

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

FINANCIAL STATEMENTS

AT 1 JANUARY - 31 DECEMBER 2020

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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



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

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

A. Audit of the financial statements

1. Our opinion

We have audited the accompanying financial statements of Pınar Süt Mamülleri Sanayii A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

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

3. Key audit matters

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

Key Audit Matter	How the key audit matter was addressed in the audit
<p>Recoverability of trade receivables (Refer to Notes 5 and 6)</p>	<p>The following procedures have been applied to audit the recoverability of trade receivables:</p>
<p>Trade receivables amounting to 493.7 million TL have a significant volume in the financial statements as of 31 December 2020.</p>	<ul style="list-style-type: none"> • The company's receivable follow-up and credit risk management policy, including credit limits management, has been understood and evaluated.
<p>While evaluating the recoverability of such trade receivables, the Company management considers the collaterals received from customers, past collection performances, customers' credibility information, maturity analysis and any disagreements or lawsuits regarding the receivables, if any. As a result of all these evaluations, the determination of doubtful receivables and the determination of the amount of provisions allocated for these receivables include the assumptions and estimates of the management. On the other hand, these estimates used are very sensitive to market conditions.</p>	<ul style="list-style-type: none"> • Trade receivable balances were tested by sending verification letters by sampling.
<p>For these reasons, the recoverability of these receivables has been determined by us as a key audit subject.</p>	<ul style="list-style-type: none"> • The aging of trade receivables has been analyzed. • The collections made in the following period were tested by sampling.
	<ul style="list-style-type: none"> • Guarantees received from customers were tested through sampling.
	<ul style="list-style-type: none"> • It was investigated whether there was any dispute or lawsuit regarding the collection of trade receivable balances and written evaluations were obtained from the legal advisors regarding the ongoing lawsuits.
	<ul style="list-style-type: none"> • In the framework of the negotiations with the company management, it has been evaluated whether the basic assumptions and other judgments that form the basis of the impairment calculations are reasonable.
	<ul style="list-style-type: none"> • The appropriateness and adequacy of the disclosures in the financial statement footnotes regarding the recoverability of trade receivables in accordance with the relevant financial reporting standards have been evaluated.



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

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

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

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

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

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

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

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

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

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

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2020 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 26 February 2021.

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

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Serdar İnanc, SMMM
Partner

İstanbul, 26 February 2021

CONTENTS	PAGES
STATEMENTS OF FINANCIAL POSITION (BALANCE SHEET)	68-70
STATEMENTS OF COMPREHENSIVE INCOME	71-72
STATEMENTS OF CHANGES IN EQUITY	73
STATEMENTS OF CASH FLOW	74-75
NOTES TO THE FINANCIAL STATEMENTS	76-142
NOTE 1 ORGANISATION AND NATURE OF OPERATIONS.....	76
NOTE 2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS.....	76-95
NOTE 3 INTERESTS IN OTHER ENTITIES	96-97
NOTE 4 CASH AND CASH EQUIVALENTS.....	97
NOTE 5 TRANSACTIONS AND BALANCES WITH RELATED PARTIES.....	98-103
NOTE 6 TRADE RECEIVABLES AND PAYABLES.....	103-104
NOTE 7 OTHER RECEIVABLES AND PAYABLES.....	104
NOTE 8 INVENTORIES.....	105
NOTE 9 PREPAID EXPENSES AND DEFERRED INCOME.....	105
NOTE 10 PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS	106-110
NOTE 11 INTANGIBLE ASSETS.....	111
NOTE 12 GOVERNMENT GRANTS AND INCENTIVES.....	111
NOTE 13 BORROWINGS AND BORROWING COSTS	111-114
NOTE 14 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	114-117
NOTE 15 COMMITMENTS.....	117
NOTE 16 EMPLOYEE BENEFITS.....	117-118
NOTE 17 EXPENSES BY NATURE.....	119
NOTE 18 OTHER ASSETS AND LIABILITIES	119
NOTE 19 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS.....	119-122
NOTE 20 REVENUE AND COST OF SALES	122
NOTE 21 GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES.....	123
NOTE 22 OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES.....	124
NOTE 23 INCOME/EXPENSES FROM INVESTING ACTIVITIES	124
NOTE 24 FINANCIAL INCOME/EXPENSES.....	125
NOTE 25 INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)	125-128
NOTE 26 EARNINGS PER SHARE	129
NOTE 27 FINANCIAL INSTRUMENTS	129-130
NOTE 28 NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS.....	130-140
NOTE 29 FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT)	140-142
NOTE 30 SUBSEQUENT EVENTS.....	142

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)

AT 31 DECEMBER 2020 AND 2019

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

	Notes	31 December 2020	31 December 2019
CURRENT ASSETS			
Cash and Cash Equivalents	4	361,785	15,456,092
Trade Receivables		493,730,536	370,032,551
- Trade Receivables from Related Parties	5	489,417,806	358,117,229
- Trade Receivables from Third Parties	6	4,312,730	11,915,322
Other Receivables		11,979,650	2,600,161
- Other Receivables from Related Parties	5	10,396,180	66,411
- Other Receivables from Third Parties	7	1,583,470	2,533,750
Inventories	8	216,830,873	157,745,936
Prepaid Expenses	9	2,847,042	5,620,707
- Prepaid Expenses to Third Parties		2,847,042	5,620,707
Current Income Tax Assets	25	-	87,351
Other Current Assets	18	40,487,046	28,871,730
- Other Current Assets from Third Parties		40,487,046	28,871,730
TOTAL CURRENT ASSETS		766,236,932	580,414,528
NON-CURRENT ASSETS			
Other Receivables		18,575,859	13,359
- Other Receivables from Related Parties	5	18,562,500	-
- Other Receivables from Third Parties		13,359	13,359
Financial Investments	27	187,912,982	85,837,114
Investments in Associates Accounted for Using Equity Method	3	182,937,923	120,655,150
Property, Plant and Equipment	10.a	748,597,403	753,717,617
- Land		183,225,000	183,225,000
- Land Improvements		14,045,311	14,640,000
- Buildings		100,332,512	92,043,235
- Machinery, Plant and Equipment		426,957,150	446,856,908
- Vehicles		623,151	790,593
- Furniture and Fixtures		13,072,293	9,781,236
- Construction in Progress		10,341,986	6,380,645
Right of Use Assets	10.b	3,036,776	2,565,460
Intangible Assets	11	8,825,241	5,186,648
- Other Intangible Assets		8,825,241	5,186,648
Prepaid Expenses	9	3,092,444	585,228
- Prepaid Expenses to Third Parties		3,092,444	585,228
TOTAL NON-CURRENTS ASSETS		1,152,978,628	968,560,576
TOTAL ASSETS		1,919,215,560	1,548,975,104

The financial statements at 31 December 2020 and for the year then ended have been approved for issue by Board of Directors of Pinar Süt Mamülleri Sanayii A.Ş. on 26 February 2021. General Assembly and specified regulatory bodies have the right to make amendments after statutory financial statements issued.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

