independent professional valuation company was used.
- In the cost approach method, the value of the real estate is determined by adding the investment costs on the land to the land value after amortization (subtracting the depreciation after adding any interest or gain). In the calculation of the land value among the components discussed in the cost approach method, the equivalent comparison method explained above was used.
- Cost approach method was used in valuation of property, plant and equipment. Due to the fact that valuation is an integrated industrial plant valuation as a whole, in the light of market data to the extent that it is applicable in valuation of property, plant and equipment; It was built on active and operational values within the integrated plant and the property, plant and equipment in question were examined on a line basis.

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

b) Employee termination benefits

The company uses actuarial assumptions such as employee turnover rate, discount rates and salary increase in the calculation of the provision for employee termination benefits. Calculation details are given in employee benefits footnote. (Note 16).

c) Financial assets fair value determination

In cases where the assets of which the fair value difference is recorded in other comprehensive income do not have any fair value recorded in the stock exchange, it can be defined that the assets and liabilities of significant amounts, which are one of the other alternative valuation techniques, especially the discounted cash flow method, which is one of the generally accepted valuation techniques used in the calculation of fair value. The net asset valuation approach includes some assumptions based on the Company's best estimates, and the values that may arise in the event of purchase / sale transactions may differ from these values (Note 27).

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.21 Significant accounting assessments, estimates and assumptions(Continued)

d) Recoverability of trade receivables

The Company management takes into consideration the guarantees received from customers, past collection performances, maturity analysis, disputes or lawsuits regarding receivables while evaluating the recoverability of trade receivables. As a result of all these evaluations, the determination of doubtful receivables and the determination of the amount of provisions allocated for these receivables also includes the assumptions and estimates of the management.

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

Associates:

	31 December 2022		31 December 2021	
	TRY	%	TRY	%
YBP	475,377,244	31,82	206,050,404	31,82
Desa Enerji (*)	42,855,215	25,65	33,312,615	30,52
Pinar Foods	60,937,271	44,94	41,758,295	44,94
	579,169,730		281,121,314	

(*) In 2022, the Company sold 4.87% of Desa Enerji shares to its parent Yaşar Holding. The aforementioned transaction is defined as a transaction that did not result in a significant loss of activity or gain, and the difference between the cash inflows resulting from the share sale transaction and the fair value carried in the financial position statement of the related associate, amounting to TL 457,177, is accounted for under the profit or loss and other comprehensive income statement.

Details of significant investment in associates of the Company as at 31 December 2022 and 2021 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

The following tables present summarized financial information for the Company's subsidiaries. The disclosed information reflects the amounts presented in the financial statements of the relevant subsidiaries and these amounts are not the Company's shares. These have been modified to reflect the change in accounting policies.

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NOTE 3 - INTERESTS IN OTHER ENTITIES (Continued)

<i>Statement of Financial Position</i>	YBP		Desa Enerji		Pınar Foods	
	31,12,2022	31,12,2021	31,12,2022	31,12,2021	31,12,2022	31,12,2021
Current Assets						
Cash and Cash Equivalents	63,160,959	34,147,803	21,817,332	13,619,763	12,925,657	35,522,664
Other Current Assets	1,279,616,981	574,059,187	147,411,769	31,240,789	125,186,342	57,843,035
Total Current Assets	1,342,777,940	608,206,990	169,229,101	44,860,552	138,111,999	93,365,700
Non-Current Assets	1,710,890,961	806,582,654	113,537,380	102,498,131	8,956,207	8,886,409
Short-Term Liabilities						
Financial Liabilities (Trade Payables Excluded)	88,839,054	54,511,370	311,404	169,032	5,427,582	3,133,044
Other Short-Term Liabilities	1,305,503,619	637,273,577	109,292,585	24,662,911	2,393,914	305,175
Total Short-Term Liabilities	1,394,342,673	691,784,947	109,603,989	24,831,943	7,821,496	3,438,219
Long-Term Liabilities						
Financial Liabilities (Trade Payables Excluded)	3,386,998	15,987,793	1,108,208	868,242	3,649,755	5,893,781
Other Long-Term Liabilities	161,981,831	59,466,923	4,977,424	12,508,383	-	-
Total Long-Term Liabilities	165,368,829	75,454,716	6,085,632	13,376,625	3,649,755	5,893,781
Net Assets	1,493,957,399	647,549,981	167,076,860	109,150,114	135,596,956	92,920,109

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NOTE 3 - INTERESTS IN OTHER ENTITIES (Continued)

Reconciliation of Net Book Values	YBP		Desa		Pinar Foods	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
1 January Opening Value of Net Assets	647,549,981	452,884,831	109,150,114	48,432,719	92,920,109	53,512,025
Net Profit for the Year	285,710,088	83,229,947	44,056,997	19,094,503	10,710,052	4,011,310
Other Comprehensive Income	595,089,080	136,348,765	27,891,326	49,489,978	-	-
Dividend paid	(34,391,750)	(24,913,561)	(13,999,113)	(7,868,087)	-	-
Foreign Currency Translation Differences	-	-	-	-	31,966,796	35,396,773
Closing Value of Net Assets	1,493,957,398	647,549,981	167,099,325	109,150,114	135,596,956	92,920,109
Company's share in %	%31,82	%31,82	%25,65	%30,52	%44,94	%44,94
Company's share in TRY	475,377,244	206,050,404	42,855,215	33,312,615	60,937,272	41,758,295
Net Book Value	475,377,244	206,050,404	42,855,215	33,312,615	60,937,272	41,758,295

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NOTE 3 - INTERESTS IN OTHER ENTITIES (Continued)

Comprehensive Income Statement	YBP		Desa		Pınar Foods	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Revenue	7,368,323,498	3,486,632,759	660,927,581	139,609,376	302,011,588	163,091,185
Interest Income	9,664,028	1,911,348	7,628,819	1,405,003	-	-
Depreciation and Amortization	(9,970,351)	(16,733,950)	(18,551,031)	(7,595,554)	(66,613)	(72,613)
Interest Expense	(12,687,805)	(13,102,618)	(202,406)	-	-	-
Income Tax Expense	(30,394,299)	(13,349,590)	(11,848,845)	(5,266,281)	(4,013,013)	-
Profit For The Year Continuing Operations	285.710.088	83.229.947	44.056.997	19.094.503	12.141.311	4.011.310
Net Profit for the Year	285.710.088	83.229.947	44.056.997	19.094.503	10.710.052	4.011.310
Other Comprehensive Income	595.089.080	136.348.765	27.891.326	49.489.978	-	-
Total Comprehensive Income	880.799.168	219.578.712	71.948.323	68.584.481	10.710.052	4.011.310

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NOTE 3 - INTERESTS IN OTHER ENTITIES (Continued)

Movement in investments-in-associates during the years 2022 and 2021 are as follows:

	2022	2021
1 January	281,121,314	182,937,923
Share of profit before taxation of investments-in-associates - net	104,446,568	32,456,654
Increase in fair value reserves of investments-in-associates - net	130,925,746	8,290,473
Dividend income from investments-in-associates (Note 5.ii.d)	(13,744,072)	(9,640,290)
Currency translation reserve	15,517,146	16,061,727
Increase in revaluation reserve of investments-in-associates	77,060,355	51,608,927
Actuarial loss arising from defined benefit plans of investments-in associates - net	(8,832,313)	(481,403)
(Decrease)/increase due to other changes	442,081	442,081
Earnings from capital deduction of associate	(5,839,099)	-
Elimination of net effect of unrealized profits on inventory	(1,927,996)	(554,778)
31 December	579,169,730	281,121,314

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash in hands	-	98,621
Banks	22,168,593	40,151,641
- Demand deposits	13,663,593	201,641
- TRY	13,663,593	201,641
- Time deposits	8,505,000	39,950,000
- TRY	8,505,000	39,950,000
	22,168,593	40,250,262

The effective interest rates of time deposits are 15.62% for TRY and the maturity period is within 1 month. (31 December 2021: 19.33% for TL and the maturity period is within 1 month.).

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.

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NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2022 and 2021 are as follows:

i) Balances with related parties:

	31 December 2022	31 December 2021
a) Short-term trade receivables from related parties:		
YBP ⁽¹⁾	875,604,197	426,303,122
YDT ⁽²⁾	430,125,533	355,013,334
	1,305,729,730	781,316,456

The average maturity of short-term trade receivables from related parties as of 31 December 2022 is 2 months (2021: 2 months).

As of 31 December 2022, trade receivables from related parties amounting to TRY249,091,563 (2021: TRY272,734,965) 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:

	31 December 2022	31 December 2021
Yaşar Holding ⁽³⁾	425,886,881	23,325,339
HDF FZCO ⁽²⁾	213,313,691	-
Other	188,507	51,776
	639,389,079	23,377,115

As of 31 December 2022, the Company's other short-term receivables from Yaşar Holding amounting to TRY425,886,881 (31 December 2021: TRY8,315,551) consist of the principal and interest accrual amounts of the borrowings obtained by the Company from a financial institution and transferred to Yaşar Holding under the same conditions with an effective interest rate of 20.25% per annum (31 December 2021: 18.16%).

As of 31 December 2021, the Company has non-trade receivables from Yaşar Holding amounting to 15,009,788 TL, and the annual effective interest rate is 19.75%.

As of 31 December 2022, the Company has non-trade receivables from HDF FZCO amounting to 213,313,691 TL, and the annual effective interest rate is 21.75% (31 December 2021: None).

(1) Investment in associate

(2) Related party controlled by parent company

(3) Parent company

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

i) Balances with related parties (Continued):

c) Other long-term receivables from related parties:

	31 December 2022	31 December 2021
Yaşar Holding	2,062,500	10,312,500
	2,062,500	10,312,500

As of 31 December 2022, the Company's other long-term receivables from Yaşar Holding consist of the principal and interest accrual amounts of the borrowings obtained by the Company from a financial institution and transferred to Yaşar Holding under the same conditions. Effective interest rate of the borrowing is 12.36% per annum (31 December 2021: 18.16%).

d) Short-term trade payables to related parties:

	31 December 2022	31 December 2021
YDT	33,560,195	12,449,654
Desa Enerji ⁽¹⁾	26,162,610	7,572,146
Çamlı Yem Besicilik Sanayi ve Tic. A.Ş. ("Çamlı Yem") ⁽²⁾	24,970,394	15,623,417
Yaşar Holding	17,472,958	7,742,762
HDF FZCO ⁽²⁾	5,867,822	5,011,484
Other	6,547,927	3,492,044
	114,581,906	51,891,507

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

(1) Investment in associate

(2) Related party controlled by parent company

ii) Transaction with related parties:

	1 January - 31 December 2022	1 January - 31 December 2021
a) Product sales:		
YBP	5,004,413,928	2,247,970,266
YDT	788,608,551	417,463,407
Pınar Et	7,903,090	772,520
Other	-	1,107,176
	5,800,925,569	2,667,313,369

The company carries out the domestic sales of most of the products it manufactures to YBP, a subsidiary and Yaşar Group Company, and its overseas sales through YDT, a Yaşar Group Company, and a significant part of the said export sales are made to HDF FZCO, a Yaşar Holding Group Company.

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

ii) Transaction with related parties (Continued):

b) Service sales:

	1 January - 31 December 2022	1 January - 31 December 2021
YDT	42,763,476	22,665,503
YBP	1,486,647	663,527
Pınar Et	1,408,105	667,149
Çamlı Yem	1,012,526	453,330
Other	1,482,046	651,688
	48,152,800	25,101,197

c) Other income from operating activities:

YDT	146,735,038	137,309,032
Çamlı Yem	2,257,325	1,885,606
YBP	1,386,941	3,004,143
Other	239,642	6,671
	150,618,946	142,205,452

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

d) Dividends received:

YBP	10,242,172	7,322,027
Pınar Et	6,651,138	8,286,663
Desa Enerji	3,501,900	2,318,263
Bintur Turizm ve Catering HizmeTRYeri A.Ş., ("Bintur") (2)	14,821	10,835
	20,410,031	17,937,788

e) Other expenses from operating activities:

YDT	5,370,939	8,763,860
Yaşar Holding	414,285	369,011
Çamlı Yem	97,479	1,256,496
Other	3,525,646	1,736,938
	9,408,349	12,126,305

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.

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

	1 January - 31 December 2022	1 January - 31 December 2021
f) Product purchases:		
Desa Enerji	190,665,543	44,441,690
Çamlı Yem	76,592,403	33,336,094
Desa Elektrik Enerjisi Ticaret A.Ş.,	20,082,788	4,599,391
Hedef Ziraat Ticaret A.Ş, (4)	921,250	11,808,887
Other	849,644	1,072,984
	289,111,628	95,259,046

The Company purchases steam and electricity from Desa Enerji, and purchases raw material from Çamlı Yem.

g) Service purchases:		
Yaşar Holding	52,051,161	25,853,824
YBP	44,388,182	20,638,326
YDT	34,471,470	19,548,216
Yaşar Bilgi İşlem ve Ticaret A.Ş, ("Yabim") (2)	7,435,034	5,498,335
HDF FZCO	6,808,885	616,861
Bintur	977,706	237,283
Other	2,517,772	937,754
	148,650,210	73,330,599

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.

(2) Related party controlled by parent company

(4) Ultimate parent company

h) Investment income from related parties:

	1 January - 31 December 2022	1 January - 31 December 2021
Yaşar Holding	1,059,606	5,301,210
Other	328	-
	1,059,934	5,301,210

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

i) Dividends and profit shares to related parties:

Yaşar Holding	34,504,877	12,835,814
Yaşar Eğitim ve Kültür Vakfı	2,670,000	890,000
Other	4,702,416	1,573,339
	41,877,293	15,299,153

On the Ordinary Meeting of the General Assembly for the year 2021 as of 29 March 2022, it has been decided to distribute dividend amounting to TRY63,538,814 (2021: TRY23,357,239). TRY21,661,521 portion of this dividend will pay to other shareholders. (31 December 2021: TRY8,058,086 portion of this dividend was paid to other shareholders).

