

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

**FINANCIAL STATEMENTS AS
AT 31 DECEMBER 2023
AND INDEPENDENT AUDITOR'S REPORT**

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



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**CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR’S REPORT ORIGINALLY
PREPARED AND ISSUED IN TURKISH TO ENGLISH**

To the Shareholders of Pınar Süt Mamülleri Sanayii Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the financial statements of Pınar Süt Mamülleri Sanayii Anonim Şirketi (“the Company”) as at 31 December 2023, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards (“TFRS”).

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards as adopted within the framework of the Capital Markets Board (“CMB”) regulations, published by the Public Oversight Accounting and Auditing Standards Authority (“POA”) (“Standards on Auditing issued by POA”). Our responsibilities under Standards on Auditing issued by POA are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA (*including Independence Standards*) (“POA’s Code of Ethics”) and the ethical principles regarding independent audit of financial statements in the CMB legislation and other relevant legislation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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. These matters were addressed in the context of our 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.

Revenue recognition

Refer to notes 2.6 and 19 to the financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition.

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>The main activity of the Company is the production and sales of fruit juices, sauces and powder products, mainly milk and dairy products (cheese, yoghurt, etc.). The Company's revenue consists of domestic and foreign sales, and revenue is recorded as soon as performance obligations regarding product sales are fulfilled.</p> <p>The Company has TL 10,862,329,843 revenue as of 31 December 2023.</p> <p>The recognition of revenue in the period when the product is sold is related to the sales contract of the product and depends on the proper evaluation of the control over the terms of the contract.</p> <p>The revenue recognition was identified as one of the key audit matters, as there may be a risk of improper revenue recognition in the incorrect accounting period and with an incorrect amount since it requires management judgement.</p>	<p>We have performed the following audit procedures to be responsive to this area:</p> <ul style="list-style-type: none">- Inspecting the journal entries posted by the Company regarding the revenue within the reporting period.- With the help of our Information Systems experts, the design, implementation and operational effectiveness of the controls related to the revenue process were tested.- It was examined whether control was transferred to the customer through the sales documents received for the sales transactions selected with the sample, and the test for the existence of revenue was carried out.- Obtaining confirmation letters for trade receivables on a sample basis and the reconciliation of trade receivable balances with the financial statements was checked.- In addition, assessing the appropriateness and adequacy of the disclosures in the financial statements of the Company with the disclosures required in accordance with TFRS 15.



Application of TAS 29 , “Financial Reporting in Hyperinflationary Economies”

Refer to Note 2.6 to the financial statements for summary of significant accounting policies Application of TAS 29 , “Financial Reporting in Hyperinflationary Economies”.

<u>The key audit matter</u>	<u>How the matter was addressed in our audit</u>
<p>In accordance with the "TAS 29 Financial Reporting in High Inflation Economies" standard, the accompanying financial statements and footnotes have been restated to reflect the changes in the general purchasing power of the Turkish Lira and as a result, they are presented in terms of the purchasing power of the Turkish Lira as of the reporting date.</p> <p>Considering the significant and pervasive impact on the Company's financial information, we identified the application of TAS 29 as a key audit matter.</p>	<p>We performed the following audit procedures in relation to the application of TAS 29:</p> <ul style="list-style-type: none">- We inquired with the Company Management and examined the principles taken into account during the implementation of TMS 29 and the determination of non-monetary accounts,- The dates and indices used have been tested to ensure the completeness and accuracy of the calculations,- The financial statements and explanatory footnotes related to the financial statements prepared in accordance with TAS 29 have been checked,- The adequacy and suitability of the information provided in the financial statements where inflation accounting has been applied and in the relevant disclosure explanations will be evaluated in terms of TAS 29.

Other Matter

The Company's financial statements for the accounting period ending on 31 December 2022 were audited by another independent auditor and a unqualified opinion was given on these financial statements on 1 March 2023.

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

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.



Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

Our objectives are 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 audit in accordance with Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of 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.
- Obtain an understanding of 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 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.

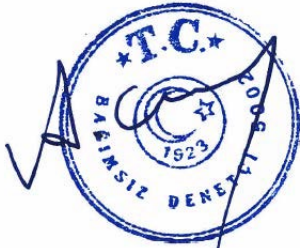
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken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

- 1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 8 May 2024.
- 2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2023 and 31 December 2023, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.
- 3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi



Ahmet Hamdi Cura, SMMM
Partner
30 September 2024
İzmir, Türkiye

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2023

CONTENTS	PAGES
STATEMENTS OF FINANCIAL POSITION (BALANCE SHEET)	1-3
STATEMENTS OF COMPREHENSIVE INCOME	4-5
STATEMENTS OF CHANGES IN EQUITY	6
STATEMENTS OF CASH FLOW	7-8
NOTES TO THE FINANCIAL STATEMENTS.....	9-82
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS.....	9
NOTE 2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS	9-34
NOTE 3 INTERESTS IN OTHER ENTITIES	34-38
NOTE 4 CASH AND CASH EQUIVALENTS.....	38
NOTE 5 RELATED PARTIES.....	39-43
NOTE 6 TRADE PAYABLES	44
NOTE 7 OTHER PAYABLES	44
NOTE 8 INVENTORIES.....	44
NOTE 9 PREPAID EXPENSES AND DEFERRED INCOME	44
NOTE 10 PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS	45-49
NOTE 11 INTANGIBLE ASSETS.....	50
NOTE 12 GOVERNMENT GRANTS AND INCENTIVES	50
NOTE 13 BORROWINGS AND BORROWING COSTS.....	50-52
NOTE 14 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES.....	53-55
NOTE 15 COMMITMENTS	55
NOTE 16 EMPLOYEE BENEFITS	56-57
NOTE 17 EXPENSES BY NATURE.....	57
NOTE 18 OTHER CURRENT ASSETS	58
NOTE 19 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS	58-60
NOTE 20 REVENUE AND COST OF SALES.....	61
NOTE 21 GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES.....	62
NOTE 22 OTHER INCOME/ EXPENSES FROM OPERATING ACTIVITIES	63
NOTE 23 INCOME/ EXPENSES FROM INVESTING ACTIVITIES	63
NOTE 24 FINANCIAL INCOME/EXPENSES	64
NOTE 25 INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES).....	64-67
NOTE 26 EARNINGS PER SHARE.....	68
NOTE 27 FINANCIAL INSTRUMENTS	68-69
NOTE 28 NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS	70-79
NOTE 29 FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES).....	79-82
NOTE 30 SUBSEQUENT EVENTS.....	82

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

	Note	31 December 2023	31 December 2022
CURRENT ASSETS			
Cash and Cash Equivalents	4	15.023.550	36.527.838
Trade Receivables		2.146.064.892	2.160.905.405
- Trade Receivables from Related Parties	5	2.131.912.231	2.151.488.985
- Trade Receivables from Third Parties		14.152.661	9.416.420
Other Receivables		1.066.625.176	1.117.888.839
- Other Receivables from Related Parties	5	937.639.189	1.053.540.047
- Other Receivables from Third Parties		128.985.987	64.348.792
Inventories	8	1.284.899.292	1.250.634.925
Prepaid Expenses	9	37.780.768	17.554.014
- Prepaid Expenses to Third Parties		37.780.768	17.554.014
Assets Related to Current Tax		1.245.579	31.299.713
Other Current Assets	18	196.848.470	203.007.609
- Other Current Assets from Third Parties		196.848.470	203.007.609
TOTAL CURRENT ASSETS		4.748.487.727	4.817.818.343
NON-CURRENT ASSETS			
Other Receivables		185.225	3.703.642
- Other Receivables from Related Parties	5	-	3.398.441
- Other Receivables from Third Parties		185.225	305.201
Financial Investments	27	547.348.928	851.863.707
Equity-Accounted Investees	3	859.771.921	985.851.541
Property, Plant and Equipment	10.a	5.701.937.605	5.837.908.446
- Land		2.169.310.452	2.169.310.452
- Land Improvements		127.745.823	136.209.060
- Buildings		911.535.768	950.210.027
- Machinery, Plant and Equipment		2.339.771.785	2.441.247.214
- Vehicles		11.428.707	12.631.762
- Furniture and Fixtures		54.087.327	58.975.498
- Construction in Progress		88.057.743	69.324.433
Right of Use Assets	10.b	74.169.785	59.498.642
Intangible Assets	11	59.508.091	52.297.499
- Other Intangible Assets		59.508.091	52.297.499
Prepaid Expenses		9.459.734	1.607.773
- Prepaid Expenses to Third Parties		9.459.734	1.607.773
TOTAL NON-CURRENTS ASSETS		7.252.381.289	7.792.731.250
TOTAL ASSETS		12.000.869.016	12.610.549.593

The financial statements for the accounting period of 1 January – 31 December 2023, were approved by the Board of Directors of Pınar Süt Mamülleri Sanayii A.Ş. on 8 May 2024, for publication. The General Assembly and certain regulatory bodies have the authority to make amendments to the statutory financial statements after they have been published.

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

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

	Notes	31 December 2023	31 December 2022
CURRENT LIABILITIES			
Short-Term Borrowings	13	2.658.827.791	2.096.137.432
- Short-Term Borrowings From Third Parties		2.658.827.791	2.096.137.432
- Bank Borrowings		1.720.346.641	1.259.651.884
- Issued Debt Instruments		938.481.150	836.485.548
Short-Term Portion of Long-Term Borrowings	13	67.052.348	99.640.222
- Short-Term Portion of Long-Term Borrowings			
From Third Parties	13	67.052.348	99.640.222
- Bank Borrowings		50.519.255	86.816.302
- Borrowings From Lease Liabilities		16.533.092	12.823.920
Other Financial Liabilities	13	43.193.747	45.245.615
Other Miscellaneous Financial Liabilities		43.193.747	45.245.615
Trade Payables		1.819.427.482	2.027.808.335
- Trade Payables to Related Parties	5	199.554.631	188.799.951
- Trade Payables to Third Parties	6	1.619.872.851	1.839.008.384
Payables Related to Employee Benefits	16	23.565.393	19.596.394
Other Payables		28.895.140	23.112.294
- Other Payables to Related Parties		6.226.338	282.317
- Other Payables to Third Parties	7	22.668.802	22.829.977
Deferred Income		140.682	13.116.976
- Deferred Income From Third Parties		140.682	13.116.976
Short-Term Provisions		14.226.110	62.474.998
- Short-Term Provisions for Employee Benefits	16	867.570	3.569.655
- Other Short-Term Provisions		13.358.540	58.905.343
Other Current Liabilities		129.897	156.085
- Other Current Liabilities to Third Parties		129.897	156.085
TOTAL CURRENT LIABILITIES		4.655.458.590	4.387.288.351
NON-CURRENT LIABILITIES			
Long-Term Borrowings	13	25.428.601	51.850.945
- Long-Term Borrowings From Third Parties		25.428.601	51.850.945
- Bank Borrowings		6.801.226	37.635.227
- Borrowings From Lease Liabilities		18.627.375	14.215.718
Long-Term Provisions		141.323.447	241.952.740
- Long-Term Provisions for			
Employee Termination Benefits	16	141.323.447	241.952.740
Deferred Tax Liabilities	25	476.514.946	587.370.944
TOTAL NON-CURRENT LIABILITIES		643.266.994	881.174.629
TOTAL LIABILITIES		5.298.725.584	5.268.462.980

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

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.**STATEMENTS OF FINANCIAL POSITION AS OF 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

	Notes	31 December 2023	31 December 2022
EQUITY			
Equity Attributable to Parent Company		6.702.143.432	7.342.086.613
Share Capital	19	44.951.051	44.951.051
Adjustment to Share Capital	19	958.754.210	958.754.210
Other Comprehensive Income/ (Expense) not to Reclassified to Profit or Loss		1.089.168.212	1.707.208.750
- Gain/ (Loss) on Revaluation and Remeasurement		1.089.255.250	1.213.796.454
- Increase/(Decrease) on Revaluation of Property, Plant and Equipment	10	1.211.641.764	1.317.517.348
- Actuarial Gain/(Loss) Arising from Defined Benefit Plans		(122.386.514)	(103.720.894)
- Shares of Other Comprehensive Income of Equity-Accounted Investments that Will Not Be Classified to Profit or Loss		(72.420.206)	137.119.095
- Fair Value Gain of Financial Assets Measured through Other Comprehensive Income	27	72.333.168	356.293.201
Other Comprehensive Income/ (Expense) to be Reclassified to Profit or Loss		108.480.768	108.023.382
- Share of Other Comprehensive Income of Investment-in-Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss		108.480.768	108.023.382
Restricted Reserves		645.096.101	616.455.278
- Legal Reserves	19	645.096.101	616.455.278
Retained Earnings		3.570.945.457	3.476.217.264
Net Profit for the Year		284.747.633	430.476.676
TOTAL EQUITY		6.702.143.432	7.342.086.613
TOTAL LIABILITIES AND EQUITY		12.000.869.016	12.610.549.593