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

AT 31 DECEMBER 2020 AND 2019

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

	Notes	31 December 2020	31 December 2019
CURRENT LIABILITIES			
Short-Term Borrowings	13	187,878,293	31,228,891
- Short-Term Borrowings From Third Parties		187,878,293	31,228,891
- Bank Borrowings		187,878,293	31,228,891
Short-Term Portion of Long-Term Borrowings	13	41,956,376	36,066,746
- Short-Term Portion of Long-Term Borrowings From Third Parties		41,956,376	36,066,746
- Bank Borrowings		40,449,917	34,251,409
- Borrowings From Lease Liabilities		1,506,459	1,815,337
Other Financial Liabilities		46,394	46,394
- Other Miscellaneous Financial Liabilities		46,394	46,394
Trade Payables		441,564,165	389,599,442
- Trade Payables to Related Parties	5	56,797,551	42,874,119
- Trade Payables to Third Parties	6	384,766,614	346,725,323
Payables Related to Employee Benefits	16	3,875,430	2,270,967
Other Payables		18,425,450	11,662,231
- Other Payables to Related Parties	5	6,125,164	8,070,235
- Other Payables to Third Parties	7	12,300,286	3,591,996
Deferred Income		23,140	1,053
- Deferred Income From Third Parties	9	23,140	1,053
Current Tax Liabilities	25	134,497	-
Short-Term Provisions		1,047,758	670,613
- Short-Term Provisions for Employee Benefits	16	1,047,758	670,613
Other Current Liabilities	18	45,825	26,980
- Other Current Liabilities to Third Parties		45,825	26,980
TOTAL CURRENT LIABILITIES		694,997,328	471,573,317
NON-CURRENT LIABILITIES			
Long-Term Borrowings	13	78,891,714	85,306,202
- Long-Term Borrowings From Third Parties		78,891,714	85,306,202
- Bank Borrowings		77,400,855	84,586,318
- Borrowings From Lease Liabilities		1,490,859	719,884
Trade Payables		18,485,589	29,837,820
- Trade Payables to Third Parties	6	18,485,589	29,837,820
Long-Term Provisions		36,169,930	27,321,115
- Long-Term Provisions for Employee Termination Benefits	16	36,169,930	27,321,115
Deferred Tax Liabilities	25	29,057,195	36,689,516
TOTAL NON-CURRENT LIABILITIES		162,604,428	179,154,653
TOTAL LIABILITIES		857,601,756	650,727,970

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)

AT 31 DECEMBER 2020 AND 2019

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

	Notes	31 December 2020	31 December 2019
EQUITY			
Equity Attributable to Owners of the Parent Company		1,061,613,804	898,247,134
Share Capital	19	44,951,051	44,951,051
Adjustment to Share Capital	19	16,513,550	16,513,550
Other Comprehensive Income/ (Expense) not to be Reclassified to Profit or Loss		559,683,646	440,217,395
- Gain/(Loss) on Revaluation and Remeasurement		317,157,291	339,409,227
- Increase/(Decrease) on Revaluation of Property, Plant and Equipment	10	336,915,821	353,044,854
- Actuarial Gain/(Loss) Arising from Defined Benefit Plans		(19,758,530)	(13,635,627)
- Share of Other Comprehensive Income of Investment-in-Associates Accounted for Using Equity Method that will not be Reclassified to Profit or Loss		89,079,638	44,384,831
- Fair Value Gain of Financial Assets Measured through Other Comprehensive Income	27	153,446,717	56,423,337
Other Comprehensive Income/(Expense) to be Reclassified to Profit or Loss		15,102,327	9,133,658
- Share of Other Comprehensive Income of Investment-in-Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss		15,102,327	9,133,658
Other Profit or Loss		(1,326,243)	(1,768,324)
Restricted Reserves		64,510,334	62,790,880
- Legal Reserves	19	64,510,334	62,790,880
Retained Earnings		321,991,686	291,729,092
Net Profit for the Year		40,187,453	34,679,832
TOTAL EQUITY		1,061,613,804	898,247,134
TOTAL LIABILITIES AND EQUITY		1,919,215,560	1,548,975,104

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

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

**STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2020 AND 2019**

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

	Notes	1 January - 31 December 2020	1 January - 31 December 2019
PROFIT OR LOSS			
Revenue	20	2,028,470,217	1,664,585,471
Cost of Sales	20	(1,766,359,332)	(1,461,507,503)
Gross Profit from Trading Operations		262,110,885	203,077,968
GROSS PROFIT	20	262,110,885	203,077,968
General Administrative Expenses	21	(55,110,768)	(50,070,772)
Marketing Expenses	21	(136,957,881)	(105,686,818)
Research and Development Expenses	21	(16,119,006)	(14,302,642)
Other Income from Operating Activities	22	32,994,068	36,325,282
Other Expense from Operating Activities	22	(26,826,252)	(16,052,113)
OPERATING PROFIT		60,091,046	53,290,905
Income From Investing Activities	23	9,366,603	5,371,748
Expense From Investing Activities	23	-	(9,745)
Share of Results of Investment-in-Associates	3	15,746,034	4,368,187
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		85,203,683	63,021,095
Financial Income	24	13,893,115	7,529,704
Financial Expenses	24	(69,457,325)	(45,131,857)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		29,639,473	25,418,942
Tax Income from Continuing Operations		10,547,980	9,260,890
- Current Tax Expense	25	(606,104)	(451,192)
- Deferred Tax Income	25	11,154,084	9,712,082
PROFIT FOR THE YEAR CONTINUING OPERATIONS		40,187,453	34,679,832
PROFIT FOR THE YEAR		40,187,453	34,679,832
Earnings Per Share		0.8940	0.7715
- Earnings per Kr1 number of 100 shares from continuing operations	26	0.8940	0.7715

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

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

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

	Notes	1 January - 31 December 2020	1 January - 31 December 2019
OTHER COMPREHENSIVE INCOME			
Items not to be Reclassified to Profit or Loss		136,210,563	104,711,475
Increase in Revaluation of Property, Plant and Equipment	10	-	35,485,821
Fair Value Loss Of Financial Assets Measured Through Other Comprehensive Income	27	102,075,868	39,722,559
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will not be Reclassified to Profit or Loss		45,310,086	39,089,636
- Losses on Remeasurements of Defined Benefit Plans of Associates Accounted for Using Equity Method	3	(1,304,894)	(628,105)
- Revaluation Increases (Decreases) of Property, Plant and Equipment of Associates Accounted for Using Equity Method	3	46,614,980	39,717,741
Actuarial Loss Arising from Defined Benefit Plans	16	(7,653,628)	(3,153,808)
Taxes Relating To Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss		(3,521,763)	(6,432,733)
- Gains on Revaluation of Property, Plant and Equipment, Tax Effect	25	-	(5,046,014)
- Fair Value Gain Of Financial Assets Measured Through Other Comprehensive Income, Tax Effect	25	(5,052,488)	(2,017,481)
- Actuarial Gain/(Loss) Arising from Defined Benefit Plans, Tax Effect	25	1,530,725	630,762
Items to be Reclassified to Profit or Loss		5,968,669	1,336,044
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss		5,968,669	1,336,044
- Gains on Foreign Currency Translation Differences Of Associates Accounted for Using Equity Method	3	5,968,669	1,336,044
OTHER COMPREHENSIVE INCOME		142,179,232	106,047,519
TOTAL COMPREHENSIVE INCOME		182,366,685	140,727,351