	1 January - 31 December 2022	1 January - 31 December 2021
j) Donations to related parties:		
Yaşar Eğitim ve Kültür Vakfı	255,731	103,210
	255,731	103,210

k) Financial expenses from related parties:

Yaşar Holding	23,492	241,873
Other	5,429,548	-
	5,453,040	241,873

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:

	1 January - 31 December 2022	1 January - 31 December 2021
Total short-term employee benefits	17,981,226	10,355,773
Other long-term benefits	2,413,330	751,747
	20,394,556	11,107,520

The portion of total short-term benefits amounting to TRY4,680,000 (31 December 2021: TRY1,565,000) consists of Board of Directors appropriation according to the decision taken at the Ordinary Meeting of the General Assembly.

m) Bails received from related parties:

Received bails are related with guarantee letter amounting to TRY44,242,659 guarantees provided by YBP and Yaşar Holding (31 December 2021: guarantees provided by YBP and Yaşar Holding related with guarantee letters amounting to TRY80,600,595).

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NOTE 6 - TRADE PAYABLES

a) Short-term trade payables to third parties:

	31 December 2022	31 December 2021
Supplier current accounts	1,116,086,551	608,265,475
	1,116,086,551	608,265,475

Trade payables mature within two months (31 December 2021: Two months).

NOTE 7 - OTHER PAYABLES

a) Other short-term payables to third parties:

	31 December 2022	31 December 2021
Taxes and funds payable	13,459,668	6,913,731
Other	395,750	303,969
	13,855,418	7,217,700

NOTE 8 – INVENTORIES

	31 December 2022	31 December 2021
Raw materials	164,259,534	77,691,911
Work-in-progress	303,694,943	102,826,637
Finished goods	249,733,372	132,015,951
Spare parts and palettes	38,646,308	17,425,214
	756,334,157	329,959,713

The costs of inventories recognized as expense and included in cost of sales amounted to TRY 4,216,389,920 (2021: TRY1,996,399,096) (Note 17). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell as of 31 December 2022.

NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses to third parties:

	31 December 2022	31 December 2021
Prepaid expenses	7,930,027	3,663,069
Advances given	1,483,861	703,520
	9,413,888	4,366,589

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

a) Property, Plant And Equipment:

	1 January 2022	Additions	Disposals	Transfers	Accumulated Depreciation Netting Before Valuation	Revaluation Increasing	31 December 2022
Cost or revaluation:							
Land	403,737,267	-	-	-	-	912,808,237	1,316,545,504
Land improvements and buildings	245,054,317	1,386,517	-	-	(10,386,131)	423,620,533	659,675,236
Machinery, plant and equipment	940,737,758	36,179,397	(6,119,761)	49,160,234	-	-	1,019,957,628
Motor vehicles	6,986,145	7,429,158	-	-	-	-	14,415,303
Furniture and fixtures	67,666,985	3,237,343	(186,119)	-	-	-	70,718,209
Construction in progress	37,867,686	28,872,887	-	(49,160,234)	-	-	17,580,339
	1,702,050,158	77,105,302	(6,305,880)	-	(10,386,131)	1,336,428,770	3,098,892,219
Accumulated depreciation (-):							
Land improvements and buildings	-	(10,386,131)	-	-	10,386,131	-	-
Machinery, plant and equipment	-	(65,860,056)	2,615,704	-	-	-	(63,244,352)
Motor vehicles	(6,524,779)	(471,577)	-	-	-	-	(6,996,356)
Furniture and fixtures	(53,962,137)	(2,942,180)	168,399	-	-	-	(56,735,918)
	(60,486,916)	(79,659,944)	2,784,103	-	10,386,131	-	(126,976,626)
Net book value	1,641,563,242						2,971,915,593

As of 31 December 2022, main additions to property, plant and equipment are comprised of investments related to machinery and equipment.

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

a) Property, Plant And Equipment (Continued):

Movements of property, plant and equipment and accumulated depreciation between 1 January and 31 December 2021 were as follows:

	1 January 2021	Additions	Disposals	Transfers	Accumulated Depreciation Netting Before Valuation	Revaluation Increasing	31 December 2021
Cost or revaluation:							
Land	183,225,000	-	-	-	-	220,512,267	403,737,267
Land improvements and buildings	118,802,015	826,858	-	(9,140,252)	-	134,565,699	245,054,317
Machinery, plant and equipment	506,497,707	19,570,779	(8,007,590)	(116,825,885)	-	539,502,747	940,737,758
Motor vehicles	7,015,336	-	(29,191)	-	-	-	6,986,145
Furniture and fixtures	64,500,998	3,384,082	(218,095)	-	-	-	67,666,985
Construction in progress	10,341,986	27,525,700	-	-	-	-	37,867,686
	890,383,042	51,307,419	(8,254,876)	(125,966,137)		894,580,713	1,702,050,158
Accumulated depreciation (-):							
Land improvements and buildings	(4,424,192)	(4,716,060)	-	9,140,252	-	-	-
Machinery, plant and equipment	(79,540,557)	(41,352,844)	4,067,516	116,825,885	-	-	-
Motor vehicles	(6,392,185)	(161,786)	29,191	-	-	-	(6,524,779)
Furniture and fixtures	(51,428,705)	(2,749,638)	216,206	-	-	-	(53,962,137)
	(141,785,639)	(48,980,328)	4,312,913	125,966,137		-	(60,486,916)
Net book value	748,597,403						1,641,563,242

As of 31 December 2021, main additions to property, plant and equipment are comprised of investments related to machinery and equipment.

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

b) Right of Use Assets:

	1 January 2022	Additions	Disposals	31 December 2022
Cost:				
Land improvements and buildings	11,943,758	8,392,659	(1,581,637)	18,754,780
Motor vehicles	21,960,625	2,118,701	-	24,079,326
	33,904,383	10,511,360	(1,581,637)	42,834,106
Accumulated depreciation (-):				
Land improvements and buildings	(8,385,238)	(8,338,953)	1,581,637	(15,142,554)
Motor vehicles	(8,141,285)	(4,825,881)	-	(12,967,166)
	(16,526,523)	(13,164,834)	1,581,637	(28,109,720)
Net book value	17,377,860			14,724,386

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

b) Right of Use Assets (Continued):

	1 January 2021	Additions	Disposals	31 December 2021
Cost:				
Land improvements and buildings	5,001,833	8,523,562	(1,581,637)	11,943,758
Motor vehicles	4,397,671	17,562,954	-	21,960,625
	9,399,504	26,086,516	(1,581,637)	33,904,383
Accumulated depreciation (-):				
Land improvements and buildings	(4,343,326)	(5,623,549)	1,581,637	(8,385,238)
Motor vehicles	(2,019,402)	(6,121,883)	-	(8,141,285)
	(6,362,728)	(11,745,432)	1,581,637	(16,526,523)
Net book value	3,036,776			17,377,860

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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 2022 (2021: None).