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

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

	Note	1 January - 31 December 2023	1 January - 31 December 2022
PROFIT OR LOSS			
Revenue	20	10.862.329.843	11.076.977.007
Cost of Sales	20	(10.327.975.168)	(10.200.290.311)
Gross Profit from Trading Operations		534.354.675	876.686.696
GROSS PROFIT	20	534.354.675	876.686.696
General Administrative Expenses	21	(288.922.242)	(236.128.205)
Marketing Expenses	21	(591.484.797)	(582.907.294)
Research and Development Expenses	21	(74.633.567)	(63.799.807)
Other Income from Operating Activities	22	423.897.969	389.343.443
Other Expense from Operating Activities	22	(169.055.335)	(231.365.188)
OPERATING PROFIT		(165.843.297)	151.829.645
Income From Investing Activities	23	36.289.389	12.272.152
Expense From Investing Activities	23	(5.445.490)	(10.290.079)
Shares of Profits from Equity Accounted Investments	3	136.573.647	131.770.790
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		1.574.249	285.582.508
Monetary Gains and Losses		580.490.640	313.680.791
Financial Income	24	299.928.640	109.950.205
Financial Expenses	24	(816.200.236)	(394.871.712)
PROFIT FOR THE YEAR CONTINUING OPERATIONS		65.793.293	314.341.792
Tax (Expense)/ Income from Continuing Operations		218.954.340	116.134.884
- Current Tax Expense	25	-	(21.955.735)
- Deferred Tax (Expense)/ Income	25	218.954.340	138.090.619
PROFIT FOR THE YEAR CONTINUING OPERATIONS		284.747.633	430.476.676
PROFIT FOR THE YEAR		284.747.633	430.476.676
EARNING PER SHARE		6,3346	9,5766
- Earnings per Kr 1 number of 100 shares from continuing operations	26	6,3346	9,5766

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

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

	Note	1 January - 31 December 2023	1 January - 31 December 2022
OTHER COMPREHENSIVE INCOME			
Items not to be Reclassified to Profit or Loss		(606.807.888)	1.708.164.658
Increase in Revaluation of Property, Plant and Equipment	10	-	1.515.029.279
Fair Value Loss Of Financial Assets Measured Through Other Comprehensive Income	27	(264.927.859)	375.045.475
Share of Other Comprehensive Income of Equity Accounted Investments That Will Not Be Reclassified to Profit or Loss		(209.539.300)	138.075.004
- Defined Benefit Plans of Equity-Accounted Investments	3	(11.906.860)	(16.580.678)
- Other Gains/(Losses) of Equity Accounted Investments	3	(197.632.440)	154.655.682
Defined Benefit Plans Remeasurement Losses	16	(24.887.492)	(129.651.119)
Taxes Relating To Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss			
- Gains on Revaluation of Property, Plant and Equipment, Tax Effect	25	(94.642.936)	(197.511.931)
- Fair Value Gain Of Financial Assets Measured Through Other Comprehensive Income, Tax Effect	25	(19.032.174)	(18.752.274)
- Actuarial Gain/ (Loss) Arising from Defined Benefit Plans, Tax Effect	25	6.221.873	25.930.224
Items to be Reclassified to Profit or Loss		457.386	23.671.076
- Gains on Foreign Currency Translation Differences Of Associates Accounted for Using Equity Method		457.386	23.671.076
OTHER COMPREHENSIVE INCOME		(606.350.502)	1.731.835.734
TOTAL COMPREHENSIVE INCOME		(321.602.869)	2.162.312.410

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

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

					Other Comprehensive Income/(Expense) not to be Reclassified in Profit or Loss		Other Comprehensive Income/(Expense) to be Reclassified in Profit or Loss						
	Share Capital	Adjustment to Share Capital	Increase /Decrease on Revaluation of Property Plant and Equipment	Losses on Remeasurement of Defined Benefits Plans	Revaluation or Classifications Earnings of Assets at fair Value Through Comprehensive Income	Share of other Comprehensive Income of Associates Accounted for using Equity Method that will not be Reclassified to Profit or Loss	Share of Other Comprehensive Income of Associates Accounted to Equity Method that will be Reclassified to Profit or Loss	Other Losses/ Gains	Restricted Reserves	Retained Earnings /Losses	Net Profit For the year	Total Equity	
1 January -31 December 2022													
Balances beginning of the period	44.951.051	958.754.210	-	-	-	-	84.352.306	-	602.895.481	3.664.326.343	-	5.355.279.391	
Transfers	-	-	-	-	-	-	-	-	13.559.796	(13.559.796)	-	-	
Dividends	-	-	-	-	-	-	-	-	-	(153.547.928)	-	(153.547.928)	
Due to other changes (decrease)/ increase	-	-	-	-	-	(955.909)	-	-	-	(21.001.352)	-	(21.957.261)	
Total comprehensive income	-	-	1.317.517.348	(103.720.895)	356.293.201	138.075.004	23.671.076	-	-	-	430.476.676	2.162.312.410	
- Net profit for the year	-	-	-	-	-	-	-	-	-	-	430.476.676	430.476.676	
- Other comprehensive income/ (expense)	-	-	1.317.517.348	(103.720.895)	356.293.201	138.075.004	23.671.076	-	-	-	-	1.731.835.734	
Balances at the end of the period	44.951.051	958.754.210	1.317.517.348	(103.720.895)	356.293.201	137.119.095	108.023.383	-	616.455.277	3.476.217.265	430.476.676	7.342.086.612	
1 January -31 December 2023													
Balances beginning of the period	44.951.051	958.754.210	1.317.517.348	(103.720.895)	356.293.201	137.119.095	108.023.383	-	616.455.277	3.476.217.265	430.476.676	7.342.086.612	
Transfers	-	-	(11.232.648)	-	-	-	-	-	28.640.824	413.068.500	(430.476.676)	-	
Dividends	-	-	-	-	-	-	-	-	-	(318.340.309)	-	(318.340.309)	
Total comprehensive income	-	-	(94.642.936)	(18.665.619)	(283.960.033)	(209.539.300)	457.385	-	-	-	284.747.633	(321.602.869)	
- Net profit for the year	-	-	-	-	-	-	-	-	-	-	284.747.633	284.747.633	
- Other comprehensive income/ (expense)	-	-	(94.642.936)	(18.665.619)	(283.960.033)	(209.539.300)	457.385	-	-	-	-	(606.350.502)	
Balances at the end of the period	44.951.051	958.754.210	1.211.641.764	(122.386.514)	72.333.168	(72.420.206)	108.480.768	-	645.096.101	3.570.945.456	284.747.633	6.702.143.433	

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

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

	Note	1 January - 31 December 2023	1 January - 31 December 2022
CASH FLOWS FROM OPERATING ACTIVITIES		41.868.702	333.487.435
Net Profit/ (Loss) for the Year		284.747.632	430.476.675
Profit/ (Loss) for the Year from Continuing Activities		284.747.632	430.476.675
Adjustments Related to Reconciliation of Net Profit/ (Loss) for the Year:		25.392.017	204.850.086
Adjustments for Depreciation and Amortization	10	289.088.796	273.864.479
Adjustments Related to Provisions		27.488.796	13.262.290
- Adjustments for (Reversal of) Provisions Related with Employee Benefits		27.488.796	13.262.290
Adjustments for Dividend Income	23	(23.802.067)	(12.138.595)
Adjustments for Interest Income/ (Expense)		383.839.077	267.800.663
- Adjustments for Interest Income		(328.051.722)	(104.622.597)
- Adjustments for Interest Expense		711.890.799	372.423.260
Adjustments for Unrealized Foreign Currency Translation Differences		(208.499.142)	4.629.455
Adjustments for Fair Value Loss (Gains)		-	288.972
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method		(136.573.647)	(131.770.790)
- Adjustments for Undistributed Profits of Associates	3	(136.573.647)	(131.770.790)
Adjustments for Tax Income	25	(218.954.340)	(116.134.884)
Adjustments for Gain/ Losses on Sale of Tangible Assets		(7.041.832)	8.351.662
Adjustments Related to Losses (Gains) Arising from the Disposal of Associates, Joint Ventures, and Financial Investments or Changes in Their Shares		-	457.177
Other Adjustments Related to Reconciliation of Profit/ (Loss)		(2.154.621)	(1.588.187)
Monetary Gain/Losses		(77.999.003)	(102.172.156)
Changes in Working Capital:		(182.344.382)	(235.920.007)
Adjustments for Increases/ (Decreases) in Trade Receivables		281.268.005	(50.471.585)
- (Decreases)/ Increases in Trade Receivables from Related Parties		286.004.246	(63.864.527)
- (Decreases)/ Increases in Trade Receivables from Third Parties		(4.736.241)	13.392.942
Adjustments for Increases in Other Receivables		(130.101.811)	(79.659.984)
- Increases/ Decreases in Other Receivables from Third Parties		(130.101.811)	(79.659.984)
Adjustments for Increases/ (Decreases) in Inventories		(34.264.367)	(313.138.901)
(Decreases)/ Increases in Prepaid Expenses		(20.226.754)	(4.027.458)
Adjustments for Increases/ (Decreases) in Trade Payables		(238.943.209)	218.329.856
- Increase in Trade Accounts Payables to Related Parties		5.019.338	46.173.785
- Increase in Trade Accounts Payables to Third Parties		(243.962.547)	172.156.071
Increases/ Decreases in Employee Benefit Liabilities		(40.267.171)	22.126.439
Adjustments Related to the Increase in Other Liabilities from Operations		(161.175)	3.293.697
- Increase in Other Liabilities from Operations to Non-Related Parties		(161.175)	3.293.697
(Decrease)/Increase in Deferred Income		(12.976.294)	12.949.988
Adjustments for Increases/ (Decreases) in Other Liabilities Of Working Capital		13.328.394	(45.322.059)
- Increase/ (Decrease) in Other Assets Related with Operations		13.354.584	(45.378.300)
- Increase/ (Decrease) in Other Payables Related with Operations		(26.190)	56.241
Cash Flows From Operating Activities:		127.795.267	399.406.754
Payments Related with Provisions for Employee Benefits	16	(112.185.455)	(14.138.842)
Tax Refunds (Payments)		31.299.713	(49.843.220)
Cash Inflows/ (Outflows) from Government Incentives		(5.040.823)	(1.937.257)

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

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

	Note	1 January - 31 December 2023	1 January - 31 December 2022
CASH FLOWS FROM INVESTING ACTIVITIES		91.046.032	(881.881.784)
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		40.044.306	23.671.075
Cash Inflows Due to Sales of Tangible Assets		25.893.720	91.707.894
- Cash Inflows Due to Sales of Tangible Assets		25.893.720	91.707.894
Cash Outflows Due to Purchases of Tangible And Intangible Assets		(135.469.452)	(161.297.436)
- Cash Outflows Due to Purchases of Tangible Assets		(119.735.993)	(159.996.824)
- Cash Outflows Due to Purchases of Intangible Assets		(15.733.459)	(1.300.612)
Cash Payments of Advances And Loans		109.839.565	(967.357.970)
- Cash Advances And Loans Made to Related Parties		119.299.299	(965.750.197)
- Other Cash Advances And Loans Made to Other Parties		(9.459.734)	(1.607.773)
Cash Payments of Advances And Loans		1.607.773	980.105
- Other Cash Advances And Loans Made to Other Parties		1.607.773	980.105
Dividends Received	5	49.130.120	20.410.030
Interest Received		-	104.622.597
CASH FLOWS FROM FINANCING ACTIVITIES		(154.569.317)	475.960.101
Cash Inflow Proceeds from Borrowings		4.916.805.969	3.298.876.271
- Cash Inflow from Borrowings		3.978.324.819	2.462.405.540
- Cash Inflows from Issued Debt Instruments		938.481.150	836.470.731
Cash Outflow from Payments of Borrowings		(4.439.613.332)	(2.339.816.606)
- Cash Outflow from Other Financial Payments of Borrowings		(4.455.347.703)	(2.383.321.365)
- Cash Outflows from Other Financial Debt Payments		15.734.371	43.504.759
Increase/ (Decrease) in Other Payables to Related Parties		(110.980)	(3.014.599)
Cash Outflows from Lease Liabilities		(15.334.158)	(12.315.460)
Cash Outflows from Derivative Instruments		-	(288.972)
Dividends Paid		(191.777.568)	(65.198.814)
Interest Paid		(752.590.970)	(402.281.719)
Other Cash Inputs (Outputs)		328.051.722	-
Net Increase/ (Decrease) In Cash And Cash Equivalents			
Before Foreign Currency Translation Differences		(21.654.583)	(72.434.248)
EFFECT OF CURRENCY TRANSLATION			
DIFFERENCES ON CASH AND CASH EQUIVALENTS		150.295	15.973
Net Increase/ (Decrease) In Cash And Cash Equivalents		(21.504.288)	(72.418.275)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		36.527.838	108.946.113
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		15.023.550	36.527.838

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

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The main activity of Pinar Süt Mamülleri Sanayii A.Ş. ("Company") is the production and sale of fruit juices, sauces and powder products, mainly milk and dairy products (cheese, yoghurt, etc.). The company's production facilities are located in İzmir - Pınarbaşı, Eskişehir - Organized Industrial Zone and Şanlıurfa Organized Industrial Zone. The company's headquarters is in İzmir. The company was established in 1973 and is in the market under the umbrella of "Pınar", one of the leading brands in the food industry, and with "Pınar" branded products. Approximately 99% (2022: 99%) of the net domestic sales of the products the Company produces are sold by Yaşar group companies and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), a subsidiary of the Company, and all of international sales and distribution are by Yaşar Dış Ticaret A.Ş., one of the Yaşar group companies ("YDT") (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 (2022: 61,41%) (Note 19).