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2020 AND 2019

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

	Other Comprehensive Income/(Expense) not to be Reclassified in Profit or Loss				Other Comprehensive Income/(Expense) to be Reclassified in Profit or Loss				Net Profit for the Year	Total Equity		
	Share Capital	Adjustment to Share Capital	Increase/ (Decrease on Revaluation of Property Plant and Equipment	Losses on Remeasurements of Defined Benefit Plans	Revaluation or Classifications of Assets at Fair Value Through Other Comprehensive Income	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
1 January -31 December 2019												
Balances at the beginning of the period	44,951,051	16,513,550	338,600,210	(11,112,581)	18,718,259	5,838,102	7,797,614	-	60,800,423	250,117,294	49,216,305	781,440,227
Transfers	-	-	(15,995,163)	-	-	(542,907)	-	-	-	65,754,375	(49,216,305)	-
Dividends	-	-	-	-	-	-	-	-	1,990,457	(24,142,577)	-	(22,152,120)
Due to other changes (decrease)/ increase	-	-	-	-	-	-	-	-	-	-	-	(1,768,324)
Total comprehensive income	-	-	30,439,807	(2,523,046)	37,705,078	39,089,636	1,336,044	-	-	-	34,679,832	140,727,351
-Net profit for the year	-	-	-	-	-	-	-	-	-	-	34,679,832	34,679,832
-Other comprehensive income/(expense)	-	-	30,439,807	(2,523,046)	37,705,078	39,089,636	1,336,044	-	-	-	-	106,047,519
Balances at the end of the period	44,951,051	16,513,550	353,044,854	(13,635,627)	56,423,337	44,384,831	9,133,658	(1,768,324)	62,790,880	291,729,092	34,679,832	898,247,134
1 January -31 December 2020												
Balances at the beginning of the period	44,951,051	16,513,550	353,044,854	(13,635,627)	56,423,337	44,384,831	9,133,658	(1,768,324)	62,790,880	291,729,092	34,679,832	898,247,134
Transfers	-	-	(16,129,033)	-	-	(615,279)	-	-	-	51,424,144	(34,679,832)	-
Dividends	-	-	-	-	-	-	-	-	1,719,454	(21,161,550)	-	(19,442,096)
Due to other changes (decrease)/ increase	-	-	-	-	-	-	-	-	-	-	-	442,081
Total comprehensive income	-	-	-	(6,122,903)	97,023,380	45,310,086	5,968,669	442,081	-	-	-	182,366,685
-Net profit for the year	-	-	-	-	-	-	-	-	-	-	40,187,453	40,187,453
-Other comprehensive income/(expense)	-	-	-	(6,122,903)	97,023,380	45,310,086	5,968,669	-	-	-	-	142,179,232
Balances at the end of the period	44,951,051	16,513,550	336,915,821	(19,758,530)	153,446,717	89,079,638	15,102,327	(1,326,243)	64,510,334	321,991,686	40,187,453	1,061,613,804

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENTS OF CASH FLOW FOR THE YEARS ENDED AT 31 DECEMBER 2020 AND 2019

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

	Notes	1 January - 31 December 2020	1 January - 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES		(49,872,831)	60,357,357
Net Profit/(Loss) for the Year		40,187,453	34,679,832
Profit/(Loss) for the Year from Continuing Activities		40,187,453	34,679,832
Adjustments Related to Reconciliation of Net Profit/(Loss) for the Year:		32,046,971	68,046,523
Adjustments for Depreciation and Amortization	10	51,604,418	49,777,554
Adjustments for Impairments/Reversals		164,322	56,739
- Adjustments for Decrease in Fair Value of Inventories	3	164,322	56,739
Adjustments for Provisions		6,815,993	5,235,996
- Adjustments for (Reversal of) Provisions Related with Employee Benefits		6,815,993	5,235,996
Adjustments for Dividend Income	23	(4,919,379)	(5,084,993)
Adjustments for Interest Income/(Expense)		29,489,686	27,377,253
- Adjustments for Interest Income		(6,299,613)	(6,962,560)
- Adjustments for Interest Expense		35,789,299	34,339,813
Adjustments for Unrealized Foreign Currency Translation Differences		(24,747,557)	4,813,383
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method		(15,746,034)	(4,368,187)
- Adjustments for Undistributed Profits of Associates	3	(15,746,034)	(4,368,187)
Adjustments for Tax Income	25	(10,547,980)	(9,260,890)
Adjustments for Gain/ Losses on Sale of Tangible Assets		(319,662)	(277,015)
Adjustments for Other Adjustments Related to Profit/Loss Reconciliation		253,164	(223,317)
Changes in Working Capital:		(117,586,567)	(40,046,200)
Adjustments For Increases/(Decreases) In Trade Receivables		(109,475,893)	(73,482,107)
- (Decreases)/Increases In Trade Receivables From Related Parties		(117,078,485)	(70,901,981)
- (Decreases)/Increases In Trade Receivables From Third Parties		7,602,592	(2,580,126)
Adjustments For Increases In Other Receivables		(2,096,396)	544,701
- Increases/Decreases In Other Receivables From Third Parties		(2,096,396)	544,701
Adjustments For Increases/ (Decreases) In Inventories		(59,084,937)	11,453,761
(Decreases)/ Increases In Prepaid Expenses		2,773,665	(2,169,446)
Adjustments for Increases/(Decreases) in Trade Payables		52,919,012	19,939,212
- Increase In Trade Accounts Payables To Related Parties		7,144,662	15,867,939
- Increase In Trade Accounts Payables To Third Parties		45,774,350	4,071,273
Increases/Decreases In Debts From Employment Termination Benefits		2,188,507	1,136,250
Adjustments For Increases In Other Payable		8,708,290	741,863
- Increases In Other Payable From Third Parties		8,708,290	741,863
Adjustments For Increases/(Decreases) In Deferred Income		22,087	(2,390,563)
Adjustments For Increases/Decreases In Other Liabilities Of Working Capital		(13,540,902)	4,180,129
- Increase/(Decrease) In Other Assets Related With Operations		(13,559,751)	4,173,169
- Increase (Decrease) In Other Payables Related With Operations		18,849	6,960
Cash Flows From Operating Activities:		(45,352,143)	62,680,155
Employee Termination Benefits Paid	16	(5,827,704)	(4,340,555)
Income Taxes Refund/(Paid)		(384,256)	(589,779)
Government Grants Received		1,691,272	2,607,536

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

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
STATEMENTS OF CASH FLOW FOR THE YEARS ENDED AT
31 DECEMBER 2020 AND 2019