Current year's depreciation and amortization charges were allocated to cost of goods sold by TRY67,693,338 (2021: TRY43,149,719) to the cost of inventories by TRY993,874 (2021: TRY542,242), to marketing expenses by TRY 13,866,118 (2021: TRY 9,616,939) (Note 21.a), to general administrative expenses by TRY 8,018,846 (2021: TRY5,626,904) (Note 21.b), to research and development expenses by TRY 2,536,298 (2021: TRY1,143,272) (Note 21.c).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2022 and 2021 were as follows:

	2022	2021
1 January	1,057,648,792	336,915,821
Disposal of revaluation funds due to sale of property, plant and equipment - net	(1,865,368)	(1,352,913)
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements - net	1,160,423,839	737,715,797
The deferred tax effect on the revaluation of immovables and other depreciable economic	74,702,612	-
Depreciation transfer upon revaluation reserve - net	(44,626,270)	(15,629,913)
31 December	2,246,283,605	1,057,648,792

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 2022 and 2021 are as follows:

	Land	Land improvements and buildings	Machinery and equipment
31 December 2022			
Cost	9,059,482	90,338,056	513,014,720
Less: Accumulated depreciation	-	(37,123,658)	(205,549,327)
Net book value	9,059,482	53,214,398	307,465,393
31 December 2021			
Cost	9,059,482	88,951,541	436,764,746
Less: Accumulated depreciation	-	(31,486,143)	(177,840,976)
Net book value	9,059,482	57,465,398	258,923,770

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NOTE 11 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortization for the years ended 31 December 2022 and 2021 were as follows:

	1 January 2022	Additions	Disposals	31 December 2022
Costs:				
Rights	14,327,353	708,466	-	15,035,819
Construction in progress	12,165,495	976,209	-	13,141,704
Less: Accumulated amortization	(13,925,646)	(1,865,333)	-	(15,790,979)
Net book value	12,567,202	(180,658)	-	12,386,544
	1 January 2021	Additions	Disposals	31 December 2021
Costs:				
Rights	14,230,426	620,800	(523,873)	14,327,353
Construction in progress	8,109,384	4,056,111	-	12,165,495
Less: Accumulated amortization	(13,514,569)	(934,951)	523,873	(13,925,646)
Net book value	8,825,241	3,741,961	-	12,567,202

NOTE 12 - GOVERNMENT GRANTS AND INCENTIVES

During 2022, 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 TRY349,645 (2021: TRY547,442) government incentive. As of 31 December 2022, the company has incentive accrual amounting to TRY4,941,086 (31 December 2021: TRY3,702,545).

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 2022	31 December 2021
From third parties:		
Short-term borrowings	764,477,497	385,642,813
Issued debt instruments	507,659,605	-
Short-term portion of long-term borrowings	52,688,453	46,102,447
Borrowings from lease liabilities	7,782,784	6,658,291
Short-term borrowings	1,332,608,339	438,403,551
Long-term borrowings	22,840,663	60,790,662
Borrowings from lease liabilities	8,627,460	12,103,087
Long-term borrowings	31,468,123	72,893,749
	1,364,076,462	511,297,300

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BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average interest rate p.a. (%)		Original currency		TRY equivalent	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Short-term borrowings:						
TRY borrowings (*)	18,18	21,01	764,477,497	292,171,814	764,477,497	292,171,814
USD borrowings (*)	-	0,96	-	7,000,000	-	93,471,000
Short-term portion of long-term bank borrowings:						
TRY borrowings (**)	14,36	16,31	39,765,906	40,366,166	39,765,906	40,366,166
EUR leasing borrowings	3,71	3,71	647,072	379,537	12,922,547	5,736,281
Total short-term borrowings					817,165,949	431,745,261
Long-term bank borrowings:						
TRY borrowings (**)	12,86	16,29	10,662,500	49,798,214	10,662,500	49,798,214
Euro leasing borrowings	3,71	3,71	609,798	727,307	12,178,163	10,992,448
Total long-term borrowings					22,840,663	60,790,662

(*) As of 31 December 2022, short-term borrowings consist of fixed interest spot loans and floating interest loans. (31 December 2021: Short-term borrowings consist of zero and fixed interest spot loans and floating and fixed interest loans). As of 31 December 2022, there are no USD short-term loans. (31 December 2021: USD short-term financial liabilities consist of export credits with interest rate 0.96% p.a.).

(**) As of 31 December 2022, TRY denominated long-term borrowings consist of loans with a fixed interest rate of 14.60% p.a and 18.50% p.a. (31 December 2021: TRY denominated long-term borrowings consist of loans with a fixed interest rate of 14.60% p.a and 18.50% p.a.).

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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 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
2023	-	44,794,934
2024	22,840,663	15,995,729
	22,840,663	60,790,662

31 December 2022 and 2021 are prepared in accordance with the Company's floating interest rate and the fixed rate renewal date net financial debt maturity breakdown is as follows:

31 December 2022

Borrowing with floating interest rates	420,131,143
Borrowings with fixed rates	943,945,319

Total **1,364,076,462**

31 December 2021

Borrowing with floating interest rates	195,362,500
Borrowings with fixed rates	315,934,800

Total **511,297,300**

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

	Carrying Amounts		Fair Values	
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
Bank borrowings	1,364,076,462	511,297,300	1,106,050,833	449,046,385

The fair values of the loans are determined using the discounted cash flow method using 21.39% weighted interest rates per year for TL loans (31 December 2021: discounted cash flow method using effective weighted interest rates of 27.95% per annum for TL loans and 28.28% per annum for USD loans determined).