The average number of personnel employed by the Company in the accounting period of 1 January – 31 December 2023 is 1.277 (1 January - 31 December 2022: 1.277). 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

(i) Declaration of compliance with Turkish Financial Reporting Standards ("TFRS")

The accompanying financial statements have been prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") put into effect by the Public Oversight, Accounting and Auditing Standards Authority ("POA") in accordance with the provisions of the "Communiqué on Principles Regarding Financial Reporting in Capital Markets" numbered II-14.1 published in the Official Gazette dated 13 June 2013 and numbered 28676 of the Capital Markets Board ("CMB"). TFRSs include the Standards and Comments published by POA under the names of Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, TAS Comments and TFRS Comments.

The financial statements have been presented in accordance with the formats specified in the "Announcement on TFRS Taxonomy" published by POA on 15 April 2019 and the Financial Statement Samples and User Guide published by CMB.

The financial statements were approved by the Company's Board of Directors on 8 May 2024. The Company's General Assembly has the right to amend these financial statements, and the relevant regulatory authorities have the right to request their amendment.

(ii) Principles of measurement

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation on Turkish Lira at the reporting date based on Turkish Accounting Standard ("TAS") No. 29 "Financial Reporting in Hyperinflationary Economies" except lands and plots, buildings, underground and land improvements, machinery, facilities and equipment, investment properties and financial investments from the group of tangible fixed assets measured at fair value.

(iii) Functional Currency and Reporting Currency

These financial statements are presented in Turkish Lira ("TL"), which is the Company's functional currency. All financial information presented in TL is presented in TL unless otherwise stated.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.1 Basis of Presentation of Financial Statements (Continued)

(iv) Reporting in a hyperinflationary economy

With the "Announcement on the implementation of TAS 29 Financial Reporting in Hyperinflationary Economies and BOBİ FRS Chapter 25 Financial Reporting in Hyperinflationary Economies" made on 23 November 2023, POA announced that the financial statements of the companies applying TFRSs for annual reporting period ending on 31 December 2023 or all reporting periods after 31 December 2023 should be presented by adjusting in accordance with the relevant principles of the TAS 29.

Pursuant to the decision of the Capital Markets Board ("CMB") dated 28 December 2023 and numbered 81/1820, it has been decided that issuers and capital market institutions subject to financial reporting regulations that apply Turkish Accounting/Financial Reporting Standards will apply inflation accounting by applying the provisions of TAS 29 starting from their annual financial reports for the periods ending on 31 December 2023. As a result, the financial statements, whose functional currency is TL, are adjusted for the changes in the general purchasing power of the Turkish Lira based on TAS 29 "Financial Reporting in Hyperinflationary Economies" as at 31 December 2023. The adjustment is calculated by means of conversion factors derived from the Turkish countrywide consumer price index published by the Turkish Statistical Institute ("TSİ"). For the last three years, such indices and conversion factors used to restate the accompanying consolidated financial statements are as follows:

Date	Index	Correction coefficient
31 December 2023	1.859,38	1,00000
31 December 2022	1.128,45	1,64773
31 December 2021	686,95	2,70672

In accordance with the POA's "Implementation Guide for Financial Reporting in Hyperinflationary Economies", the financial statements dated 1 January 2022, which are the opening balances of the comparative financial statements for the financial statements of the companies for period ending on 31 December 2023, are accepted as the opening statement of financial position. As of 1 January 2022, the amount of prior year losses without inflation adjustment is TL 354.062.133, and the amount of prior year losses dated 1 January 2022, brought to the purchasing power of 31 December 2023 after inflation adjustment within the scope of IAS 29, is TL 1.236.446.316.

TFRS require the financial statements of an entity with a functional currency that is hyperinflationary to be restated in accordance with TAS 29 requirements whether they are based on a historical cost or a current cost approach and to be applied retrospectively, as if the currency had always been hyperinflationary. The basic principle in TAS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the reporting date. Comparative figures for prior period are restated into the same current measuring unit.

The main procedures applied for the above-mentioned adjustments are as follows:

- Monetary assets and liabilities carried at their current amounts on the reporting date have not been restated since they are already expressed in the current currency on the reporting date.
- Non-monetary assets and liabilities not carried at their current amounts on the balance sheet date and equity items have been restated by applying the relevant adjustment coefficients from the transaction date or the latest revaluation date, if any, up to the reporting date.
- Property, plant and equipment have been restated by applying the change in the index from the transaction date or the latest revaluation date, if any, up to the reporting date. Depreciation has been calculated on the restated amounts.
- All income statement items, except for the depreciation expenses and deferred tax income/expense explained above, have been restated by applying the monthly adjustment coefficients according to the reporting date of the months in which the transactions occurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.1 Basis of Presentation of Financial Statements (Continued)

- The effects of inflation on the Company's net monetary position are shown in the profit or loss statement as "net monetary position gains/(losses)"
- All items in the cash flow statement are expressed in terms of the current measurement unit at the reporting date. For this purpose, all items in the cash flow statement are adjusted by applying the relevant adjustment coefficients as of the transaction date.

In the reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, not having been hyperinflationary in the prior period, the entity shall apply the requirements of TAS 29 as if the economy had always been hyperinflationary. Therefore, in relation to non-monetary items measured at historical cost, the entity's opening statement of financial position at the beginning of the earliest period presented in the financial statements shall be restated to reflect the effects of inflation from the date the assets were acquired and the liabilities were incurred or assumed until the end of the reporting period. For non-monetary items carried at the opening statement of financial position at amounts current at dates other than those of acquisition or incurrence, that restatement shall reflect instead the effect of inflation from the dates those carrying amounts were determined until the end of the reporting period.

The Company has applied IAS 29 to its opening statement of financial position as at 1 January 2022 and adjusted corresponding figures to reflect the effect of inflation from the date the assets were acquired and the liabilities were incurred or assumed until the end of the reporting period.

(v) Comparative information and correction of previous period financial statements

The Company's financial statements are prepared comparatively with the previous period in order to enable the determination of financial status and performance trends. In order to ensure compliance with the presentation of current period financial statements, comparative information is reclassified when necessary and significant differences are explained. In the current period, the Company has reclassified the interest income of TL 101.064.018, which was held in income from investment activities in the profit or loss statement in the previous period financial statements, to financing income.

2.2 Changes in Significant Accounting Policies

Accounting policies are applied consistently in all periods presented in the financial statements. Significant changes made in accounting policies are applied retroactively and previous period financial statements are restated. There are no changes in accounting policies while preparing the financial statements dated 31 December 2023.

2.3 Changes and errors in accounting estimates

Changes in accounting estimates, if they are related to only one period, are applied prospectively in the current period in which the change is made, and if they are related to future periods, they are applied prospectively in both the period in which the change is made and in future periods. Significant accounting errors detected are applied retrospectively and the previous period financial statements are restated.

There has been no change in the assumptions and significant accounting estimates used in the preparation of the financial statements dated 31 December 2023 compared to those used in the previous year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira (“TL”) with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.4 Standards and interpretations that are issued but not effective as at 31 December 2023:

Standards and amendments that have been published as of the reporting date but have not yet entered into force and whose early application is permitted but not implemented by the Company are as follows.

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued “Classification of Liabilities as Current or Non-Current” which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

After reconsidering certain aspects of the 2020 amendments; IASB has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. Related amendment was published by POA as “TFRS 2023” on 3 January 2023.

This right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. Additional disclosure is also required for non-current liabilities subject to future covenants. The amendments also clarify how an entity classifies a liability that can be settled in its own shares.

The Company shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2024 with earlier application permitted. It also specifies the transition requirements for companies that may have early-adopted the previously issued but not yet effective 2020 amendments.

The Company does not expect that application of these amendments to TAS 1 will have significant impact on its financial statements.

Lease Liability in a Sale and Leaseback – Amendments to TFRS 16 Leases

In September 2022, IASB issued Lease Liability in a Sale and Leaseback, which amends IFRS 16 Leases. Related amendment was published by POA as “TFRS 2023” on 3 January 2023. Amendments to TFRS 16 Leases impact how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:

- On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
- After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

**2.4 Standards and interpretations that are issued but not effective as at 31 December 2023:
(Continued)**

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Under TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of TFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of TFRS 16 in 2019, and potentially restate those that included variable lease payments.

The Company does not expect that application of these amendments to Amendments to TFRS 16 Leases will have significant impact on its financial statements.

**Amendments to TAS 7 Statement of Cash Flows and TFRS 7 Financial Instruments:
Disclosures – Supplier Finance Arrangements**

On 25 May 2023, IASB has amended IAS 7 Statement of Cash Flows and TFRS 7 Financial Instruments: Disclosures. Related amendment was published by POA on 19 September 2023. The amendments introduce additional disclosure requirements for companies that enter into supplier finance arrangements (referred to as supply chain finance, payables finance or reverse factoring arrangements). However, they do not address the classification and presentation of the related liabilities and cash flows.

The IASB's amendments apply to supplier finance arrangements¹ that have all of the following characteristics.

- A finance provider pays amounts a company (the buyer) owes its suppliers.
- A company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid.
- The company is provided with extended payment terms or suppliers benefit from early payment terms, compared with the related invoice payment due date.

The amendments do not apply to arrangements for financing receivables or inventory.

The amendments introduce two new disclosure objectives – one in TAS 7 and another in TFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users (investors) to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk.

The amendments are effective for periods beginning on or after 1 January 2024, with early application permitted. However, some relief from providing certain information in the year of initial application is available.

The Company does not expect that application of these amendments to TAS 7 Statement of Cash Flows and TFRS 7 Financial Instruments: Disclosures – Supplier Finance Arrangements will have significant impact on its financial statements.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.4 Standards and interpretations that are issued but not effective as at 31 December 2023: (Continued)

TSRS 1 General Requirements for Disclosure of Sustainability-related Financial Information and TSRS 2 Climate-related Disclosures

On 26 June 2023, The International Sustainability Standards Board (ISSB) has issued IFRS® Sustainability Disclosure Standards (IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures) to create a global baseline of investor-focused sustainability reporting that local jurisdictions can build on. Related standards were published by POA as "TSRS 1 and TSRS 2" on 29 December 2023.

Two standards are designed to be applied together, supporting companies to identify and report information that investors need for informed decision making – in other words, information that is expected to affect the assessments that investors make about companies' future cash flows.

To achieve this, the general standard provides a framework for companies to report on all relevant sustainability-related topics across the areas of governance, strategy, risk management, and metrics and targets.

The standards are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. But it will be for individual jurisdictions to decide whether and when to adopt. Accordingly, POA announced in the Board Decision published in the Official Gazette dated 29 December 2023 that certain entities will be subject to mandatory sustainability reporting as of 1 January 2024 .

The Company is within the scope of the application as it meets the criteria specified in the Board Decision.

The new standards, amendments and interpretations that are issued by the IASB but not issued by POA

Lack of Exchangeability – Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates

In August 2023, the International Accounting Standards Board (IASB) amended IAS 21 to clarify:

- when a currency is exchangeable into another currency; and
- how a company estimates a spot rate when a currency lacks exchangeability.

A currency is exchangeable into another currency when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose. When a currency is not exchangeable, a company needs to estimate a spot rate.

A company's objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements for estimating a spot rate.

Therefore, when estimating a spot rate a company can use:

- an observable exchange rate without adjustment; or
- another estimation technique.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

**2.4 Standards and interpretations that are issued but not effective as at 31 December 2023:
(Continued)**

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. These disclosures might include:

- the nature and financial impacts of the currency not being exchangeable;
- the spot exchange rate used;
- the estimation process; and
- risks to the company because the currency is not exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted.

The Company does not expect that application of these Amendments to IAS 21 will have significant impact on its financial statements.

Amendments are effective on 1 January 2023

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2023:

1. Disclosure of Accounting Policies (Amendments to TAS 1)
2. Definition of Accounting Estimates (Amendments to TAS 8)
3. Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to TAS 12 Income Taxes
4. International Tax Reform – Pillar Two Model Rules - Amendments to TAS 12-
5. Amendments to IAS 12- IFRS for SMEs Accounting Standard – International Tax Reform – Pillar Two Model Rules

These newly adopted amendments to standards have not been a significant impact on the financial statements of the Company.

2.5 Basis of Consolidation

Since the Company does not have any subsidiaries, there is no consolidation in the financial statements. However, investments in subsidiaries are accounted for at their acquisition cost on the date they are first recorded and then using the equity method in subsequent periods. These are entities in which the Company generally holds 20% to 50% of the voting rights or has significant influence over business activities, although it does not have control over them. Unrealized profits arising from transactions between the Company and the subsidiary are adjusted to the extent of the Company's share in the subsidiary, and unrealized losses are adjusted if the transaction does not indicate that the transferred asset has suffered a decrease in value.

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

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.5 Basis of Consolidation (Continued)

The accounting policies of the investee company, which is accounted for using the equity method, have been changed as appropriate to ensure consistency with the accounting policies applied by the Company, when necessary. related TAS/IFRS, in proportion to the decrease in the proportion of the equity participations that do not result in loss of significant activity.

As long as the Company has not entered into an obligation or made a commitment in this regard with respect to the affiliate, the equity method is not continued upon the fact that the recorded value of the investment in the affiliate becomes zero or the Company's significant influence has ended. The recorded value of the investment on the date the significant influence has ended is shown as cost after that date. The amounts previously recognized in comprehensive income/(expense) are associated with net profit/(loss) and accumulated profit in accordance with the relevant IFRS provisions in proportion to the decrease in the share ratio in the affiliate that does not cause a loss of significant influence.