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

	Notes	1 January - 31 December 2020	1 January - 31 December 2019
CASH FLOWS FROM INVESTING ACTIVITIES:		(61,926,396)	2,329,561
Cash Inflows due to Sale of Shares or capital Decrease of Affiliates and / or Joint Ventures	3	3,051,587	-
Cash Inflows Due To Sales Of Tangible Assets		357,276	478,778
Cash Outflows Due To Purchases Of Tangible And Intangible Assets		(47,122,954)	(15,532,528)
- Cash Outflows Due To Purchases Of Tangible Assets		(42,609,936)	(12,538,402)
- Cash Outflows Due To Purchases Of Intangible Assets		(4,513,018)	(2,994,126)
Cash Payments Of Advances And Loans		(31,399,485)	(298,457)
- Cash Advances And Loans Made To Related Parties		(28,892,269)	16,988
- Other Cash Advances And Loans Made To Other Parties		(2,507,216)	(315,445)
Dividends Received	5	6,887,567	10,719,208
Interest Received		6,299,613	6,962,560
CASH FLOWS FROM FINANCING ACTIVITIES		95,709,447	(48,904,344)
Cash inflow Proceeds From Borrowings		323,560,229	204,211,641
- Cash inflow From Borrowings		323,560,229	204,211,641
Cash outflow from Payments Of Borrowings		(162,303,651)	(191,846,281)
- Repayments Of Borrowings		(162,303,651)	(191,892,675)
- Cash outflow From Other Financial Payments Of Borrowings		-	46,394
Increase/(Decrease) In Other Payables To Related Parties		(5,121,148)	(3,784,085)
Cash Outflows from Lease Liabilities		(5,124,635)	(4,900,884)
Dividends Paid		(16,266,019)	(20,212,118)
Interest Paid		(39,035,329)	(32,372,617)
Net Increase/(Decrease) In Cash And Cash Equivalents Before Foreign Currency Translation Differences		(16,089,780)	13,782,574
EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		995,473	480,514
Net Increase/(Decrease) In Cash And Cash Equivalents		(15,094,307)	14,263,088
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		15,456,092	1,193,004
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		361,785	15,456,092

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

98% (2019: 98%) of sales and distribution of the Company's products in the domestic market are performed by its investment-in-associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), and substantial portion of its exports are performed by Yaşar Dış Ticaret A.Ş., ("YDT") which are both Yaşar Group companies (Note 5).

The Company shares are quoted on the Borsa İstanbul ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 61.41% shares of the Company (2019: 61.41%) (Note 19).

The average number of employees are 1,013 in the period (1 January - 31 December 2019: 1,033).

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

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

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

2.2 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2020:

- Amendments to TAS 1 and TAS 8 on the definition of material; effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements', and TAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other TFRSs:
 - i) Use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting,
 - ii) Clarify the explanation of the definition of material and
 - iii) Incorporate some of the guidance in TAS 1 about immaterial information.
- Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.
- Amendment to TFRS 16, 'Leases' - Covid-19 related rent concessions; effective from Annual periods beginning on or after 1 June 2020. As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to TFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

b) New standards, amendments and interpretations issued and effective as of 31 December 2020 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

c) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020:

- Amendments to TAS 1, 'Presentation of financial statements' on classification of liabilities; effective from 1 January 2022. These narrow-scope amendments to TAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the 'settlement' of a liability.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

2.2. Amendments in Turkish Financial Reporting Standards (Continued)

c) Standards, amendments and interpretations that are issued but not effective as at 31 December 2020: (Continued)

- A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16; effective from Annual periods beginning on or after 1 January 2022.
 - o Amendments to TAS 16, 'Property, plant and equipment' prohibit a Group from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Group is preparing the asset for its intended use. Instead, a Group will recognise such sales proceeds and related cost in profit or loss.
 - o Amendments to TAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a Group includes when assessing whether a contract will be loss-making.
- Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The Group will evaluate the effects of the above amendments on its operations and apply them from the effective date. New standards and amendments which are not relevant to the operations of the Company issued but not effective as of 31 December 2020 have not been presented above.

2.3 Basis of Consolidation

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

2.3 Basis of Consolidation (Continued)

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

The book value of the investment accounted for by the equity method is tested for impairment according to the policy described in Note 2.6.6.

The table below sets out the associates and the proportion of ownership interest as of 31 December 2020 and 2019 (Note 3):

	Share/Voting Right (%)	
	2020	2019
<u>Investments-in-associates</u>		
YBP	31.82	31.82
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	30.52	30.52
Pinar Foods GmbH ("Pinar Foods")	44.94	44.94

Foreign currency translation

Transactions and balances

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

Translation of financial statements of foreign associate

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

As of 31 December 2020, the equivalent of EUR1 is TRY 9.0079 (31 December 2019: TRY 6.6506) and for the year then ended, the average equivalent of EUR1 is TRY 8.0278 (31 December 2019: TRY 6.3477). 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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

2.3 Basis of Consolidation (Continued)

Functional and presentation currency

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

2.4 Offsetting

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

2.5 Comparative Information

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 December 2020 on a comparative basis with balance sheet at 31 December 2019; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2020 on a comparative basis with financial statements for the period of 1 January - 31 December 2019.

2.6 Summary of Significant Accounting Policies

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

2.6.1 TFRS 16 - Leases

The Company as the lessee

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.1 TFRS 16 - Leases (Continued)

- a) The contract contains an identified asset: - this may be specified explicitly or implicitly,
- b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified,
- c) The Company has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use and
- d) The Company has the right to direct use of the asset. The Company concludes to have the right of use, when it is predetermined how and for what purpose the Company will use the asset. The Company has the right to direct use of asset if either:
 - i. The Company has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions or
 - ii. The customer designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

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

Right of use asset

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

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

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.1 TFRS 16 - Leases (Continued)

Lease liability

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

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

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

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

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

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

Extension and early termination options

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

Facilitating applications

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

The Company as the lessor

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.2 Revenue recognition

The Company recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer. The Company recognizes revenue based on the following main principles:

- a) Identification of customer contracts,
- b) Identification of performance obligations,
- c) Determination of transaction price in the contract,
- d) Allocation of price to performance obligations,
- e) Recognition of revenue when the performance obligations are fulfilled.

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

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

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

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

Revenue from sale of goods

The Company recognizes revenue from the production and sale milk and dairy products (cheese, yoghurt etc.) fruit juice, sauce and powder products. Sales are recognised when control of the products have transferred to the customer. Delivery occurs when the products are shipped to the customer's location, the risk of aging and damage is transferred to the customers, and if the customers accept the products in accordance with the sales contract, the acceptance conditions expire or the Company has objective evidence that all acceptance criteria are met.

Transaction fee; It is determined to include variable components such as discounts and premiums given to customers.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.2 Revenue recognition (Continued)

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

- Present right to payment for the good or service,
- The customer has legal title to the asset,
- Transfer physical possession of the asset,
- The customer has the significant risks and rewards of ownership of the good,
- The customer has accepted the asset.

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

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

2.6.3 Financial assets

Classification and measurement

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

- (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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.3 Financial assets (Continued)

The Company management evaluated the effect of the calculation as of 31 December 2020 and expected that the effects of the calculation will not have significant impact on the financial statements.

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

Assets that the Company management adopts contractual cash flows and/ or sales business model are classified as assets that are recognized at fair value. Such assets are classified as non-current assets unless management intends to dispose of the related assets within 12 months after the balance sheet date.

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

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

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

2.6.4 Inventories

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.5 Property, plant and equipment

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

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

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.5 Property, plant and equipment (Continued)

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

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

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

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

2.6.6 Intangible assets

Intangible assets have finite useful lives and mainly comprise acquired rights and information processing software. Intangible assets acquired before carried at cost in the equivalent purchasing power of TRY as and items acquired after carried at cost, less accumulated amortisation and impairment losses, if any. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition (Note 11). Costs associated with maintaining computer software programs are recognized as an expense when incurred.