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NOTE 13 - BORROWINGS AND BORROWING COSTS (Continued)

As of 31 December 2022 and 2021 the movement of net borrowings are as follows:

	2022	2021
1 January	471,047,040	308,364,598
Cash inflow from borrowings	2,315,923,412	717,632,680
Repayment of borrowings	(1,446,453,459)	(573,029,305)
Currency translation difference	(38,844,842)	31,330,135
Accrual of interest effect	9,605,423	717,521
Change in cash and cash equivalents	18,081,667	(39,888,476)
Borrowings from lease liabilities	(2,351,134)	15,764,061
Borrowings from financial lease liabilities	14,899,762	10,155,826
31 December	1,341,907,869	471,047,040

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
a) Guarantees given:		
Letter of guarantee	178,643,410	134,003,559
	178,643,410	134,003,559

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

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2022 and 2021 were as follows:

	31 December 2022			31 December 2021		
	Currency	Amount	TRY Equivalent	Currency	Amount	TRY Equivalent
The CPMs given by the Company:						
A. Total amount of CPM given for the Company's own legal personality			178,643,410			134,003,559
	TRY	178,515,658	178,515,658	TRY	59,803,342	59,803,342
	USD	6,820	127,752	USD	5,556,820	74,200,217
	-	-	-	-	-	-
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	-	-	-	-	-	-
i. Total amount of CPM given on behalf of the majority shareholder	-	-	-	-	-	-
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			178,643,410			134,003,559

The ratio of total amount of other CPM to Equity

%0

%0

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

	31 December 2022	31 December 2021
b) Guarantees received :		
Bails	44,242,659	80,600,595
Guarantee notes	29,027,950	22,840,428
Letters of guarantee	18,165,558	9,867,974
Guarantee cheques	69,502	49,544
	91,505,669	113,358,541

Received bails are related with guarantee letter amounting to TRY44,242,659 guarantees provided by YBP and Yaşar Holding (31 December 2021: Received bails are related with guarantee letter amounting to TRY80,600,595 guarantees provided by YBP and Yaşar Holding).

Foreign currency denominated guarantees given as of 31 December 2022 is as follows:

Guarantees received	EURO	888,744
	USD	433,717

Foreign currency denominated guarantees given as of 31 December 2021 is as follows:

Guarantees received	EURO	911,077
	USD	433,717

c) Major litigations

As a result of the stamp duty inspection carried out by the Ministry of Treasury and Finance inspection staff for 2014, the tax made against the Company by the İzmir Hasan Tahsin Tax Office Directorate is TRY3,864,631, including the original stamp duty of TRY1,545,852 and the tax loss penalty of TRY2,318,779, for the years 2017 and 2018. As a result of the examination, a total of TRY40,473 penalty tax was assessed, including the original stamp tax of TRY16,189 and a tax loss penalty of TRY24,284. No settlement could be reached for the penalty assessments amounting to a total of TRY3,905,104, of which TRY1,562,041 is the original stamp tax and TRY2,343,063 is the tax loss penalty, which is the subject of the conciliation application, and a lawsuit has been filed for the cancellation of the aforementioned penalty assessments. It is expected that the said lawsuits will be concluded in favor of the company. Pursuant to the Inspection Report on VAT transactions for the 2017 and 2018 accounting periods, a counterclaim has been filed regarding the letter (administrative action) stating that the Company's transferred VAT amount for the February 2020 period should be taken into consideration by reducing TRY4,884,152. The court decided that the case was partially accepted and partially rejected. An application for appeal was made at the İzmir Regional Administrative Court. It is expected that the said lawsuit will be concluded in favor of the company.

NOTE 15 - COMMITMENTS

As of 31 December 2022, the Company has not any purchase commitments (2021: None).

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NOTE 16 - EMPLOYEE BENEFITS

a) Payables related to employee benefits:

	31 December 2022	31 December 2021
Social security premiums payable	9,699,706	3,271,680
Payables to personnel	2,193,264	1,389,280
	11,892,970	4,660,960

b) Short-term provisions for employee benefits:

Provision for seniority incentive bonus	2,166,409	1,135,427
	2,166,409	1,135,427

c) Long-term provisions for employee benefits:

Provision for employment termination benefits	143,702,645	50,521,715
Provision for seniority incentive bonus	3,137,470	1,846,306
	146,840,115	52,368,021

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

The amount payable consists of one month's salary limited to a maximum of TRY15,371.40 for each year of service as of 31 December 2022 (31 December 2021: TRY8,284.51). 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 TRY19,982.83 which is effective from

1 January 2023 (1 January 2022: TRY10,848.59) 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:

	2022	2021
Discount rate (%)	0,50	4,35
Probability of retirement (%)	97,12	97,25

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

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

	2022	2021
1 January	50,521,715	34,555,141
Interest costs	15,070,603	11,948,618
Actuarial losses	74,033,118	3,923,026
Paid during the year	(7,296,045)	(3,852,881)
Annual charge	11,373,254	3,947,811
31 December	143,702,645	50,521,715

The total of interest cost, actuarial losses and increase during the year amounting to TRY100,476,973 (2021: TRY19,819,455) was included in general administrative expenses amounting to TRY11,373,254 (2021: TRY3,947,811) financial expenses amounting to TRY15,070,603, (2021: TRY11,948,618) and other comprehensive income amounting to TRY74,033,118 (2021: TRY3,923,026).

NOTE 17 - EXPENSES BY NATURE

	1 January - 31 December 2022	1 January - 31 December 2021
Direct material costs	4,216,389,920	1,996,399,096
Staff costs	259,601,006	148,156,881
Repair and maintenance	161,724,714	78,963,228
Advertisement	98,544,934	63,292,900
Depreciation and amortization	93,108,478	60,079,076
Consultancy charges	52,067,956	25,613,798
Other	202,722,648	112,867,706
	5,532,023,255	2,583,586,458

Fees For Services Received From Independent Auditors

The Company's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POAASA dated 19 August 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on 30 March 2021, are as follows:

	1 January - 31 December 2022	1 January - 31 December 2021
Independent audit fees for the reporting period	280,000	128,250
	280,000	128,250

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NOTE 18 - OTHER ASSETS AND LIABILITIES

	31 December 2022	31 December 2021
a) Other current assets from third parties:		
Deferred Value Added Tax	118,092,389	53,104,934
Income accrual	5,108,014	3,824,839
Other	4,072	4,071
	123,204,475	56,933,844

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 2022 and 2021 are as follows:

	31 December 2022	31 December 2021
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 2022 and 2021 were as follows:

Shareholder	31 December 2022		31 December 2021	
	Share (%)	Share Amount (TRY)	Share (%)	Share Amount (TRY)
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 TRY16,513,550 (2021: TRY16,513,550) 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).

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

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 exceeding through cash increase.

As of 31 December 2022, there are 4,495,105,125 (2021: 4,495,105,125) units of shares each with a face value of Kr1 each.

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

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

There is no use of capital correction differences other than being added to capital. 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 instalments and advance dividend can be paid in accordance with profit on financial statements of the company.

Within the framework of 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 29 March 2022, the Company has decided to distribute TRY63,538,814 of the distributable net profit for the year 2021 as dividend and payments to boards. In context of this dividend distribution decision, the Company separated TRY6,129,126 as "Restricted Reserves".