The book value of the investment accounted for using the equity method is tested for impairment in accordance with the policy explained in Note 2.6.6.

The table below sets out the associates and the proportion of ownership interest as of 31 December 2023 and 2022 (Note 3):

	Share / Voting Right (%)	
	2023	2022
<u>Investments-in-associates</u>		
YBP	31,82	31,82
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	25,65	25,65
Pinar Foods GmbH ("Pinar Foods")	44,94	44,94

Foreign currency translation

Transactions and balances

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

Translation of financial statements of foreign associate

Financial statements of Pinar Foods operating in Germany are prepared according to the legislation of the country in which it operates and adjusted to the financial reporting standards issued by the IFRS. The assets and liabilities of foreign associate are translated into TL from the foreign exchange rates at the balance sheet date, and the statement of comprehensive income items of foreign associate are translated into TL at the average foreign exchange rates in the period.

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.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.5 Basis of Consolidation (Continued)

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 2023	31 December 2022
USD/ TL	29,4382	18,6983
EUR/ TL	32,5739	19,9349
<u>End of period liability sales:</u>		
USD/ TL	29,4913	18,7320
EUR/ TL	20,1519	19,9708
<u>Annual average:</u>	1 January - 31 December 2023	1 January - 31 December 2022
USD/ TL	23,7378	16,5512
EUR/ TL	25,6799	17,3642

Functional and presentation currency

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

2.6 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies

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

2.7.1 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:

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

- a) The amount of the initial measurement of lease liability,
- b) Any lease payments made at or before the commencement date, less any lease incentives received,
- c) Any initial direct costs incurred by the lessee and
- d) 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:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.1 TFRS 16 Leases (Continued)

The Company applies TAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment (Note 10.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:

- a) fixed payments, less any lease incentives receivable,
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- c) 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.

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.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.1 TFRS 16 Leases (Continued)

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.

2.7.2 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

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,

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.2 Revenue Recognition (Continued)

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

The 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira (“TL”) with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.3 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 2023 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.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.3 Financial assets (Continued)

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).

2.7.4 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.

2.7.5 Property, plant and equipment

Land, land improvements, buildings, and tangible fixed assets other than machinery and equipment are reflected in the financial statements by deducting the accumulated depreciation up to the balance sheet date and any impairment loss, if any, from their acquisition costs. Land and plots, buildings, land and land improvements are reflected in the financial statements by deducting the relevant depreciation amounts from their fair values determined by an independent professional valuation company as of 31 December 2022, while machinery, facilities and equipment are reflected in the financial statements by deducting the relevant depreciation amounts from their fair values determined by an independent professional valuation company as of 31 December 2021 (Note 10).

As of the date of revaluation, the accumulated depreciation of the relevant tangible fixed asset is netted off with the asset's cost and is monitored over the revalued net book value in subsequent periods. Gains and losses related to tangible fixed assets measured at fair value are calculated as the difference between the value at the end of the previous period or the acquisition price, if acquired during the period, adjusted for inflation as of the relevant dates and the fair value of the relevant item at the end of the reporting period.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.5 Property, plant and equipment (Continued)

Increases in the carrying values of lands, underground and surface improvements, buildings, machinery and equipment resulting from revaluation are recorded as a credit in the revaluation fund account under equity in the balance sheet, after deducting the deferred tax effect. Valuation increases related to assets for which a decrease in value was previously reflected in the comprehensive income statement are recorded as a credit in the comprehensive income statement in the amount of the said decrease reflected in the comprehensive income statement.

Decreases corresponding to increases in the fund of the same asset in the previous period were deducted from the fund; all other decreases were reflected in the comprehensive income statement. Each year, the difference between the depreciation calculated on the revalued amount (depreciation reflected in the comprehensive income statement) and the depreciation allocated on the pre-revaluation cost of the asset was transferred from the revaluation fund to the retained earnings, after deducting the relevant deferred tax effect.

Depreciation was calculated by applying the straight-line depreciation method on tangible fixed assets that were revalued or expressed with the purchasing power at the balance sheet date (Note 10). Lands were not subject to depreciation, assuming that they have an infinite life. The approximate economic lives of tangible fixed 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).

If the carrying value of a tangible fixed asset exceeds its recoverable value, the book value is reduced to its recoverable value by setting aside a provision. The recoverable value is the higher of the tangible fixed asset's value in use or the net sales price after deducting the expenses to be incurred for the sale of the asset.

If the tangible fixed asset that has suffered a decrease in value is revalued, the decrease in value is deducted from the fund in the amount corresponding to the increases in the revaluation fund in previous periods and the remaining amount is associated with the comprehensive income statement.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.5 Property, plant and equipment (Continued)

Maintenance and repair expenses are recorded as expenses in the comprehensive income statement of the period in which they occur. The Company removes the carrying values from the balance sheet regardless of whether the parts replaced in line with the renewals are depreciated independently from other parts. Major renewals are depreciated based on the shorter of the remaining life of the tangible fixed asset or the economic life of the renewal itself. The profit or loss obtained in the disposal of tangible fixed assets is determined according to the carrying value of the tangible fixed asset and is recorded in the relevant income and expense accounts (Note 23). In the disposal of a revalued tangible fixed asset, the amount in the revaluation fund related to the tangible fixed asset that has been disposed of is transferred to the retained earnings account together with the deferred tax effect.

2.7.6 Intangible assets

Intangible assets have a limited economic life and mainly include rights and information processing software. These assets are reflected in the financial statements with their net value after deducting accumulated amortization shares and, if any, impairment losses based on their acquisition costs. These assets are amortized by applying the straight-line amortization method over an average period of five years from the date of acquisition (Note 11). Maintenance and repair costs of computer software programs are expensed when the service is performed.

Losses and gains arising from disposal of intangible assets or impairment losses allocated based on the indexed values related to these assets are shown in the relevant income and expense accounts. It has been estimated that the scrap values of intangible assets are not significant. Intangible assets are subject to impairment testing under conditions indicating that their carrying values may be higher than their recoverable values.

For the impairment test, intangible assets are separated into the smallest identifiable cash-generating units. In the event of impairment, the recorded value of intangible assets is reduced to the recoverable amount. The recoverable value is the higher of the intangible asset's value in use or its net saleable value.

2.7.7 Impairment of assets

Impairment of financial assets:

- Assets carried at amortized cost

The Company assesses whether there is objective evidence that financial assets are impaired at the end of each reporting period. If one or a group of financial assets are impaired, the loss arising from the impairment is reflected in the financial statements only if there is objective evidence that the impairment was caused by one or more events that occurred after the initial recognition of the asset and had an impact on the estimated future cash flows of the financial assets in question. The Company considers the following criteria for the impairment test of all financial assets:

- 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,

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.7 Impairment of assets (Continued)

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.

2.7.8 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.

2.7.9 Going concern

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

2.7.10 Earnings per share

Earnings 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.11 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.

2.7.12 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.13 Related parties

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

2.7.14 Segment reporting

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

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

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.14 Segment reporting (Continued)

Between 1 January and 31 December 2023, TL 885.065.332 of the total export amount was realized in USD (1 January – 31 December 2022: TL 1.071.550.480). Exports are mainly made to the Gulf Countries and Europe. (Since a significant portion of the segment assets and liabilities and a significant portion of the costs incurred to acquire the segment assets are incurred in Turkey, they are not shown separately.)

2.7.15 Taxation on income

Income tax expense consists of the sum of current tax and deferred tax expense.

Current tax

Current tax is the expected tax liability or receivable on taxable profit or loss in the current year and includes adjustments for tax liabilities in previous years.

It is calculated by taking into account the tax rates that are in force or are almost certain to come into force as of the end of the reporting period. Current tax liability also includes tax liabilities arising from dividend distribution notifications.

Offsetting current tax assets and liabilities can only be done when certain conditions are met.

Income tax expense consists of the sum of current tax and deferred tax expense.

Deferred tax

Deferred tax liability or asset is determined by calculating the tax effects of temporary differences between the amounts of assets and liabilities shown in the financial statements and the amounts taken into account in the legal tax base calculation, according to the balance sheet method, taking into account the legal tax rates. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly probable to benefit from such differences by obtaining taxable profit in the future. The assets and liabilities in question are not recognized if the temporary difference related to the transaction that does not affect the commercial or financial profit/loss arises from the initial recognition of goodwill or other assets and liabilities (other than business combinations).

Deferred tax liabilities are calculated for all taxable temporary differences associated with investments in subsidiaries and affiliates and interests in joint ventures, except where the Company is able to control the removal of temporary differences and it is unlikely that such differences will disappear in the near future. Deferred tax assets arising from taxable temporary differences associated with such investments and shares are calculated on the condition that it is highly probable to benefit from such differences by obtaining sufficient taxable profit in the near future and it is probable that the relevant differences will disappear in the future.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.15 Taxation on income (Continued)

Deferred tax assets and liabilities are calculated based on tax rates (tax regulations) that are expected to be valid in the period in which the assets will be realized or liabilities will be fulfilled and that have been legalized or substantially legalized as of the reporting date. During the calculation of deferred tax assets and liabilities, the tax consequences of the methods the Company estimates to recover the book value of its assets or fulfill its liabilities as of the reporting date are taken into account.

Deferred tax assets and liabilities are recognized when there is a legal right to offset current tax assets and current tax liabilities, or if such assets and liabilities are associated with income tax collected by the same tax authority, or if the Company intends to offset current tax assets and liabilities. is offset.

Current and deferred tax for the period

Taxes are recognized in profit or loss except on business combinations or when attributable directly to equity or other comprehensive income.

2.7.16 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.

2.7.17 Share capital and dividends

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

2.7.18 Government grants and incentive

Government incentives are recognized systematically under "other income" in profit or loss during the periods when the related expenses are incurred. Incentives granted for past expenses or losses are recognized in profit or loss when they become collectible.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.19 Research and development expenses

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

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

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

2.7.20 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of Significant Accounting Policies (Continued)

2.7.20 Significant accounting assessments, estimates and assumptions (Continued)

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

In this context, as a result of the evaluations made by the Company management, lands and plots, buildings and underground and aboveground improvements are reflected in the financial statements with their fair values determined in the valuation studies conducted by an independent professional valuation company as of 31 December 2022. However, it is assumed that the fair values determined in the valuation studies conducted as of 31 December 2021 of machinery, facilities and devices will approximate their fair values as of 31 December 2023 after deducting the current period depreciation.

The details of the methods and assumptions used within the scope of the valuation studies carried out are as follows.

- In the fair value calculations, the most effective and efficient use assessment 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. In the cost approach method, the value of the real estate was determined by adding the costs of the investment on the land to the land value after amortizing it (if there is any interest or gain, deducting the depreciation share).

- In the peer comparison method, current market information was used, similar real estates recently put on the market in the region were taken into consideration, price adjustments were made within the framework of criteria that could affect the market value, and the average m² sales value was determined for the plots subject to the report. The peers found were compared within the criteria such as location, size, zoning status, physical features, real estate marketing companies were consulted for the current evaluation of the real estate market, and the current information of the independent professional valuation company was also used.

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

Buildings and surface arrangements were evaluated with the cost approach by taking into account the technical features of the buildings, the materials used in the buildings, the construction costs of buildings constructed with the same features in the market, and the costs calculated based on our past experiences. The depreciation share in the buildings was evaluated by taking into account the visible physical condition of the building based on the experiences of the valuation expert.

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).

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

2.7 Summary of significant accounting policies (Continued)

2.7.20 Significant accounting assessments, estimates and assumptions (Continued)

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).