Gain or losses on disposals or on impairments of intangible assets with respect to their amounts are included in the related income and expense accounts. Residual values of intangible assets are deemed as negligible. Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.7 Impairment of assets

Impairment of financial assets:

- Assets carried at amortized cost

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

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

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

The Company first assesses whether objective evidence of impairment exists. For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of comprehensive income.

If, in the following period, the amount of the impairment loss decreases and this decrease can be attributed to an event that occurred after the impairment was realized (such as an improvement in the borrower's credit rating), the reversal of the previously recorded impairment is recorded in the income statement.

- Revaluation or classification earnings of assets at fair value through other comprehensive income

Revaluation or classification earnings of assets at fair value through other comprehensive income is accounted as "Financial Investments" on the financial statements. When revaluation or classification earnings of assets at fair value through other comprehensive income is sold, the revaluation difference, classified in other comprehensive income, transferred to retained earnings.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.7 Impairment of assets (Continued)

Impairment of non-financial assets:

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

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

2.6.8 Borrowing and borrowing costs

Borrowings are recognized initially at the proceeds received; net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 24). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 13). Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

Assets that necessarily require a long period (one year or more) to be ready for the intended use or sale are defined as qualifying assets. General or specific borrowing costs related to the acquisition, construction or production of the qualifying asset are capitalized as part of the cost of the asset until it is brought to the required condition and location in order to operate in line with the objectives of the relevant management.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.9 Going concern

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

2.6.10 Earning per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 26).

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

2.6.11 Subsequent events

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

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

2.6.12 Provisions, contingent liabilities and contingent assets

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities (Note 14). The Company does not recognize contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.12 Provisions, contingent liabilities and contingent assets (Continued)

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

Employment termination benefits, as required by the Turkish 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.

2.6.13 Accounting policies, errors and change in accounting estimates

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

2.6.14 Related parties

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

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

The person concerned,

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.14 Related parties (Continued)

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

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

2.6.15 Segment reporting

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

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

2.6.16 Taxation on income

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date (Note 25). The adjustments related to prior period tax liabilities are recognized in other operating expenses. Deferred income tax income or expense is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity. In case, when the tax is related to items recognized directly in equity and other comprehensive income, the tax is also recognized in equity and other comprehensive income. Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.16 Taxation on income (Continued)

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

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

2.6.17 Statement of cash flow

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

2.6.18 Share capital and dividends

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

2.6.19 Government grants and incentive

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

2.6.20 Research and development expenses

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.20 Research and development expenses (Continued)

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

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

2.6.21 Critical accounting estimates and judgments

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

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.21 Critical accounting estimates and judgments (Continued)

b) Employee termination benefits

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

c) Financial assets fair value determination

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

d) Useful lives of property, plant and equipment

The company evaluates the nature of the asset capitalized for its tangible fixed assets within the scope of TAS 16 standard and accordingly, the related assets are capitalized when they are ready for use. Tangible fixed assets are subject to amortization during their estimated useful lives. The company determines the useful life of an asset by considering the estimated usefulness of that asset. The useful lives determined by the Company Management are explained in Note 2.6.5.

e) Recoverability of trade receivables

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

2.7 Compliance Declaration To Resolutions Published By POAASA And TFRS

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

NOTE 3 - INTERESTS IN OTHER ENTITIES

Investment in associates:

	31 December 2020		31 December 2019	
	TRY	(%)	TRY	(%)
YBP	144,107,953	31.82	87,980,354	31.82
Desa Enerji	14,781,666	30.52	16,557,185	30.52
Pınar Foods	24,048,304	44.94	16,117,611	44.94
	182,937,923		120,655,150	

Movement in investments-in-associates during the years 2020 and 2019 are as follows:

	2020	2019
1 January	120,655,150	83,320,562
Share of profit before taxation of investments-in-associates - net	15,746,034	4,368,187
Increase in fair value reserves of investments-in-associates - net	46,614,980	38,379,678
Dividend income from investments-in-associates (Note 5.ii.d)	(1,968,188)	(5,634,215)
Currency translation reserve	5,968,669	1,336,044
Increase in revaluation reserve of investments-in-associates	-	1,338,063
Actuarial loss arising from defined benefit plans of investments-in associates - net	(1,304,894)	(628,105)
(Decrease)/increase due to other changes	442,081	(1,768,324)
Purchase of affiliate shares (Capital reduction)	(3,051,587)	-
Elimination of net effect of unrealized profits on inventory	(164,322)	(56,739)
31 December	182,937,923	120,655,150

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

	31 December 2020				Other Comprehensive Income/(Expense)
	Assets	Liabilities	Net Sales	Net Profit	
- YBP	1,076,508,118	621,322,659	2,712,142,692	33,587,725	142,419,771
- Desa Enerji	63,893,125	15,460,407	81,651,427	10,629,937	-
- Pınar Foods	66,008,983	12,496,957	136,708,473	4,365,875	13,280,387

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 3 - INTERESTS IN OTHER ENTITIES (Continued)

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

Details of significant investment in associates of the Company as at 31 December 2020 and 2019 are as follows:

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash in hands	62,145	48,208
Banks	299,640	15,407,884
- Demand deposits	299,640	8,592,884
- TRY	299,640	250,385
- Foreign currency	-	8,342,499
- Time deposits	-	6,815,000
- TRY	-	6,815,000
	361,785	15,456,092

As of 31 December 2020, the Company has no time deposits. (2019: The Company has time deposits amounting to TRY6,815,000 with an effective interest rate of 10.23% per annum).

Based on the independent data with respect to the credit risk assessment of the banks, at which the Company has deposits, the credit quality of the banks is sufficient. The market values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet date. Details of cash and cash equivalents in foreign currency are presented in Note 28.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2020 and 2019 are as follows:

i) Balances with related parties:

	31 December 2020	31 December 2019
a) Short-term trade receivables from related parties:		
YBP ⁽¹⁾	335,839,739	256,752,326
YDT ⁽²⁾	153,578,067	101,364,903
	489,417,806	358,117,229

The average maturity of short-term trade receivables from related parties as of 31 December 2020 is 2 months (2019: 2 months).

As of 31 December 2020, trade receivables from related parties amounting to TRY135,139,444(2019: TRY49,731,181) over which no provision for impairment is provided of overdue receivables and aging is shown Note 28.a. No risk is foreseen regarding the collection of overdue trade receivables from YDT and the necessary actions are taken by the Company management and Yaşar Holding regarding the collection of receivables.

b) Other short-term receivables from related parties:

Yaşar Holding ⁽³⁾	10,352,093	-
DYO Boya Fab. San. ve Tic. A.Ş. ("DYO Boya") ⁽²⁾	4,048	64,941
Other	40,039	1,470
	10,396,180	66,411

As of 31 December 2020, the Company has nontrade receivables from Yaşar Holding amounting to TRY 2,019,775 31with an effective interest rate of 20.25% (31 December 2019: None).