NOTE 20 – REVENUE AND COST OF SALES

	1 January - 31 December 2022	1 January - 31 December 2021
Domestic sales	6,717,376,400	3,051,317,744
Export sales	791,650,099	421,987,016
Merchandise goods sales	268,422	475,451
Gross Sales	7,509,294,921	3,473,780,211
Less: Discounts	(1,579,773,067)	(741,435,028)
Returns	(98,668,951)	(50,403,089)
Net Sales	5,830,852,903	2,681,942,094
Cost of merchandise goods sold	(5,084,197,246)	(2,333,345,120)
Cost of goods sold	(226,460)	(481,355)
Cost of Sales	(5,084,423,706)	(2,333,826,475)
Gross Profit	746,429,197	348,115,619

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

	1 January - 31 December 2022	1 January - 31 December 2021
a) Marketing expenses:		
Advertisement	98,544,934	63,292,900
Consultancy	30,274,242	14,143,572
Staff costs	28,191,511	17,014,056
Transportation	21,795,167	9,436,265
Outsourced services	20,022,302	12,435,120
Repair and maintenance	14,940,540	7,005,907
Depreciation and amortization	13,866,118	9,616,939
Other	68,385,684	32,837,638
	296,020,498	165,782,397
b) General administrative expenses:		
Personel	32,623,558	18,692,186
Outsourced services	23,579,769	15,601,478
Consultancy charges	21,793,714	11,470,226
Termination benefits	11,373,254	3,947,811
Depreciation and amortization	8,018,846	5,626,904
Energy	5,174,986	1,426,833
Taxes (Corporate tax excluded)	4,885,425	3,122,629
Repair and maintenance	4,286,969	2,595,584
Other	7,795,866	3,640,140
	119,532,387	66,123,791
c) Research and development expenses:		
Staff costs	13,043,907	7,036,478
Repair and maintenance	11,490,088	6,837,894
Outsourced services	2,980,731	1,834,280
Depreciation and amortization	2,536,298	1,143,272
Other	1,995,640	1,001,871
	32,046,664	17,853,795

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NOTE 22 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2022	1 January - 31 December 2021
a) Other income from operating activities:		
Foreign exchange gain	182,980,677	143,850,382
Rent income	4,137,224	3,414,386
Other	7,825,289	3,983,310
	194,943,190	151,248,078
b) Other expense from operating activities:		
Foreign exchange loss	(69,844,140)	(19,896,958)
Interest expense	(32,719,848)	(5,793,592)
Other	(11,681,388)	(9,143,902)
	(114,245,376)	(34,834,452)

NOTE 23 - INCOME/ EXPENSES FROM INVESTING ACTIVITIES

	1 January - 31 December 2022	1 January - 31 December 2021
a) Income from investing activities:		
Maturity difference and interest income calculated over other receivables from related parties	55,499,708	5,512,394
Dividend income (*)	6,665,958	8,297,498
Income from sales of property, plant and equipment	73,343	287,856
	62,239,009	14,097,748
b) Expense from investing activities:		
Loss from sales of property, plant and equipment	(2,149,334)	(3,806,707)
Loss from sale of securities	(457,177)	-
	(2,606,511)	(3,806,707)

(*) Note 5.ii.d.

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NOTE 24 -FINANCIAL INCOME/EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
a) Financial income:		
Foreign exchange gain	2,726,328	4,334,665
Interest income	1,805,631	740,932
Other	-	10,828
	4,531,959	5,086,425
b) Financial expenses:		
Interest expense	(178,490,834)	(80,643,123)
Foreign exchange loss	(6,903,647)	(59,844,971)
Bail expense	(23,492)	(47,846)
Other	(24,335,126)	(1,729,977)
	(209,753,099)	(142,265,917)

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

As of 31 December 2022 and 2021, corporation taxes currently payable are as follows:

	31 December 2022	31 December 2021
Corporation taxes currently payable	11,253,985	2,030,083
Less: Prepaid corporate tax	(30,249,643)	(1,019,628)
Current income tax liabilities (Assets related to current period tax)	(18,995,658)	1,010,455

In Turkey, the corporation tax rate for 2022 is 23% (31 December 2021: 25%). According to Article 32 of the Corporate Tax Law No. 5520, the corporate tax rate is 20%. However, within the scope of Articles 11 and 14 of the Law No. 7316 on the Procedure for the Collection of Public Claims and Amending Certain Laws published in the Official Gazette dated April 22, 2021; With the temporary 13th article added to the Corporate Tax Law No. 5520, the 20 percent corporate tax rate will be applied as 25 percent for 2021 and 23 percent for 2022. The law will apply to corporate earnings for the taxation period starting from January 1, 2021.

Corporation tax is payable at a rate of 23% for 2022 (2021: 25%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

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

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% (2021: 15%). With the President's Decision No. 4936 published in the Official Gazette dated 22 December 2021 and numbered 31697, the withholding tax rate applied from 15% to the profit shares distributed by fully taxpayer institutions has been reduced to 10%, effective as of 22.12.2021. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 23% (2021: 25%) on their corporate income. Advance tax is declared by 17th and payable by the 17th (2021: 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.

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

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

Dividend earnings of corporations from participation in the capital of another fully liable corporation (except for participation certificates of mutual funds and dividends obtained from shares of investment partnerships) are exempt from corporate tax.

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

In the determination of the Corporate Tax base, besides the exceptions mentioned above, the discounts specified in the relevant provisions of the Corporate Tax Law and the Income Tax Law are taken into account.

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

Transfer Pricing

Corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period. If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially 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 adjust in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

The reconciliation of tax expense is as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Profit before tax	279,341,443	120,348,032
Tax calculated at tax rates applicable to the profit	(77,452,684)	(30,087,008)
Expenses not deductible for tax purposes	(7,341,899)	(5,689,436)
Tax effect upon the results of investments-in-associates	23,646,755	8,114,164
Income tax due to dividends received from available-for-sale investments	1,533,170	2,074,375
Investment incentive effect	58,486,637	21,270,607
Other	43,019,454	1,320,302
Total taxation on income	41,891,433	(2,994,356)

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.

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

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 2020 has increased from 20% to 22%. With the Law No. 7316 dated April 22, 2021 on the Collection of Public Receivables and Amending Certain Laws, the corporate tax rate for 2021 was increased to 25%. Within the scope of the aforementioned law, deferred tax assets and liabilities in the financial statements dated 31 December 2021 are calculated as 23 percent for the tax effect that will occur in the 2022 period and 20 percent for the part that will have a tax effect in the periods after 2022. The breakdown of cumulative temporary differences and the resulting deferred income tax assets/(liabilities) provided at 31 December 2022 and 2021 using the enacted tax rates at the balance sheet dates are as follows:

	31 December 2022		31 December 2021	
	Cumulative temporary differences	Deferred income tax asset (liabilities)	Cumulative temporary differences	Deferred income tax asset (liabilities)
Revaluation of property, plant and equipment	2,550,799,447	(304,515,842)	1,272,583,894	(214,935,105)
Difference between carrying values (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	(232,920,781)	(28,319,181)	122,289,939	(24,658,713)
Difference between carrying value and tax bases of available for-sale investments	477,355,243	(23,853,800)	137,213,557	(7,230,197)
Unused tax credits (*)	265,611,196	79,656,254	166,457,735	51,474,390
Provision for employment termination benefits	(143,702,645)	28,740,529	(50,521,715)	10,104,343
Other	(85,638,540)	17,127,706	(182,690)	36,538
Deferred tax liabilities - net		(231,164,334)		(185,208,744)

(*) The Company has investment incentive certificate relating with modernization investment at Şanlıurfa, Eskişehir and İzmir facilities. As of 31 December 2022, 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 TRY79,656,254 (2021: TRY 51,474,390).