NOTE 3 - INTERESTS IN OTHER ENTITIES

Associates:

	31 December 2023		31 December 2022	
	TL	(%)	TL	(%)
YBP	668.050.403	31,82	799.773.037	31,82
Desa Enerji (*)	86.361.912	25,65	85.678.885	25,65
Pınar Foods	105.359.606	44,94	100.399.618	44,94
	859.771.921		985.851.541	

Details of significant investment in associates of the Company as at 31 December 2023 and 2022 are as follows:

Associates	Nature of business	Based on
- YBP	Marketing and distribution	Türkiye
- Desa Enerji	Energy generation	Türkiye
- Pınar 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.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 3 – INTEREST IN OTHER ENTITIES (Continued)

<i>Statement of Financial Positions</i>	YBP		Desa Enerji		Pinar Foods	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Current Asset						
Cash and Cash Equivalents	49.289.326	104.072.156	36.568.756	35.949.055	116.798.965	86.992.616
Other Current Asset	1.825.191.259	2.114.027.531	101.325.526	228.473.514	141.578.583	140.512.399
Total Current Assets	1.874.480.585	2.218.099.687	137.894.282	264.422.569	258.377.549	227.505.015
Non-Current Assets	2.519.530.246	2.874.301.395	304.730.389	264.798.051	6.422.696	13.052.167
Short-Term Liabilities						
Financial Liabilities (Trade Payables Excluded)	100.666.377	25.323.147	11.592.665	513.109	5.949.417	7.171.791
Other Short Term Liabilities	2.059.369.561	2.261.783.962	93.322.130	168.629.737	24.405.777	3.963.443
Total Short-Term Liabilities	2.160.035.938	2.287.107.109	104.914.795	169.142.846	30.355.194	11.135.234
Long-Term Liabilities						
Financial Liabilities (Trade Payables Excluded)	8.578.123	5.580.855	-	1.826.027	-	6.013.807
Other Short Term Liabilities	125.929.757	286.284.338	1.016.263	24.221.008	-	-
Total Long-Term Liabilities	134.507.880	291.865.194	1.016.263	26.047.034	-	6.013.807
Net Asset	2.099.467.013	2.513.428.779	336.693.613	334.030.739	234.445.051	223.408.141

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 3 – INTEREST IN OTHER ENTITIES (Continued)

<i>Reconciliation of Net Book Values</i>	YBP		Desa Enerji		Pınar Foods	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
1 January Opening Value of Net Assets	2.513.428.779	1.808.933.723	334.030.739	294.350.245	223.408.141	157.310.426
Net Profit for the Year	374.178.304	360.299.992	50.711.536	43.236.236	10.019.140	13.425.093
Other Comprehensive Income	(660.250.784)	419.994.373	2.153.992	10.488.283	-	-
Dividend paid	(127.889.287)	(75.799.309)	(50.157.385)	(13.999.113)	-	-
Foreign Currency Translation Differences	-	-	-	-	1.017.770	52.672.622
Closing Value of Net Assets	2.099.467.012	2.513.428.779	336.738.882	334.075.651	234.445.051	223.408.141
Company's share in %	31,82%	31,82%	25,65%	25,65%	44,94%	44,94%
Company's share in TL	668.050.403	799.773.037	86.361.912	85.678.885	105.359.606	100.399.618
Net Book Value	668.050.403	799.773.037	86.361.912	85.678.885	105.359.606	100.399.618

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 3 – INTERESTS IN OTHER ENTITIES (Continued)

<i>Comprehensive Income</i>	YBP		Desa Enerji		Pınar Foods	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Revenue	14.700.883.786	14.021.563.415	766.597.384	1.233.470.855	401.867.747	302.011.588
Interest Income	134.876	18.954.620	13.903.400	14.496.953	-	-
Depreciation and Amortization	(103.230.970)	(63.736.151)	(32.962.697)	(49.963.107)	(67.616)	(66.613)
Interest Expense	(11.726.319)	(24.254.688)	(846.491)	(403.808)	-	-
Income Tax Expense	-	(59.297.145)	-	(23.037.951)	(4.934.800)	(4.013.013)
Profit For The Year Continuing Operations	374.178.304	360.299.992	50.711.536	43.236.236	10.019.140	13.425.093
Net Profit for the Year	374.178.304	360.299.992	50.711.536	43.236.236	10.019.140	13.425.093
Other Comprehensive Income	(660.250.784)	419.994.373	2.153.992	10.488.283	-	-
Total Comprehensive Income	(286.072.480)	780.294.365	52.865.528	53.724.519	10.019.140	13.425.093

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 3 – INTERESTS IN OTHER ENTITIES (Continued)

Movement in investments-in-associates during the years 2023 and 2022 are as follows:

	2023	2022
1 January	985.851.541	724.173.225
Share of profit in-associates - net	136.573.647	131.770.789
Foreign currency translation differences	457.386	23.671.076
Actuarial loss arising from defined benefit plans of investments-in associates - net	(11.906.860)	(16.580.678)
Dividend income from subsidiaries	(53.571.352)	(31.838.554)
Profit or loss from other comprehensive income of equity-accounted investments	(194.013.237)	110.387.788
Increase in revaluation reserve of subsidiaries	(3.619.204)	44.267.894
31 December	859.771.921	985.851.541

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2023	31 December 2022
Cash	-	-
Banks	6.077.650	36.527.838
- Demand Deposits	6.077.650	22.513.901
- TL	5.253.710	22.513.901
- Foreign Currency	823.940	-
- Time Deposits	-	14.013.937
- TL	-	14.013.937
Other	8.945.900	-
	15.023.550	36.527.838

As of 31 December 2023, the Company does not have any time deposits (As of 31 December 2022: 15,62% for TL with a maturity period of 1 month).

The credit risks of the banks where the Company's deposits are held are evaluated based on independent data. The market values of cash and cash equivalents approximate their carrying values, including the accrued interest income as of the balance sheet date. Details of cash and cash equivalents denominated in foreign currency are presented in Note 28.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Shareholders, key management personnel, and members of the board of directors, along with their families and companies controlled by or affiliated with them, are considered related parties. Various transactions have been conducted with related parties as part of the Company's normal operations. These transactions were generally carried out in accordance with market conditions during the normal course of business. The summary of receivables from related parties, payables to related parties, and significant transactions with related parties as of 31 December 2023 and 31 December 2022 are presented below:

i) *Balances with related parties :*

a) **Short Term Trade Receivables from Related Parties:**

	31 December 2023	31 December 2022
YBP ⁽¹⁾	1.197.066.872	1.442.758.591
YDT ⁽²⁾	934.845.359	708.730.394
	2.131.912.231	2.151.488.985

The average maturity of short-term trade receivables from related parties as of 31 December 2023 is 2 months (2022: 2 months).

As of 31 December 2023, trade receivables from related parties amounting to TL 752.694.792 (2022: TL 466.533.019) over which no provision for impairment is provided of overdue receivables and aging is shown Note 28.a.

b) **Short-term other receivables from related parties:**

	31 December 2023	31 December 2022
Yaşar Holding ⁽³⁾	655.385.144	701.746.244
HDF FZCO ⁽²⁾	282.254.045	351.483.194
Other	-	310.608
	937.639.189	1.053.540.047

As of 31 December 2023, the Company's short-term other receivables from Yaşar Holding amount to TL 655.385.144 (31 December 2022: TL 425.886.881). These receivables consist of the principal and accrued interest on borrowings provided by the Company and transferred to Yaşar Holding under the same conditions, with an average maturity of 6 months and an effective annual interest rate of 43,24% (31 December 2022: 20,25%).

As of 31 December 2023, the Company has non-trade receivables from HDF FZCO amounting to TL 282.254.045 (31 December 2022: TL 213.313.691). These receivables are expected to be collected within one year and have an effective annual interest rate of 46,00% (31 December 2022: 21,75%).

- (1) Investment in associate
- (2) Related party controlled by parent company
- (3) Parent company

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

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

c) Long-term other receivables from related parties:

	31 December 2023	31 December 2022
Yaşar Holding	-	3.398.441
	-	3.398.441

As of 31 December 2022, long-term other receivables from related parties consist of the principal and accrued interest on long-term loan borrowings provided by a financial institution and transferred to Yaşar Holding under the same conditions. The effective annual interest rate on these loans is 12,36%.

d) Short-term trade payables to related parties:

	31 December 2023	31 December 2022
YDT	69.456.602	55.298.113
Yaşar Holding	55.660.787	28.790.703
Çamlı Yem Besicilik Sanayi ve Tic. A.Ş. ("Çamlı Yem")(2)	27.191.826	41.144.447
Desa Enerji (1)	16.952.923	43.108.896
HDF FZCO (2)	1.780.051	9.668.582
Other	28.512.442	10.789.210
	199.554.631	188.799.951

Commercial debts to YDT arise from export service and commission fees. Commercial debts to Yaşar Holding arise from consultancy and service fees. 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:*

a) Product sales:

	1 January - 31 December 2023	1 January - 31 December 2022
YBP	9.579.525.873	9.506.975.899
YDT	1.119.947.869	1.498.133.967
Pınar Et	23.376.459	15.013.643
	10.724.225.482	11.020.123.509

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

The company sells most of its products domestically to its subsidiary and Yaşar Group company YBP, and sells them abroad through YDT, a Yaşar Group company, and a significant portion of these export sales are made to HDF FZCO, a Yaşar Holding group company.

b) Service sales:

	1 January - 31 December 2023	1 January - 31 December 2022
YDT	43.598.784	84.345.720
YBP	6.274.696	2.932.229
Pınar Et	3.534.560	2.777.314
Çamlı Yem	2.642.478	1.997.083
Pınar Su	1.899.609	1.672.211
Other	1.727.540	1.250.945
	59.677.667	94.975.502

c) Other income from operating activities:

YDT	103.193.305	293.061.404
YBP	40.237.342	2.770.018
Çamlı Yem	9.950.213	4.508.364
Other	-	478.617
	153.380.860	300.818.403

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

d) Dividens Received:

YBP	23.480.770	16.876.326
Pınar Et	17.118.502	10.959.274
Desa Enerji	8.503.108	5.770.182
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	27.740	24.421
	49.130.120	33.630.203

e) Other expenses from operating activities:

Yaşar Holding	6.171.894	838.994
YDT	1.824.980	10.877.011
Çamlı Yem	-	197.411
Other	1.790.747	7.139.998
	9.787.621	19.053.414

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

A significant portion of other expenses from operating activities consists of maturity differences, interest, and exchange rate differences related to the Company's trade payables to related parties.

	1 January - 31 December 2023	1 January - 31 December 2022
f) Product purchases from related parties:		
Desa Enerji	221.758.215	382.510.193
Çamlı Yem	202.251.212	153.658.466
Desa Elektrik Enerjisi Ticaret A.Ş.	56.760.248	40.289.772
YADEX	24.943.322	-
Hedef Ziraat Ticaret A.Ş.	-	1.848.196
Other	1.322.425	1.704.542
	507.035.422	580.011.169

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

g) Service Purchases from related parties:

Yaşar Holding	115.075.135	102.664.541
YBP	84.160.443	87.550.253
YDT	28.630.285	67.990.754
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yabim") (2)	19.689.764	14.664.695
Bintur	4.114.468	1.928.406
HDF FZCO	622.722	13.429.693
Other	6.198.938	4.965.996
	258.491.754	293.194.337

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

h) Financial income from related parties:

Yaşar Holding	152.279.588	65.277.824
HDF FZCO	95.701.609	-
	247.981.197	65.277.824

i) Dividends from related parties:

Yaşar Holding	106.827.099	56.854.693
Yaşar Eğitim ve Kültür Vakfı	8.667.000	4.399.437
Other	15.274.401	7.748.308
	130.768.500	69.002.438

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

At the Annual General Assembly Meeting held on 29 March 2023, it was decided to distribute dividends and profit shares totaling TL 197.832.568 for the year 2023 (2022: TL 63.538.814). Of the distributed dividend amount, TL 67.064.069 (2022: TL 21.661.521) was paid to other shareholders.

	1 January - 31 December 2023	1 January - 31 December 2022
j) Donations to related parties:		
Yaşar Eğitim ve Kültür Vakfı	4.755.323	421.375
	4.755.323	421.375

k) Financial expenses from Related Parties:		
Yaşar Holding	660.768	44.225
Other	1.564.500	10.221.421
	2.225.268	10.265.646

l) Key management compensation:

Senior management consists of board members and executives at the director level and above. The benefits provided to these managers are as follows:

Total Short-Term Benefits	58.184.881	35.465.766
Other Long-Term Benefits	-	4.759.999
	58.184.881	40.225.765

The portion of total short-term benefits amounting to TL 15.205.000 (1 January – 31 December 2022: TL 7.711.236) consists of the Board of Directors' appropriation according to the decision taken at the Ordinary General Assembly.

m) Bails received from related parties:

As of 31 December 2023, the guarantees received stem from the guarantees provided by YBP and Yaşar Holding as guarantors, amounting to TL 33.887.733 (31 December 2022: TL 44.242.659).

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 6 – TRADE PAYABLES

a) Short-term trade payables to third parties:

	31 December 2023	31 December 2022
Supplier current accounts	1.619.872.851	1.839.008.384
	1.619.872.851	1.839.008.384

The average maturity of trade payables is 2 months (31 December 2022: 2 months).

NOTE 7 - OTHER PAYABLES

a) Other short-term payables to third parties:

	31 December 2023	31 December 2022
Taxes and funds payable	22.059.585	22.177.888
Other	609.217	652.089
	22.668.802	22.829.977

NOTE 8 – INVENTORIES

	31 December 2023	31 December 2022
Finished Goods	478.111.722	412.946.148
Work-in-progress	403.318.003	502.174.203
Raw Materials	326.324.959	271.611.044
Spare parts and palettes	76.412.521	63.433.984
Other	732.086	469.546
	1.284.899.292	1.250.634.925

The costs of inventories recognized as expense and included in cost of sales amounted to TL 8.797.862.040 (2022: TL 8.458.854.676) (Note 17). There is no impairment on inventories.

NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses to third parties:

	31 December 2023	31 December 2022
Prepaid expenses	35.733.109	14.787.068
Advances given	2.047.659	2.766.946
	37.780.768	17.554.014

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

a) Property, Plant And Equipment:

	1 January 2023	Additions	Disposals	Transfers	Accumulated Depreciation Netting Before Valuation	Revaluation Increases	31 December 2023
<u>Cost or revaluation:</u>							
Land	2.169.310.452	-	-	-	-	-	2.169.310.452
Land improvements and buildings	1.095.224.300	1.796.052	(170.077)	-	-	-	1.096.850.275
Machinery, plant and equipment	2.574.925.998	66.026.740	(28.423.049)	24.522.010	-	-	2.637.051.698
Furniture and fixtures	735.784.922	8.657.881	(806.558)	-	-	-	743.636.245
Motor vehicles	97.440.135	-	-	-	-	-	97.440.135
Construction in progress	69.324.433	43.255.320	-	(24.522.010)	-	-	88.057.743
	6.742.010.240	119.735.992	(29.399.684)	--	--	--	6.832.346.548
<u>Accumulated depreciation (-):</u>							
Land improvements and buildings	(8.805.213)	(48.798.123)	34.652	-	-	-	(57.568.684)
Machinery, plant and equipment	(133.678.784)	(173.573.700)	9.972.571	-	-	-	(297.279.913)
Furniture and fixtures	(676.809.424)	(13.280.067)	540.574	-	-	-	(689.548.918)
Motor vehicles	(84.808.373)	(1.203.055)	-	-	-	-	(86.011.428)
	(904.101.794)	(236.854.945)	10.547.796	-	-	-	(1.130.408.943)
Net book value	5.837.908.446						5.701.937.605

As of 31 December 2023, main additions to property, plant and equipment are comprised of investments related to machinery and equipment.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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 2022 were as follows:

	1 January 2022	Additions	Disposals	Transfers	Accumulated Depreciation Netting Before Valuation	Revaluation Increases	31 December 2022
<u>Cost or revaluation:</u>							
Land	1.092.802.969	-	-	-	-	1.076.507.483	2.169.310.452
Land improvements and buildings	672.144.025	1.875.717	-	-	(28.101.356)	449.305.915	1.095.224.300
Machinery, plant and equipment	2.493.106.097	83.680.765	(97.806.736)	95.945.871	-	-	2.574.925.998
Furniture and fixtures	732.055.399	5.982.344	(2.252.821)	-	-	-	735.784.922
Motor vehicles	85.285.554	12.154.582	-	-	-	-	97.440.135
Construction in progress	108.966.888	56.303.416	-	(95.945.871)	-	-	69.324.433
	5.184.360.932	159.996.824	(100.059.557)	-	(28.101.356)	1.525.813.397	6.742.010.240
<u>Accumulated depreciation (-):</u>							
Land improvements and buildings	(8.689.372)	(28.217.197)	-	-	28.101.356	-	(8.805.213)
Machinery, plant and equipment	-	(174.984.632)	-	41.305.848	-	-	(133.678.784)
Furniture and fixtures	(664.155.252)	(14.858.610)	-	2.204.437	-	-	(676.809.424)
Motor vehicles	(83.605.319)	(1.203.055)	-	-	-	-	(84.808.373)
	(756.449.942)	(219.263.493)	-	43.510.285	28.101.356	-	(904.101.794)
Net book value	4.427.910.990						5.837.908.446

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

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR THEN ENDED 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

b) Right of Use Assets:

	1 January 2023	Additions	Disposals	31 December 2023
Cost:				
Land improvements and buildings	76.887.964	251.275	-	77.139.239
Motor vehicles	97.244.593	72.208.550	-	169.453.143
	174.132.557	72.459.825	-	246.592.382
Accumulated depreciation (-):				
Land improvements and buildings	(62.207.606)	(3.567.338)	-	(65.774.944)
Motor vehicles	(52.426.309)	(54.221.344)	-	(106.647.653)
	(114.633.915)	(57.788.682)	-	(172.422.597)
Net book value	59.498.642			74.169.785

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR THEN ENDED 31 DECEMBER 2023**

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

b) Right of Use Assets (Continued):

	1 January 2022	Additions	Disposals	31 December 2022
Cost:				
Land improvements and buildings	49.523.204	27.364.760	-	76.887.964
Motor vehicles	89.364.756	7.879.837	-	97.244.593
	138.887.960	35.244.597	-	174.132.557
Accumulated depreciation (-):				
Land improvements and buildings	(34.778.361)	(27.429.245)	-	(62.207.606)
Motor vehicles	(33.549.379)	(18.876.930)	-	(52.426.309)
	(68.327.741)	(46.306.174)	-	(114.633.915)
Net book value	70.560.220			59.498.642

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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 2023 (2022: None).

Of the depreciation and amortization expenses of the period, TL 197.057.788 (2022: TL 202.033.037) is reflected in cost of goods sold, TL 49.427.580 (2022: TL 40.785.084) is reflected in marketing expenses (Note 21.a), TL 32.804.616 (2022: TL 23.586.221) is reflected in general administrative expenses (Note 21.b) and TL 9.798.812 (2022: TL 7.460.137) is reflected in research and development expenses (Note 21.c).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2023 and 2022 were as follows:

	2023	2022
1 January	1.317.517.348	-
Change in tax rates	(94.642.936)	-
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements – net	-	1.515.029.279
The deferred tax effect on the revaluation of immovables and other depreciable economic	-	(197.511.931)
Depreciation transfer arising from revaluation increase classified to retained earnings - net	(11.232.648)	-
31 December	1.211.641.764	1.317.517.348

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 2023 and 2022 are as follows:

	Land	Land improvements and buildings	Machinery and equipment
31 December 2023			
Cost	863.348.124	472.133.029	1.912.854.416
Less: Accumulated depreciation	-	(2.922.548)	(135.815.141)
Net Book Value	863.348.124	469.210.481	1.777.039.275
31 December 2022			
Cost	1.776.156.361	894.043.843	1.840.318.037
Less: Accumulated depreciation	-	(18.810.599)	(14.306.145)
Net Book Value	1.776.156.361	875.233.244	1.826.011.892

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 11 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortization for the years ended 31 December 2023 and 2022 were as follows:

	1 January 2023	Additions	Disposals	31 December 2023
Costs:				
Rights	155.666.801	1.217.054	-	156.883.855
Construction in progress	56.734.226	14.516.406	-	71.250.632
Less: Accumulated amortization	(166.732.535)	(8.522.868)	-	(175.255.403)
Other	6.629.007	-		6.629.007
Net Book Value	52.297.499	7.210.592	-	59.508.091
	1 January 2022	Additions	Disposals	31 December 2022
Costs:				
Rights	154.366.189	1.300.612	-	155.666.801
Construction in progress	56.734.226	-	-	56.734.226
Less: Accumulated amortization	(158.437.724)	(8.294.811)	-	(166.732.535)
Other	6.629.007	-	-	6.629.007
Net Book Value	59.291.698	(6.994.199)	-	52.297.499

NOTE 12 - GOVERNMENT GRANTS AND INCENTIVES

During 2023, 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 TL 5.778.916 (2022: TL 576.110) government incentive. As of 31 December 2023, the company has incentive accrual amounting to TL 1.316.792 (31 December 2022: TL 8.141.427). 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 2023	31 December 2022
From third parties:		
Short-term borrowings	1.720.346.641	1.259.651.884
Issued debt instruments	938.481.150	836.485.548
Short-term portion of long-term borrowings	50.519.255	86.816.302
Borrowings from lease liabilities	16.533.093	12.823.920
Short-term borrowings	2.725.880.139	2.195.777.654
Long-term borrowings	6.801.226	37.635.227
Borrowings from lease liabilities	18.627.375	14.215.718
Long-term borrowings	25.428.601	51.850.945
	2.751.308.740	2.247.628.599

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 13 - BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average interest rate p.a. %		Original currency		TL equivalent	
	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022	31 Dec. 2023	31 Dec. 2022
Short-term borrowings:						
TL borrowings (*)	44,50	18,18	1.626.880.356	1.259.651.883	1.626.880.356	1.259.651.883
USD borrowings (*)	8,70	-	3.175.000	-	93.466.285	-
Short-term portion of long-term bank borrowings:						
TL borrowings (**)	33,12	14,36	30.620.762	65.523.443	30.620.762	65.523.443
EUR leasing borrowings	-	-	609.773	1.066.200	19.898.493	21.292.858
Total short-term borrowings					1.770.865.896	1.346.468.186
Long-term bank borrowings:						
TL borrowings (**)	33,11	12,86	6.801.226	17.568.912	6.801.226	17.568.912
EUR leasing borrowings	-	-	-	1.004.783	-	20.066.315
Total long-term borrowings					6.801.226	37.635.227

(*) As of 31 December 2023, short-term borrowings consist of fixed interest spot loans and floating interest loans. (31 December 2022: Short-term borrowings consist of zero and fixed interest spot loans and floating and fixed interest loans). As of 31 December 2023, there are no USD short-term loans (31 December 2022: There are no USD short-term loans).

(**) As of 31 December 2023, TL denominated long-term borrowings consist of loans with a fixed interest rate of 31.70% p.a and 36.30% p.a. (31 December 2022: TL denominated long-term borrowings consist of loans with a fixed interest rate of 11.55% p.a and 18.50% p.a.)

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 13 - BORROWINGS AND BORROWING COSTS (Continued)

As of 31 December 2023, the maturity of the Company's issued debt instruments is between 6-12 months and the interest rates vary between 33,62% and 48,50% (31 December 2022: maturity 6 months, interest rate 27% -29,5%).

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 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
2024	-	37.635.227
2025	6.801.224	-
	6.801.224	37.635.227

31 December 2023 and 2022 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 2023

Borrowing with floating interest rates	1.661.121.882
Borrowings with fixed rates	1.090.186.858
Total	2.751.308.740

31 December 2022

Borrowing with floating interest rates	420.131.143
Borrowings with fixed rates	943.945.319
Total	1.364.076.462

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 13 - BORROWINGS AND BORROWING COSTS (Continued)

As of 31 December 2023 and 2022 the movement of net borrowings are as follows:

	2023	2022
1 January	2.211.100.759	776.157.956
Cash inflow from borrowings	3.978.324.819	3.004.079.824
Repayment of borrowings	(4.455.347.703)	(2.383.363.581)
Currency translation difference	(611.088)	(64.005.780)
Change in cash and cash equivalents	21.504.288	29.793.690
Borrowings from lease liabilities	8.120.830	(3.874.032)
Borrowings from financial lease liabilities	22.214.648	24.550.773
Accrual of interest effect	12.497.486	(8.723.639)
Issued debt instruments	938.481.150	836.485.548
31 December	2.736.285.189	2.211.100.759

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

31 December 2023 31 December 2022

a) **Guarantees given:**

Letter of guarantee	353.091.375	294.355.961
	353.091.375	294.355.961

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2023 and 2022 were as follows:

	31 December 2023			31 December 2022		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
The CPMs given by the Company:						
A. Total amount of CPM given for the Company's own legal personality			353.091.376			294.355.961
	TL	352.890.245	352.890.245	TL	294.145.460	294.145.460
	USD	6.820	201.131	USD	11.238	210.501
	-	-	-	-	-	-
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			353.091.376			294.355.961

The ratio of total amount of other CPM To Equity

0%

0%

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

	31 December 2023	31 December 2022
b) Guarantees received:		
Bails	78.887.733	72.899.920
Guarantee notes	37.826.346	47.830.201
Letters of guarantee	43.826.498	29.931.920
Guarantee cheques	109.422	114.520
	160.649.999	150.776.561

As of 31 December 2023 received bails are related with guarantee letter amounting to TL 78.887.733 guarantees provided by YBP and Yaşar Holding (31 December 2022: Received bails are related with guarantee letter amounting to TL 72.899.920 guarantees provided by YBP and Yaşar Holding).

Foreign currency denominated guarantees given as of 31 December 2023 is as follows:

Guarantees received	EUR	1.027.172
	USD	467.317

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

Guarantees received	EUR	888.744
	USD	433.717

c) Major litigations

None.

NOTE 15 - COMMITMENTS

As of 31 December 2023, the Company has not any purchase commitments (2022: None).

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 16 - EMPLOYEE BENEFITS

a) Payables related to employee benefits:

	31 December 2023	31 December 2022
Social security premiums payable	20.474.922	15.982.489
Unused leave allowance	3.021.178	3.483.107
Payables to personnel	69.293	130.798
	23.565.393	19.596.394

b) Short-term provisions for employee benefits:

Provision for seniority incentive bonus	867.570	3.569.655
	867.570	3.569.655

c) Long-term provisions for employee benefits:

Provision for employment termination benefits	134.173.260	236.783.041
Provision for seniority incentive bonus	7.150.187	5.169.699
	141.323.447	241.952.740

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

The amount payable consists of one month's salary limited to a maximum of TL 23.490 for each year of service as of 31 December 2023 (31 December 2022: TL 25.327). 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 TL 35.059 which is effective from 1 January 2024 (1 January 2023: TL 32.926) 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:

	2023	2022
Discount rate (%)	2,81	0,50
Probability of retirement (%)	97,11	97,12

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 16 - EMPLOYEE BENEFITS (Continued)

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

	2023	2022
1 January	236.783.040	136.748.041
Interest costs	44.832.845	29.858.459
Actuarial losses	24.887.492	129.651.119
Paid during the year	(112.185.455)	(14.138.842)
Service Cost	17.296.946	20.629.648
Monetary gain/(loss)	(77.441.608)	(65.965.385)
31 December	134.173.260	236.783.040

The total of interest cost, actuarial losses and increase during the year amounting to TL 87.017.283 (2022: TL 180.139.226) was included in general administrative expenses amounting to TL 17.296.946 (2022: TL 20.629.648) financial expenses amounting to TL 44.832.845 (2022: TL 29.858.459) and other comprehensive income amounting to TL 24.887.492 (2022: TL 129.651.119).