As of 31 December 2020, the Company's other short-term receivables from Yaşar Holding amounting to TRY 8,332,318 consist of the principal and interest accrual amounts of the borrowings obtained by the Company from a financial institution and transferred to Yaşar Holding under the same conditions with an effective interest rate of 18.42% per annum (31 December 2019: None).

c) Other long-term receivables from related parties:

Yaşar Holding	18,562,500	-
	18,562,500	-

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

As of 31 December 2020, the Company's other long-term receivables from Yaşar Holding consist of the principal and interest accrual amounts of the borrowings obtained by the Company from a financial institution and transferred to Yaşar Holding under the same conditions. Effective interest rate of the borrowing is 18.42% per annum (31 December 2019: None).

d) Short-term trade payables to related parties:

	31 December 2020	31 December 2019
Yadex International GmbH ("Yadex") ⁽²⁾	24,358,626	18,365,382
Çamlı Yem Besicilik Sanayi ve Tic. A.Ş. ("Çamlı Yem") ⁽²⁾	15,985,414	12,339,214
Yaşar Holding	6,100,474	4,402,141
HDF FZCO ⁽²⁾	4,602,974	3,911,565
Desa Enerji ⁽¹⁾	2,867,038	2,320,966
Other	2,883,025	1,534,851
	56,797,551	42,874,119

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

e) Other short-term payables to related parties:

Yaşar Eğitim ve Kültür Vakfı	777,149	-
Yaşar Holding	327,428	-
Other	5,020,587	8,070,235
	6,125,164	8,070,235

As of 31 December 2020, the Company's other short-term debts to Yaşar Holding amounting to TRY 327,428 and to Yaşar Eğitim ve Kültür Vakfı amounting to TRY 777,149 consist of dividend payables.

Majority of other short-term payables to related parties which are amounting to TRY 5,016,338 consist of bonus payments to board of directors according to the decision taken at the General Assembly Meetings held at 25 March 2020, 28 March 2019, 30 March 2018 and 30 March 2017. (31 December 2019: Majority of other short-term payables to related parties which are amounting to TRY 7,707,546 consist of bonus payments to board of directors according to the decision taken at the General Assembly Meetings held at 28 March 2019, 30 March 2018, 30 March 2017 and 30 March 2016).

ii) Transaction with related parties:

	1 January - 31 December 2020	1 January - 31 December 2019
a) Product sales:		
YBP	1,694,390,305	1,373,582,459
YDT	307,419,613	260,860,458
Pinar Et	562,683	637,438
Other	316,350	110,588
	2,002,688,951	1,635,190,943

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

	1 January - 31 December 2020	1 January - 31 December 2019
b) Service sales:		
YDT	14,623,395	12,960,646
YBP	659,075	562,237
Çamlı Yem	427,965	348,584
Pınar Et	243,917	222,958
Other	487,527	876,104
	16,441,879	14,970,529
c) Other income from operating activities:		
YDT	25,068,817	5,219,752
YBP	2,073,582	7,111,968
Çamlı Yem	1,678,139	1,668,795
Other	7,469	23,878
	28,828,007	14,024,393
Other income from operating activities mostly consist of foreign exchange income from export receivables and building and vehicle rent income from YBP and Çamlı Yem.		
d) Dividends received:		
Pınar Et	4,906,577	5,070,136
Desa Enerji	1,968,188	1,612,770
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur") ⁽²⁾	12,802	14,857
YBP	-	4,021,445
	6,887,567	10,719,208
e) Other expenses from operating activities:		
YDT	10,572,811	3,929,264
Çamlı Yem	705,625	469,353
Yaşar Holding	234,880	207,288
Other	410,172	220,234
	11,923,488	4,826,139

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

f) Product purchases:

	1 January - 31 December 2020	1 January - 31 December 2019
Desa Enerji	28,479,644	24,423,836
Çamlı Yem	26,656,398	20,151,060
Yadex	19,725,659	19,952,878
Hedef Ziraat Ticaret A.Ş. ⁽⁴⁾	8,439,732	6,565,231
Other	777,619	215,307
	84,079,052	71,308,312

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

g) Service purchases:

Yaşar Holding	20,379,204	19,123,676
YBP	15,420,432	12,495,966
YDT	14,899,584	14,068,243
HDF FZCO	10,552,771	3,632,293
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yabim") ⁽²⁾	4,116,518	3,197,552
Bintur	194,136	683,613
Other	711,743	1,287,785
	66,274,388	54,489,128

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 and investment income from related parties:

Yaşar Holding	5,096,442	2,777,023
	5,096,442	2,777,023

The majority of finance income consists of bail commission charges amounting to TRY 968,881 (2019: TRY 2,777,023), for the borrowings obtained by the Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company and borrowings obtained from a financial institution and transferred to Yaşar Holding under the same conditions, total TRY 4,127,562 due to maturity difference and interest income.. The commission rates of bail and financing used in the associated intercompany charges is 1% p.a.(2019: 1% p.a.).

Income from investment activities consists of the maturity difference and interest income related to the non-commercial receivables of the Company and the interest income of the borrowings transferred under the same conditions.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

	1 January - 31 December 2020	1 January - 31 December 2019
i) Dividends and profit shares to related parties:		
Yaşar Holding	10,627,502	11,731,658
Yaşar Eğitim ve Kültür Vakfı	777,149	1,107,921
Other	1,365,696	1,947,622
	12,770,347	14,787,201

On the Ordinary Meeting of the General Assembly for the year 2019 as of 25 March 2020, it has been decided to distribute dividend amounting to TRY 19,442,096 (2019: TRY 22,152,120). TRY 6,671,748 portion of this dividend will pay to other shareholders. (TRY 7,364,917 portion of this dividend was paid to other shareholders).

j) Donations to related parties:

Yaşar Eğitim ve Kültür Vakfı	3,042,674	2,243,402
	3,042,674	2,243,402

k) Financial expenses from related parties:

Yaşar Holding	556,575	414,232
Other	636,575	587,111
	1,193,150	1,001,343

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

l) Key management compensation:

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

Total short-term employee benefits	7,764,192	7,447,643
Other long-term benefits	209,361	113,891
	7,973,553	7,561,534

The portion of total short-term benefits amounting to TRY1,358,792 (31 December 2019: TRY1,940,000) consists of Board of Directors appropriation according to the decision taken at the Ordinary Meeting of the General Assembly.

m) Bails given to related parties:

The amount of the bond issued by Yaşar Holding, the parent company of the Company, and which the Company participated as a guarantor, was paid by Yaşar Holding on 6 April 2020, and the Company's guarantee period was ended.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

n) Bails received from related parties:

Received bails are related with guarantee letter amounting to TRY106,736,309 guarantees provided by YBP, YDT and Yaşar Holding (31 December 2019: guarantees provided by YBP, YDT and Yaşar Holding related with guarantee letters amounting to TRY97,755,556).