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

	2022	2021
1 January	(185,208,744)	(29,057,195)
Credited to statement of comprehensive income	53,145,418	(964,273)
Charged to actuarial gain/ loss arising from defined benefit plans	14,806,624	784,605
Charged to fair value reserve of available-for-sale investments	(16,623,603)	893,035
Deferred tax effect on revaluation of immovable properties and other depreciable economic assets	78,720,902	-
Calculated on revaluation fund	(176,004,931)	(156,864,916)
31 December	(231,164,334)	(185,208,744)

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NOTE 26 - EARNINGS PER SHARE

		1 January - 31 December 2022	1 January - 31 December 2021
Profit for the year	A	380,276,821	117,343,109
Weighted average number of shares with a Kr 1 face value (Note 19)	B	4,495,105,125	4,495,105,125
Earnings per share with a Kr1 face value	A/B	8,4598	2,6105

There are no differences between basic and diluted earnings per share. Since the General Assembly Meeting of the year 2022 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 2022	31 December 2021
Fair value difference		
assets recorded in other comprehensive income	516,992,546	176,161,024
	516,992,546	176,161,024

	31 December 2022		31 December 2021	
	TRY	(%)	TRY	(%)
Pınar Et	399,602,046	12,58	105,916,152	12,58
Pınar Su	64,354,816	8,77	28,269,557	8,77
Çamlı Yem	40,970,926	5,47	37,689,366	5,47
YDT	11,693,253	0,93	4,074,009	0,93
Bintur	242,949	1,33	192,579	1,33
Other	128,556	-	19,361	-
	516,992,546		176,161,024	

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 2022 by using the market interest rates and the risk premium specific to unlisted companies within the related sectors.

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NOTE 27 - FINANCIAL INSTRUMENTS (Continued)

The discount and growth rates used in discounted cash flow models as at 31 December 2022 and 2021 are as follows:

	Discount Rate (%)		Growth Rate (%)	
	2022	2021	2022	2021
Bintur	39,18	25,84	1	1
YDT	38,03	24,87	1	1
Çamlı Yem	36,05	23,31	4	4

The movements of financial assets carried at fair value through other comprehensive income were as follows:

	2022	2021
1 January	176,161,024	187,912,982
Participation in capital increase of assets at fair value through other comprehensive income:		
Çamlı Yem	580,640	-
Pınar Su	-	4,387,050
Other	109,196	-
Fair value change:		
Pınar Et	293,685,894	(20,989,246)
Pınar Su	36,085,259	(5,299,006)
YDT	7,619,244	1,682,319
Çamlı Yem	2,700,920	8,427,558
Bintur	50,369	39,367
31 December	516,992,546	176,161,024

The movements of financial assets carried at fair value through other comprehensive income were as follows:

1 January	138,200,743	153,446,717
Fair value loss	340,141,685	(16,139,009)
Deferred income tax on fair value reserve of financial assets carried at fair value through other comprehensive income (Note 25)	(16,623,603)	893,035
31 December	461,718,825	138,200,743

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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).

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 2022 and 2021 are as follows:

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2022

31 December 2022	Receivables				Bank Deposits
	Trade Receivables ⁽¹⁾		Other Receivables		
	Related Parties	Third Parties	Related Parties	Third Parties	
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	1,305,729,730	5,714,786	641,314,490	39,238,240	22,168,593
- The part of maximum credit risk covered with guarantees	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	1,022,592,778	5,148,077	641,314,490	39,238,240	22,168,593
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)	283,136,952	566,709	-	-	-
- The part covered by guarantees	-	-	-	-	-
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).

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2021

31 December 2021	Receivables				Bank Deposits
	Trade Receivables ⁽¹⁾		Other Receivables		
	Related Parties	Third Parties	Related Parties	Third Parties	
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	781,316,457	8,426,944	33,689,615	3,227,574	40,151,641
- The part of maximum credit risk covered with guarantees	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	508,581,492	8,286,504	33,689,615	3,227,574	40,151,641
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)	272,734,965	140,440	-	-	-
- The part covered by guarantees	-	-	-	-	-
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).

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2022

	Receivables		
	Related Parties	Third Parties	Total
Past due 1 - 30 days	27,060,689	458,230	27,518,919
Past due 1 - 3 months	37,783,674	6,425	37,790,099
Past due 3 - 12 months	218,292,589	102,054	218,394,643
The part of credit risk covered with guarantees	-	-	-
	283,136,952	566,709	283,703,661

31 December 2021

	Receivables		
	Related Parties	Third Parties	Total
Past due 1 - 30 days	30,517,315	133,386	30,686,893
Past due 1 - 3 months	17,926,060	7,054	17,954,374
Past due 3 - 12 months	224,291,589	-	224,557,587
The part of credit risk covered with guarantees	-	-	-
	272,734,965	140,440	273,198,854

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.

31 December 2022					
	Carrying value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 arası (II)	1-5 years (III)
Contractual maturity dates		-			-
Financial Liabilities					
Financial Liabilities	1,364,076,462	1,364,076,462	420,000,000	912,608,338	31,468,123
Trade Payables	1,230,668,457	1,230,668,457	1,230,668,457	-	-
Other Payables	14,026,755	14,026,755	14,026,755	-	-
	2,608,771,674	2,608,771,674	1,664,695,212	912,608,338	31,468,123

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

b) Liquidity risk (Continued):

	31 December 2021				
	Carrying value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 arası (II)	1-5 years (III)
Contractual maturity dates		-			-
Financial Liabilities					
Financial Liabilities	511,297,300	511,297,300	233,036,502	216,348,651	64,246,048
Trade Payables	670,586,282	670,586,282	61,919,118	58,237,864	10,429,300
Other Payables	9,049,038	9,049,038	9,049,038	-	-
	1,190,932,620	1,190,932,620	304,004,658	274,586,515	74,675,348

c) Market risk:

i) Foreign exchange risk

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

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued):

i) Foreign exchange risk (Continued)