NOTE 17 - EXPENSES BY NATURE

	1 January - 31 December 2023	1 January - 31 December 2022
Direct material costs	8.797.862.040	8.458.854.676
Staff costs	685.414.114	518.559.884
Energy	546.694.291	898.054.490
Repair and maintenance	331.328.135	323.588.049
Outsourced services	213.555.849	170.694.839
Advertisement	192.712.903	194.049.268
Depreciation and amortization	289.088.796	273.864.479
Consultancy charges	124.916.028	102.666.392
Transportation	80.787.558	49.758.650
Other	20.656.061	93.034.890
	11.283.015.774	11.083.125.617

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 POA 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 2023	1 January - 31 December 2022
Independent audit fees for the reporting period	1.607.340	461.364

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 18 - OTHER ASSETS AND LIABILITIES

	31 December 2023	31 December 2022
a) Other current assets from third parties:		
Deferred Value Added Tax	195.422.953	194.756.790
Income accrual	1.421.489	8.244.110
Other	4.028	6.709
	196.848.470	203.007.609

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 2023 and 2022 are as follows:

	31 December 2023	31 December 2022
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 2023 and 2022 were as follows:

Shareholder	31 December 2023		31 December 2022	
	Share (%)	Share amount (TL)	Share (%)	Share amount (TL)
Yaşar Holding (A.B.C)	61,41	27.603.901	61,41	27.603.901
Public Part (C)	37,95	17.060.367	37,95	17.060.367
Other	0,64	286.783	0,64	286.783
Share capital	100,00	44.951.051	100,00	44.951.051
Adjustment to share capital		958.754.210		958.754.210
Total paid-in capital		1.003.705.261		1.003.705.261

Adjustment to share capital amounting to TL 958.754.210 (2022: TL 958.754.210) 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).

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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 2023, there are 4.495.105.125 (2022: 4.495.105.125) units of shares each with a face value of Kr 1 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.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

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

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 2023, the Company has decided to distribute TL 197.832.568 of the distributable net profit for the year 2022 as dividend and payments to boards. In context of this dividend distribution decision, the Company separated TL19.558.502 as "Restricted Reserves".

Additional Information Regarding Capital, Reserves and Other Equity Items

The Company's relevant equity items presented in its financial statements as adjusted for inflation as of 31 December 2023 are compared with the inflation-adjusted amounts in its financial statements prepared in accordance with Law No. 6762 and other legislation as follows:

	Inflation-adjusted amounts included in the financial statements prepared in accordance with Law No. 6762 and other legislation	Inflation-adjusted amounts in financial statements prepared in accordance with TAS/IFRS	Difference observed in previous year profits
31 December 2023			
Capital Adjustment Differences	971.923.931	958.754.210	13.169.721
Premiums Related to Shares	-	-	-
Restricted Reserves Allocated from Profits	1.266.144.337	645.096.101	621.048.236
	2.238.068.268	1.603.850.311	634.217.957

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 20 – REVENUE AND COST OF SALES

	1 January - 31 December 2023	1 January - 31 December 2022
Domestic sales	12.937.080.227	12.761.121.771
Export sales	1.119.947.869	1.503.912.050
Sales of commercial goods	1.122.586	509.927
Service sales	1.098.503	-
Gross Sales	14.059.249.185	14.265.543.749
Less: Discounts	(3.052.862.628)	(3.001.123.546)
Returns	(144.056.713)	(187.443.196)
Net Sales	10.862.329.843	11.076.977.007
Cost of merchandise goods sold	(10.327.269.793)	(10.199.835.990)
Cost of goods sold	(705.375)	(454.321)
Cost of Sales	(10.327.975.168)	(10.200.290.311)
Gross Profit	534.354.675	876.686.696

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

	1 January - 31 December 2023	1 January - 31 December 2022
a) Marketing expenses:		
Advertisement	192.712.903	194.049.268
Transportation	75.062.845	42.917.845
Staff costs	74.729.131	55.513.173
Consulting	57.443.966	59.614.373
Outsourced services	51.285.651	39.426.817
Depreciation and amortization	49.427.580	40.785.084
Rent	23.967.242	17.269.771
Maintenance and repair	20.446.958	29.420.090
Export commission	28.996.458	49.361.834
Other	17.412.063	54.549.039
	591.484.797	582.907.294
b) General administrative expenses:		
Staff costs	82.013.403	64.445.649
Consultancy and advisory fees	67.472.062	43.052.018
Outsourced services	55.675.809	46.580.250
Termination benefits	18.908.933	22.467.099
Depreciation and amortization	32.804.616	23.586.221
Taxes (Corporate tax excluded)	11.735.982	9.650.829
Repair and maintenance	10.031.668	8.468.619
Energy	6.655.805	10.222.838
Other	3.623.964	7.654.682
	288.922.242	236.128.205
c) Research and development expenses:		
Staff costs	35.891.359	25.968.342
Repair and maintenance	22.527.595	22.874.936
Depreciation and amortization	9.798.812	7.460.137
Other	6.415.801	7.496.392
	74.633.567	63.799.807

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 22 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2023	1 January - 31 December 2022
a) Other income from operating activities:		
Foreign exchange gain	352.562.405	365.451.734
Interest Income	34.633.370	18.131
Rent Income	16.609.276	8.262.926
Scrap sales income	6.117.083	9.541.655
Other	13.975.834	6.068.996
	423.897.969	389.343.443
b) Other expense from operating activities:		
Foreign exchange loss	(59.104.609)	(141.445.574)
Interest expense	(55.925.542)	(66.262.935)
Donations and aids	(9.278.555)	(1.105.342)
Other	(44.746.629)	(22.551.338)
	(169.055.335)	(231.365.188)

NOTE 23 - INCOME/ EXPENSES FROM INVESTING ACTIVITIES

	1 January - 31 December 2023	1 January - 31 December 2022
a) Income from investing activities:		
Dividend income (*)	23.802.067	12.138.595
Income from sales of property, plant and equipment	12.487.322	133.556
	36.289.389	12.272.152
(*) Note 5.ii.d.		
b) Expense from investing activities:		
Loss from sales of property, plant and equipment	(5.445.490)	(8.485.219)
Loss from sale of securities	-	(1.804.860)
	(5.445.490)	(10.290.079)

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 24 - FINANCIAL INCOME/EXPENSES

	1 January - 31 December 2023	1 January - 31 December 2022
a) Financial income:		
Interest income	293.418.353	104.604.465
Foreign exchange gain	6.510.287	5.345.740
	299.928.640	109.950.205
b) Financial expenses:		
Interest expense	(700.798.102)	(336.018.784)
Bank commission expenses	(49.522.681)	(17.152.002)
Seniority interest cost	(48.518.073)	(28.371.234)
Foreign exchange loss	(17.335.424)	(12.996.496)
Bail expense	(25.957)	(44.225)
Exchange difference expense arising from derivative transactions	-	(288.971)
	(816.200.236)	(394.871.712)

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

Corporate tax

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2022: 23%) on their corporate income. Advance tax is declared by 17th and payable by the 17th (2022: 17th) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

In Turkey, the general corporate tax rate applied to the legal tax base, which is calculated by adding non-deductible expenses and deducting exemptions in accordance with tax laws to the commercial income of corporations. According to the Article 21 of the "Law on the Amendment of Certain Laws and the Decree Law No. 375 on the Amendment of Certain Laws and the Decree Law No. 375 on Additional Motor Vehicles Tax for the Compensation of the Economic Losses Caused by the Earthquakes Occurring on 6/2/2023" published in the Official Gazette dated 15 July 2023 and numbered 32249. with the amendments made in Article 32 of the Corporate Tax Law No. 5520 regulating the corporate tax rate, the general corporate tax rate will be applied as 25%.

Within the scope of this change, the tax rate used in deferred tax calculation as of 31 December 2023 is 25%. (31 December 2022: 20%). Within the scope of Article 298 of the Tax Procedure Law, the necessary conditions for inflation correction of financial statements have been met as of 31 December 2021. However, in accordance with the "Law on Amendments to the Tax Procedure Law and the Corporate Tax Law" numbered 7352, published in the Official Gazette numbered 31734 dated 29 January 2022, and the provisional article

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

Corporate tax (Continued)

33 of the Tax Procedure Law numbered 213:

- Duplicate financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods and the 2023 accounting period provisional tax periods, regardless of whether the conditions for inflation adjustment within the scope of Article 298, including provisional tax periods, are met.

- Financial statements dated 31 December 2023 will be subject to inflation correction in a way that will not affect the corporate tax base,

has been ruled.

In accordance with the Tax Procedural Law General Communiqué No. 555 published in the Official Gazette No. 32415 dated 31 December 2023 and the 298th bis article of the Tax Procedure Law No. 213, it is essential that the financial statements of companies operating in Turkey for the 2023 accounting period be subject to hyperinflation correction. These inflation-adjusted financial statements will constitute an opening balance sheet basis in the tax returns to be prepared as of 1 January 2024, and inflation effects will not be considered in the corporate tax calculation for 2023.

According to the temporary article 33 of the Tax Procedure Law, the tax effects arising from the inflation adjustment of the financial statements dated 31 December 2023 are included in the deferred tax calculation as of 31 December 2023.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period for a period not exceeding 5 years. Declarations and relevant accounting records can be examined by the tax office within five years and tax accounts can be revised.

Dividend payments made from joint stock companies resident in Turkey to those other than those who are not liable for corporate tax and income tax and those who are exempt, and to natural persons who are resident and non-resident of Turkey and legal entities who are not resident in Turkey are subject to 10% income tax.

Dividend payments made from joint stock companies resident in Turkey to joint stock companies resident in Turkey are not subject to income tax. Additionally, if the profit is not distributed or added to the capital, income tax is not calculated.

Dividend earnings obtained by institutions from participating in the capital of another institution subject to full liability are exempt from corporate tax. In addition, 75% of the profits arising from the sale of the participation shares that have been in the assets of the institutions for at least two full years, as well as the founding shares, usufruct shares and priority rights of the real estate (immovable properties) they have owned for the same period, are exempt from corporate tax. However, with the amendment made by Law No. 7061, this rate was reduced from 75% to 50% for real estate, and this rate is used as 50% in tax returns to be prepared as of 2018. Additionally, with the amendment, as of July 15, 2023; The 50% tax exemption foreseen for real estate sales profits in Law No. 5520 has been abolished. However, this exception will be applied as 25% on the sales of real estate in the assets of businesses before 15 July 2023.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

In order to benefit from the exemption, the relevant income should be kept under a fund account in liabilities and should not be withdrawn from the enterprise for 5 years. The sales amount should be collected by the end of the second calendar year following the year of sale.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Authorities authorized for tax inspection may examine tax returns and the accounting records underlying them during the five years following the accounting period and make re-assessments as a result of their findings.

There is a withholding tax liability on dividend distributions and this withholding tax liability is declared in the period in which the dividend is paid in cash or on account. Dividend payments are subject to a 15% withholding tax until 22 December 2021, except for non-resident companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. However, in accordance with the Presidential Decision No. 4936, published in the Official Gazette dated 22 December 2021 and numbered 31697, the withholding tax rate of 15% has been reduced to 10%.

In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Prevention Agreements are also taken into account. The addition of retained earnings to the capital is not considered a profit distribution, therefore it is not subject to withholding tax.

Transfer pricing regulations

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Disguised profit distribution through transfer pricing". The communiqué dated 18 November 2007 on disguised profit distribution through transfer pricing regulates the details of the implementation.

If the taxpayer buys or sells goods or services with related parties at the price they have determined in violation of the arm's length principle, the profit is deemed to have been distributed implicitly through transfer pricing in whole or in part. Disguised profit distribution through such transfer pricing is considered a non-deductible expense for corporate tax.

As of 31 December 2023 and 2022, corporation taxes currently payable are as follows:

	31 December 2023	31 December 2022
Corporation taxes currently payable	-	21.955.735
Less: Prepaid corporate tax	(1.245.579)	(53.255.448)
Current income tax liabilities		
(Assets related to current period tax)	(1.245.579)	(31.299.713)

Tax expenses included in the comprehensive income statements for the accounting periods of 1 January - 31 December 2023 and 2022 are summarized below:

	31 December 2023	31 December 2022
Current corporate tax expense	-	(21.955.735)
Deferred tax income	218.954.340	138.090.619
Total tax expense	218.954.340	116.134.885

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

The reconciliation of tax expense is as follows:

		1 January - 31 December 2023		1 January - 31 December 2022
Profit before tax	Rate	65.793.293	Rate	314.341.792
Tax calculated at tax rates applicable to the profit	25%	(16.448.323)	(23%)	(72.298.612)
Expenses not deductible for tax purposes	31%	(20.611.258)	4%	(12.040.714)
Income to be deducted	(40%)	26.355.924	(12%)	38.780.678
Financial loss on which no deferred tax asset is calculated	(24%)	15.903.055	-	-
Deferred tax asset calculated on investment incentive	(28%)	18.185.710	(31%)	95.918.085
Inflation and other effects	(297%)	195.569.233	(21%)	65.775.448
Total taxation on income		218.954.340		116.134.884

As of 31 December 2023 and 2022 the breakdown of calculations of accumulated temporary differences and deferred tax assets and liabilities, using the tax rates in effect as of the balance sheet dates, is as follows:

	31 December 2023		31 December 2022	
	Cumulative temporary differences	Deferred income tax assets/ (liabilities)	Cumulative temporary differences	Deferred income tax assets / (liabilities)
Differences between the carrying values of tangible fixed assets before revaluation and their tax bases	3.943.520.771	(635.740.448)	4.792.120.538	(745.933.913)
Deferred tax calculated on assets whose fair value difference is recorded in other comprehensive income	198.871.226	(12.429.452)	786.552.166	(39.304.602)
Investment discounts (*)	265.611.196	132.271.387	437.655.320	131.251.935
Provision for employment termination benefits	(141.205.557)	33.543.315	(232.668.518)	47.356.608
Other	(23.361.008)	5.840.252	(99.335.652)	19.259.027
Deferred tax liabilities – net		(476.514.946)		(587.370.945)

(*) The Company has investment incentive certificate relating with modernization investment at Şanlıurfa, Eskişehir and İzmir facilities. As of 31 December 2023, 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 TL 265.611.196 (2022: TL 437.655.320).