(1) Investment in associate

(2) Related party controlled by parent company

(3) Parent company

(4) Ultimate parent company

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

	31 December 2020	31 December 2019
a) Short-term trade receivables from third parties:		
Customer current accounts	3,618,336	2,532,658
Cheques and notes receivable	1,260,855	9,949,125
	4,879,191	12,481,783
Less: Provision for impairment of receivables	(566,461)	(566,461)
	4,312,730	11,915,322

The aging of trade receivables as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Overdue	621,765	1,986,689
0 - 30 days	2,823,770	3,514,991
31 - 60 days	782,883	5,750,700
61 - 90 days	79,859	662,942
91-180 days	4,453	-
	4,312,730	11,915,322

The Company management does not expect any collection risk regarding its trade receivables overdue but not impaired amounting to TRY621,765 as of 31 December 2020 (31 December 2019: TRY1,986,689) considering its past experience and subsequent collections (Note 28.a).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

The aging's of trade receivables as of 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
0 - 3 months	620,700	1,986,689
3 - 6 months	1,065	-
	621,765	1,986,689

b) Short-term trade payables to third parties:

Supplier current accounts	384,766,614	346,725,323
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Trade payables mature within two months (31 December 2019: Two months).

c) Long-term trade payables to third parties:

Supplier current accounts	18,485,589	29,837,820
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Long-term trade payables to third parties are comprised of payables regarding property, plant and equipment purchases that are amounting to EUR2,052,153 as of 31 December 2020 (31 December 2019: EUR4,486,485). The redemption schedules of long-term trade payables at 31 December 2020 and 2019 are as follows:

2021	-	16,189,771
2022	12,269,717	9,058,824
2023	6,215,872	4,589,225
	18,485,589	29,837,820

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

	31 December 2020	31 December 2019
a) Other short-term receivables from third parties:		
Deposits and guarantees given	953,750	734,242
Value Added Tax ("VAT") receivable	285,944	1,521,839
Other	343,776	277,669
	1,583,470	2,533,750

b) Other short-term payables to third parties:

Taxes and funds payable	7,269,632	3,343,849
Dividend payables to shareholders	4,765,498	-
Other	265,156	248,147
	12,300,286	3,591,996

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 8 - INVENTORIES

	31 December 2020	31 December 2019
Raw materials	56,555,046	56,765,589
- Raw materials	56,555,046	50,392,659
- Raw materials in transit	-	6,372,930
Work-in-progress	77,955,621	36,825,822
Finished goods	69,084,217	57,681,095
Spare parts and palettes	13,235,989	6,473,430
	216,830,873	157,745,936

The costs of inventories recognized as expense and included in cost of sales amounted to TRY1,505,263,852 (2019: TRY1,242,724,885) (Note 17). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell as of 31 December 2020.

NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2020	31 December 2019
a) Short-term prepaid expenses to third parties:		
Prepaid expenses	2,332,480	2,954,241
Advances given	514,562	2,666,466
	2,847,042	5,620,707
b) Long-term prepaid expenses to third parties:		
Advances given	2,926,217	423,513
Prepaid expenses	166,227	161,715
	3,092,444	585,228
c) Short-term deferred income from third parties:		
Advances received	23,140	1,053
	23,140	1,053

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

a) Property, Plant And Equipment:

Movements of property, plant and equipment and accumulated depreciation between 1 January and 31 December 2020 were as follows:

	1 January 2020	Additions	Disposals	Transfers	31 December 2020
Cost or revaluation:					
Land	183,225,000	-	-	-	183,225,000
Land improvements and buildings	106,683,235	754,560	-	11,364,220	118,802,015
Machinery, plant and equipment	485,872,827	17,011,767	(38,496)	3,651,609	506,497,707
Motor vehicles	7,044,478	-	(29,142)	-	7,015,336
Furniture and fixtures	59,337,000	5,866,439	(702,441)	-	64,500,998
Construction in progress	6,380,645	18,977,170	-	(15,015,829)	10,341,986
	848,543,185	42,609,936	(770,079)	-	890,383,042
Accumulated depreciation (-):					
Land improvements and buildings	-	(4,424,192)	-	-	(4,424,192)
Machinery, plant and equipment	(39,015,919)	(40,557,884)	33,246	-	(79,540,557)
Motor vehicles	(6,253,885)	(167,443)	29,143	-	(6,392,185)
Furniture and fixtures	(49,555,764)	(2,543,017)	670,076	-	(51,428,705)
	(94,825,568)	(47,692,536)	732,465	-	(141,785,639)
Net book value	753,717,617				748,597,403

As of 31 December 2020, main additions to property, plant and equipment are comprised of investments related to machinery and equipment.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

b) Right of Use Assets:

	1 January 2020	Additions	Disposals	31 December 2020
Cost:				
Land improvements and buildings	3,280,008	1,721,825	-	5,001,833
Motor vehicles	2,610,723	1,786,948	-	4,397,671
	5,890,731	3,508,773	-	9,399,504
Accumulated depreciation (-):				
Land improvements and buildings	(2,446,531)	(1,896,795)	-	(4,343,326)
Motor vehicles	(878,740)	(1,140,662)	-	(2,019,402)
	(3,325,271)	(3,037,457)	-	(6,362,728)
Net book value	2,565,460	471,316	-	3,036,776

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

b) Right of Use Assets (Continued):

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

There are no mortgages or other collaterals placed on property, plant and equipment as of 31 December 2020 (2019: None).

Current year's depreciation and amortization charges were allocated to cost of goods sold by TRY40,349,920 (2019: TRY 38,698,589) to the cost of inventories by TRY555,069 (2019: TRY 759,652), to marketing expenses by TRY4,876,906 (2019: TRY4,554,266) (Note 21.a), to general administrative expenses by TRY4,931,121 (2019: TRY4,792,216) (Note 21.b), to research and development expenses by TRY891,402 (2019: TRY972,830) (Note 21.c).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2020 and 2019 were as follows:

	2020	2019
1 January	353,044,854	338,600,210
Disposal of revaluation funds due to sale of property, plant and equipment - net	-	(14,510)
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements - net	-	30,439,807
Depreciation transfer upon revaluation reserve - net	(16,129,033)	(15,980,653)
31 December	336,915,821	353,044,854

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 2020 and 2019 are as follows:

	Land	Land improvements and buildings	Machinery and equipment
31 December 2020			
Cost	9,059,482	88,124,686	427,576,676
Less: Accumulated depreciation	-	(26,770,083)	(157,057,195)
Net book value	9,059,482	61,354,603	270,519,481
31 December 2019			
Cost	9,059,482	76,005,904	406,951,795
Less: Accumulated depreciation	-	(24,175,836)	(134,367,502)
Net book value	9,059,482	51,830,068	272,584,293

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 11 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortization for the years ended 31 December 2020 and 2019 were as follows:

	1 January 2020	Additions	31 December 2020
Costs:			
Rights	13,816,841	413,585	14,230,426
Construction in progress	4,009,951	4,099,433	8,109,384
Less: Accumulated amortization	(12,640,144)	(874,425)	(13,514,569)
Net book value	5,186,648	3,638,593	8,825,241
	1 January 2019	Additions	31 December 2019
Costs:			
Rights	13,130,556	686,285	13,816,841
Construction in progress	1,702,109	2,307,842	4,009,951
Less: Accumulated amortization	(12,006,665)	(633,479)	(12,640,144)
Net book value	2,826,000	2,360,648	5,186,648

NOTE 12 - GOVERNMENT GRANTS AND INCENTIVES

During 2020, 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 TRY584,061 (2019: TRY492,142) government incentive. As of 31 December 2020, the company has incentive accrual amounting to TRY2,842,840 (31 December 2019: TRY2,512,167).