	Foreign Currency Position							
	31 December 2022				31 December 2021			
	TRY Equivalent	USD	EURO	Other (TRY Equivalent)	TRY Equivalent	USD	EURO	Other (TRY Equivalent)
1. Trade Receivables	398,129,859	21,252,575	37,263	-	373,389,253	27,975,229	33,634	-
2a. Monetary Financial Assets-								
(Cash, Bank accounts included)	-	-	-	-	84,173	2,444	3,420	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	398,129,859	21,252,575	37,263	-	373,473,426	27,977,673	37,054	-
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)	398,129,859	21,252,575	37,263	-	373,473,426	27,977,673	37,054	-
10. Trade Payables	28,490,098	722,111	749,270	-	36,310,103	850,288	1,651,209	-
11. Financial Liabilities	12,922,547	-	647,072	-	99,207,281	7,000,000	379,537	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities 10+11+12	41,412,645	722,111	1,396,342	-	135,517,384	7,850,288	2,030,746	-
14. Trade Payables	-	-	-	-	10,429,300	-	690,047	-
15. Financial Liabilities	12,178,163	-	609,798	-	10,992,448	-	727,307	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities 14+15+16	12,178,163	-	609,798	-	21,421,748	-	1,417,354	-
18. Total Liabilities 13+17	53,590,808	722,111	2,006,140	-	156,939,132	7,850,288	3,448,100	-
19. Net Foreign Currency Asset/(Liability) Position of								
Derivative Instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Amount of Hedged Asset	-	-	-	-	-	-	-	-
19b. Amount of Hedged Liability	-	-	-	-	-	-	-	-
20. Net Foreign Currency Asset/(Liability)								
Position (9-18+19)	344,539,051	20,530,464	(1,968,877)	-	216,534,294	20,127,385	(3,411,046)	-
21. Net Foreign Currency Asset/(Liability) Position of								
Monetary Items (TFRS 7.B23)								
(=1+2a+5+6a-10-11-12a-14-15-16a)	344,539,051	20,530,464	(1,968,877)	-	216,534,294	20,127,385	(3,411,046)	-
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	791,650,099	43,877,822	1,027,892	36,454,615	421,987,016	44,155,421	612,407	19,183,622
26. Import	47,388,285	-	2,724,734	-	33,851,966	-	3,233,651	-

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued):

i) Foreign exchange risk (Continued)

31 December 2022

	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 TRY:				
1- Asset/Liability denominated in USD - net	38,386,044	(38,386,044)	38,386,044	(38,386,044)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	38,386,044	(38,386,044)	38,386,044	(38,386,044)
Change of EUR by 10% against TRY:				
4- Asset/Liability denominated in EUR - net	(3,932,139)	3,932,139	(3,932,139)	3,932,139
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	(3,932,139)	3,932,139	(3,932,139)	3,932,139
Change of Other Currencies by average 10% against TRY				
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)	34,453,905	(34,453,905)	34,453,905	(34,453,905)

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued):

i) Foreign exchange risk (Continued)

31 December 2021

	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 TRY:				
1- Asset/Liability denominated in USD - net	26,808,951	(26,808,951)	26,808,951	(26,808,951)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	26,808,951	(26,808,951)	26,808,951	(26,808,951)
Change of EUR by 10% against TRY:				
4- Asset/Liability denominated in EUR - net	(5,155,522)	5,155,522	(5,155,522)	5,155,522
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	(5,155,522)	5,155,522	(5,155,522)	5,155,522
Change of Other Currencies by average 10% against TRY				
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)	21,653,429	(21,653,429)	21,653,429	(21,653,429)

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk (Continued):

ii) Interest rate risk

The Company is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities.

	Interest Rate Position Schedule	
	31 December 2022	31 December 2021
<u>Financial instruments with fixed interest rate</u>		
Financial assets	2,014,302,928	857,061,714
Financial liabilities	2,216,099,908	1,178,087,132
<u>Financial instruments with floating interest rate</u>		
Financial liabilities	420,131,142	18,562,500

According to the interest sensitivity analysis carried out by the company, as of 31 December 2022, if there was a 1% increase in interest rates and all other variables remained constant, the net profit for the period was TRY4,201,311 less (31 December 2021: TRY185,625).

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 number of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

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 2022	31 December 2021
Financial liabilities	1,364,076,462	511,297,300
Less: Cash and cash equivalents (Note 4)	(22,168,593)	(40,250,260)
Net debt	1,341,907,869	471,047,040
Total equity	3,982,121,943	1,950,852,884
Net debt/equity ratio	%34	%24

The Company management regularly monitors the debt/equity ratio and updates when necessary.

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:

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NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)
(Continued)

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.

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 2022 and 2021.

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NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)
(Continued)

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2022 and 2021.

31 December 2022

	Level 1	Level 2	Level 3	Total
Assets:				
Financial investments	463,956,862	-	53,035,684	516,992,546
Total assets	463,956,862	-	53,035,684	516,992,546

31 December 2021

	Level 1	Level 2	Level 3	Total
Assets:				
Financial investments	134,185,709	-	41,975,315	176,161,024
Total assets	134,185,709	-	41,975,315	176,161,024

As of 31 December 2022 and 2021, there is no transfer between the Levels 1 and 3.

The following table presents the Company's non-financial assets that are measured fair value at 31 December 2022 and 2021:

31 December 2022

	Level 1	Level 2	Level 3	Total
Tangible Assets:				
Land	-	1,316,545,504	-	1,316,545,504
Buildings and land improvements	-	659,675,236	-	659,675,236
Machinery and equipment	-	956,713,276	-	956,713,276
Total assets	-	2,932,934,016	-	2,932,934,016

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NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)
(Continued)

31 December 2021

	Level 1	Level 2	Level 3	Total
<i>Tangible Assets:</i>				
Land	-	403,737,267	-	403,737,267
Buildings and land improvements	-	245,054,319	-	245,054,319
Machinery and equipment	-	940,737,758	-	940,737,758
Total assets	-	1,589,529,344	-	1,589,529,344

NOTE 30 - SUBSEQUENT EVENTS

None.

INFORMATION FOR INVESTORS

Stock Market

The shares of Pınar Süt Mamulleri Sanayii A.Ş. are traded on the Borsa İstanbul Main Market under the symbol "PETUN".
Public Offering Date: 03.02.1986

Ordinary General Assembly Meeting

In line with the decision taken by the Board of Directors of Pınar Süt Mamulleri Sanayii A.Ş., the Ordinary General Assembly meeting of the Company will be held on 29 March 2023, Wednesday, at 11:30 at the Altın Yunus Çeşme Turistik Tesisler in Altın Yunus Mah. 3215 Sok. No:38 Çeşme/İzmir.

Dividend Distribution Policy

The Profit Distribution Policy of Pınar Süt Mamulleri Sanayii A.Ş. for 2013 and subsequent years, which was prepared in line with the Capital Market Legislation, was submitted for the approval of the Ordinary General Assembly of 2013 and disclosed to the public, and the said information available on the Company's corporate website (www.pinar.com.tr) can be accessed in Turkish and English on the investor relations page.

Investor Relations Department

Pınar Süt Mamulleri Sanayii A.Ş.
Yatırımcı İlişkileri Bölümü
Yunus Emre Mah. Kemalpaşa Cad. No:317 Bornova - İzmir
Tel: (232) 436 15 15 ve (232) 495 00 00
Fax: (232) 484 17 89
E-mail: yatirimciiliskileri@pinarsut.com.tr

To access the Pınar Süt Investor Relations Website:



Performance of Pınar Süt Stock (Compared to BIST ALL Index and BIST FOOD Index)