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

	2023	2022
1 January	(587.370.945)	(535.772.687)
Credited to statement of comprehensive income	218.309.236	138.735.723
Charged to actuarial gain/ loss arising from defined benefit plans	6.221.873	25.930.224
Assets recorded in other comprehensive income with a fair value difference given to the fair value fund	(19.032.174)	(18.752.274)
Calculated on revaluation fund	(94.642.936)	(197.511.931)
31 December	(476.514.945)	(587.370.945)

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 26 - EARNINGS PER SHARE

		1 January - 31 December 2023	1 January - 31 December 2022
Profit for the year	A	284.747.633	430.476.676
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	6,3346	9,5766
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There are no differences between basic and diluted earnings per share. Since the General Assembly Meeting of the year 2023 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 2023	31 December 2022
Fair value difference assets recorded in other comprehensive income	547.348.928	851.863.707
	547.348.928	851.863.707

	<u>31 December 2023</u>		<u>31 December 2022</u>	
	TL	(%)	TL	(%)
Pınar Et	348.083.461	12,58	658.435.954	12,58
Pınar Su	102.768.144	8,77	106.039.308	8,77
Çamlı Yem	81.956.351	5,47	67.508.990	5,47
YDT	13.790.761	0,93	19.267.315	0,93
Bintur	364.381	1,33	400.315	1,33
Other	385.829	-	211.825	-
	547.348.928		851.863.707	

Pınar Et and Pınar Su are stated at quoted market prices as they are listed on İstanbul Stock Exchange; YDT, Bintur and Çamlı Yem are stated at their fair values which are determined based on the discounted cash flows as of 31 December 2023 by using the market interest rates and the risk premium specific to unlisted companies within the related sectors.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

NOTE 27 - FINANCIAL INSTRUMENTS (Continued)

The discount and growth rates used in discounted cash flow models as at 31 December 2023 and 2022 are as follows:

	Discount Rate (%)		Growth Rate (%)	
	2023	2022	2023	2022
Bintur	33,19	39,18	1	1
YDT	32,00	38,03	1	1
Çamlı Yem	29,95	36,05	4	4

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

	2023	2022
1 January	851.863.707	476.818.232
Participation in capital increase of assets at fair value through other comprehensive income:		
Çamlı Yem	741.926	1.132.788
Other	257.271	213.034
Fair value change:		
Pınar Et	(310.352.493)	322.660.588
Pınar Su	(3.271.164)	39.645.387
YDT	(5.476.553)	8.370.950
Çamlı Yem	13.705.435	2.967.389
Bintur	(35.933)	55.339
Other	(83.269)	-
31 December	547.348.927	851.863.707

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

1 January	356.293.201	-
Fair value gain/loss	(264.927.859)	375.045.475
Deferred income tax on fair value reserve of financial assets carried at fair value through other comprehensive income (Note 25)	(19.032.174)	(18.752.274)
31 December	72.333.168	356.293.201

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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 intuitions, 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 2023 and 2022 are as follows:

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

31 December 2023

31 December 2023

	Receivables				
	Trade Receivables (1)		Other Receivables		
	Third Parties	Third Parties	Third Parties	Third Parties	Bank Deposits
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	2.131.912.231	14.152.661	937.824.414	128.985.987	15.023.550
- The part of maximum credit risk covered with guarantees	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	1.379.217.439	13.373.944	937.824.414	128.985.987	15.023.550
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)	752.694.792	778.717	-	-	-
- 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).

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

31 December 2022

31 December 2022

	Receivables				
	Trade Receivables (1)		Other Receivables		
	Third Parties	Third Parties	Third Parties	Third Parties	Bank Deposits
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	2.151.488.985	9.416.420	1.056.938.488	64.653.993	36.527.838
- The part of maximum credit risk covered with guarantees	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	1.684.955.966	8.482.637	1.056.938.488	64.653.993	36.527.838
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)	466.533.019	933.783	-	-	-
- The part covered by guarantees	-	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-
- Past due amount (gross book value)	-	933.374	-	-	-
- Impairment amount (-)	-	(933.374)	-	-	-
- 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).

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

31 December 2023	Receivables		
	Related Parties	Third Parties	Total
Past due 1 - 30 days	123.737.052	502.616	124.239.668
Past due 1 - 3 months	46.113.883	234.230	46.348.113
Past due 3 - 12 months	582.843.858	41.871	582.885.729
<i>The part of credit risk covered with guarantees</i>	-	-	-
	752.694.794	778.716	753.473.510

31 December 2022	Receivables		
	Related Parties	Third Parties	Total
Past due 1 - 30 days	44.588.687	755.039	45.343.726
Past due 1 - 3 months	62.257.262	10.587	62.267.849
Past due 3 - 12 months	359.687.070	168.157	359.855.227
<i>The part of credit risk covered with guarantees</i>	-	-	-
	466.533.019	933.783	467.466.802

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.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

	31 December 2023				
	Carrying Value	Total cash Outflows per agreements (=I+II+III)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
Contractual maturity dates			-		-
Financial Liabilities					
Financial Liabilities	2.716.148.272	3.049.576.860	1.544.320.517	1.478.623.389	26.632.954
Trade Payables	1.819.427.482	1.819.427.482	1.676.855.061	142.572.421	-
Other Payables	28.895.140	28.895.140	28.895.140	-	-
	4.564.470.894	4.897.899.482	3.250.070.718	1.621.195.810	26.632.954

	31 December 2022				
	Carrying Value	Total cash Outflows per agreements (=I+II+III)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)
Contractual maturity dates			-		-
Financial Liabilities					
Financial Liabilities	2.247.628.597	2.247.628.597	692.046.258	1.503.731.394	51.850.945
Trade Payables	2.027.808.335	2.027.808.335	2.027.808.335	-	-
Other Payables	23.112.294	23.112.294	23.112.294	-	-
	2.050.920.629	4.298.549.226	2.742.966.887	1.503.731.394	51.850.945

c) Market risk:

i) Foreign exchange risk

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

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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 2023				31 December 2022			
	TL Equilavalent	USD	Euro	Other (TL Equilavalent)	TL	USD	Euro	Other (TL Equilavalent)
1. Trade Receivables	886.942.100	30.012.054	105.645	-	656.010.189	21.252.575	37.263	-
2a. Monetary Financial Assets (Cash. Bank account)	823.940	27.989	-	-	-	-	-	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	887.766.040	30.040.042	105.645	-	656.010.189	21.252.575	37.263	-
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)	887.766.040	30.040.042	105.645	-	656.010.189	21.252.575	37.263	-
10. Trade Payables	24.238.032	171.961	587.348	-	46.943.966	722.111	749.270	-
11. Financial Liabilities	113.534.187	3.175.000	609.798	-	21.292.858	-	647.072	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities 10+11+12	137.772.219	3.346.961	1.197.146	-	68.236.824	722.111	1.396.342	-
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-	609.798	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities 14+15+16	-	-	-	-	-	-	609.798	-
18. Total Liabilities 13+17	137.772.219	3.346.961	1.197.146	-	68.236.824	722.111	2.006.140	-
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)	749.993.821	26.693.081	(1.091.501)	-	587.773.365	20.530.464	(1.968.877)	-
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	749.993.821	26.693.081	(1.091.501)	-	587.773.365	20.530.464	(1.968.877)	-
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	890.118.770	32.353.792	1.240.173	64.143.791	1.503.912.050	43.877.822	1.027.892	36.454.615
26. Import	101.574.172	-	3.635.093	-	95.069.626	-	2.724.734	-

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

c) Market risk (Continued):

i) Foreign exchange risk (Continued)

31 December 2023

	Sensitivity Analysis for Foreign Currency Risk			
	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Yabancı paranın foreign currency	Yabancı paranın foreign currency
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD – net	78.561.853	(78.561.853)	78.561.853	(78.561.853)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	78.561.853	(78.561.853)	78.561.853	(78.561.853)
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR – net	(3.562.472)	3.562.472	(3.562.472)	3.562.472
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	(3.562.472)	3.562.472	(3.562.472)	3.562.472
Change of Other Currencies by average 10% against TL				
7- Assets/Liabilities denominated in other foreign currencies – net	-	-	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	-	-	-	-
TOTAL (3+6+9)	74.999.381	(74.999.381)	74.999.381	(74.999.381)

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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	Yabancı paranın foreign currency	Yabancı paranın foreign currency
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD – net	60.437.991	(60.437.991)	60.437.991	(60.437.991)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	60.437.991	(60.437.991)	60.437.991	(60.437.991)
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR – net	(4.435.028)	4.435.028	(4.435.028)	4.435.028
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	(4.435.028)	4.435.028	(4.435.028)	4.435.028
Change of Other Currencies by average 10% against TL				
7- Assets/Liabilities denominated in other foreign currencies – net	-	-	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	-	-	-	-
TOTAL (3+6+9)	56.002.963	(56.002.963)	56.002.963	(56.002.963)

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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.

	<u>Interest Rate Position Schedule</u>	
	31 December 2023	31 December 2022
<u>Financial instruments with fixed interest rate</u>		
Financial assets	3.227.898.843	3.319.025.724
Financial liabilities	3.552.638.250	3.651.532.494
<u>Financial instruments with floating interest rate</u>		
Financial liabilities	1.090.186.858	692.262.346

According to the interest sensitivity analysis carried out by the company, as of 31 December 2023, if there was a 1% increase in interest rates and all other variables remained constant, the net profit for the period was TL 8.307.479 less (31 December 2022: TL 4.201.311).

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.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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 2023	31 December 2022
Financial liabilities	2.794.502.487	2.292.874.214
Other payables to related parties	6.226.338	282.317
Less: Other receivables from related parties (Note 5)	(937.639.189)	(1.053.845.248)
Less: Cash and cash equivalents (Note 4)	(15.023.550)	(36.527.838)
Net debt	1.848.066.086	1.202.783.900
Total equity	6.702.143.432	7.342.086.613
Net debt/equity ratio	28%	16%

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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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 2023 and 2022.

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

31 December 2023

	Level 1	Level 2	Level 3	Total
Assets:				
Financial investments	450.851.606	-	96.497.323	547.348.928
Total assets	450.851.606	-	96.497.323	547.348.928

31 December 2022

	Level 1	Level 2	Level 3	Total
Assets:				
Financial investments	764.475.262	-	87.388.445	851.863.707
Total assets	764.475.262	-	87.388.445	851.863.707

As of 31 December 2023 and 2022, 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 2023 and 2022:

31 December 2023	Level 1	Level 2	Level 3	Total
<i>Tangible Assets:</i>				
Land	-	2.169.310.452	-	2.169.310.452
Buildings and land improvements	-	1.039.281.591	-	1.039.281.591
Machinery and equipment	-	2.339.771.785	-	2.339.771.785
Total assets	-	5.548.363.828	-	5.548.363.828

31 December 2022

	Level 1	Level 2	Level 3	Total
<i>Tangible Assets:</i>				
Land	-	2.169.310.452	-	2.169.310.452
Buildings and land improvements	-	1.086.419.087	-	1.086.419.087
Machinery and equipment	-	2.441.247.214	-	2.441.247.214
	-	5.696.976.753	-	5.696.976.753

PINAR SÜT MAMÜLLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2023

(Amounts are expressed in Turkish Lira ("TL") with purchasing power as of 31 December 2023, unless otherwise stated.)

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

Tax Advantages Obtained within the Scope of Investment Incentive System

As of 31.12.2023, Pınar Süt's tax advantage arising from investment incentives does not have a portion corresponding to the current period tax. (31 December 2022: TL 96.370.139).

Due to the regular indexation made each year by taking into account the remaining investment contribution amount due to the reduced corporate tax application of Investment Incentive Certificates in accordance with the legal legislation, there is an investment contribution amount of TL 132.271.387 that can be used in 2024 and the following years.

The periods in which deferred tax assets arising from investment incentives are expected to be used and the amounts expected to be recovered in these periods are explained below:

	31 December 2023	31 December 2022
0-5 Years	112.430.679	67.707.816
5-10 Years	19.840.708	11.948.438
Total	132.271.387	79.656.254

In the sensitivity analysis conducted as of 31 December 2023, there was no change in the recovery period of deferred tax assets related to investment incentives, which was foreseen as 10 years, when the inputs included in the basic macroeconomic and sectoral assumptions constituting the business plans were increased/decreased by 10%.

NOTE 30 - SUBSEQUENT EVENTS

In accordance with the decision of the Board of Directors taken on 7 February 2024, it was decided that our company would participate in the capital increase of Hadaf Foods company of USD 18.000.000 with USD 3.000.000 and a capital advance payment was made.