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 2020	31 December 2019
From third parties:		
Short-term borrowings	187,878,293	31,228,891
Short-term portion of long-term borrowings	40,449,917	34,251,409
Borrowings from lease liabilities	1,506,459	1,815,337
Short-term borrowings	229,834,669	67,295,637
Long-term borrowings	77,400,855	84,586,318
Borrowings from lease liabilities	1,490,859	719,884
Long-term borrowings	78,891,714	85,306,202
	308,726,383	152,601,839

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

NOTE 13 - BORROWINGS AND BORROWING COSTS (Continued)

a) Borrowings:

	Effective weighted average interest rate p.a. (%)		Original currency		TRY equivalent	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Short-term borrowings:						
TRY borrowings (*)	18.09	-	148,958,784	490,542	148,958,784	490,542
USD borrowings (*)	0.74	3.22	5,000,000	5,000,000	36,702,500	29,701,000
EUR leasing borrowings	3.71	3.12	246,118	155,978	2,217,009	1,037,349
Short-term portion of long-term bank borrowings:						
TRY borrowings (**)	15.01	14.50	40,449,917	34,251,409	40,449,917	34,251,409
Total short-term borrowings					228,328,210	65,480,300
Long-term bank borrowings:						
TRY borrowings (**)	15.41	13.64	70,933,929	83,034,921	70,933,929	83,034,921
EUR leasing borrowings	3.71	3.12	717,917	233,272	6,466,926	1,551,397
Total long-term borrowings					77,400,855	84,586,318

(*) As of 31 December 2020, short-term borrowings consist of zero and fixed interest spot loans and floating and fixed interest loans. (31 December 2019: Short-term financial liabilities consist of spot loans. Interest rate for spot loans is 0% p.a.). As of 31 December 2020, USD short-term financial liabilities consist of export credits with interest rate 0.74% p.a. (31 December 2019: USD short-term financial liabilities consist of export credits with interest rate 3.22% p.a.).

(**) As of 31 December 2020, TRY denominated long-term borrowings consist of loans with a fixed interest rate of 11.55% p.a and 18.42% p.a. (As of 31 December 2019, TRY denominated long-term borrowings consist of loans with a fixed interest rate of 11.55% p.a and 16.30% p.a.).

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 13 - BORROWINGS AND BORROWING COSTS (Continued)

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

The redemption schedule of long-term borrowings at 31 December 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
2021	-	32,214,890
2022	33,352,924	22,885,714
2023	33,352,924	22,885,714
2024	10,695,007	6,600,000
	77,400,855	84,586,318

31 December 2020 and 2019 are prepared in accordance with the Company's variable interest rate and the fixed rate renewal date net financial debt maturity breakdown is as follows:

31 December 2020

Borrowings with floating interest rates	41,913,889
Borrowings with fixed interest rates	266,812,494
Total	308,726,383

31 December 2019

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

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

	Carrying Amounts		Fair Values	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Bank borrowings	308,726,383	152,601,839	313,546,563	154,686,504

The fair values of the loans are determined using the discounted cash flow method using the effective weighted interest rates of 13.85% for TRY loans, 3.71% for EUR loans and 0.21% for USD loans (31 December 2019: The fair values are based on cash flows discounted using the rates based on the borrowing rates of 11.23% p.a. and 1.63% p.a. for TRY and USD denominated bank borrowings, respectively).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

NOTE 13 - BORROWINGS AND BORROWING COSTS (Continued)

As of 31 December 2020 and 2019 the movement of net borrowings are as follows:

	2020	2019
1 January	137,145,748	130,459,352
Cash inflow from borrowings	317,465,039	201,622,895
Repayment of borrowings	(162,303,651)	(191,892,675)
Currency translation difference	(2,348,103)	4,128,100
Accrual of interest effect	(3,246,030)	1,967,196
Change in cash and cash equivalents	15,094,308	(14,263,087)
Borrowings from lease liabilities	462,097	2,535,221
Borrowings from financial lease liabilities	6,095,190	2,588,746
31 December	308,364,598	137,145,748

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
a) Guarantees given:		
Bails	-	1,221,257,598
Letter of guarantee	85,752,742	71,144,502
Other	825,806	668,273
	86,578,548	1,293,070,373

The amount of the bond issued by Yaşar Holding, the parent company of the Company, and which the Company participated as a guarantor, was paid by Yaşar Holding on 6 April 2020, and the Company's guarantee period was ended.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2020 and 2019 were as follows:

	31 December 2020			31 December 2019		
	Currency	Amount	TRY Equivalent	Currency	Amount	TRY Equivalent
The CPMs given by the Company:						
A. Total amount of CPM given for the Company's own legal personality			86,578,548			71,812,775
	TRY	44,300,108	44,300,108	TRY	40,734,718	40,734,718
	USD	5,506,820	40,422,812	USD	5,231,820	31,078,057
	EUR	206,000	1,855,628		-	-
B. Total amount of CPM given on behalf of fully consolidated companies	-	-		-	-	
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	-	-		-	-	
D. Total amount of other CPM			-			1,221,257,598
i. Total amount of CPM given on behalf of the majority shareholder			-	-		1,221,257,598
			-	USD	205,592,000	1,221,257,598
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			86,578,548			1,293,070,373

The ratio of total amount of other CPM to Equity

0%

%136

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

	31 December 2020	31 December 2019
b) Guarantees received:		
Bails	106,736,309	97,755,556
Guarantee notes	15,639,080	12,862,946
Letters of guarantee	12,079,342	12,214,873
Guarantee cheques	382,288	301,269
	134,837,019	123,134,644

Received bails are related with guarantee letter amounting to TRY106,736,309 guarantees provided by YBP, YDT and Yaşar Holding (31 December 2019: Received bails are related with guarantee letter amounting to TRY97,755,556 guarantees provided by YBP, YDT and Yaşar Holding).

Foreign currency denominated guarantees given as of 31 December 2020 is as follows:

Guarantees received	EUR	1,456,691
	USD	484,967

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

Guarantees received	EUR	1,246,900
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c) Major litigations

Ministry of Finance has carried out a tax inspection against the Company and charged tax penalties amounting to total of TRY3,835,663 comprising of TRY1,723,468 VAT penalties and TRY2,112,195 tax loss penalties for the transactions in fiscal years between 2006 and 2011. The Company applied to İzmir 2nd Tax Court for cancellation of those tax penalties and except for the lawsuit regarding inconsistency, however they were lost. The Company appealed to a higher court to suspend the execution within the legal time and Supreme Court granted a motion for stay of execution in favour of the Company. It was subsequently decided by the Supreme Court that the decision of the court be dismissed in favour of the Company as well. The defendant administration requested to Supreme Court for correction of the decision on dismissal. In this context, the legal counsellor of the Company believes that the likelihood of the rejection of the correction request by the Supreme Court is highly probable and the local court is expected to re-examine the file and decide accordingly. On the other hand, the previous suspension decree delivered by the court was removed and the penalty was annulled in the lawsuit filed in the İzmir 3rd Tax Court by the Company against the penalty subsequently given as a result of the tax assessment made in 2011. Although an appeal was filed against this decision by the tax office, the Council of State approved the approval decision in favour of the Company, the administration's request for correction was also rejected and the decision became final in favour of the Company.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

As a result of the stamp tax examination conducted by the inspectors of the Ministry of Treasury and Finance for term 2014, İzmir Hasan Tahsin Tax Office issued a total of TRY 3,864,631, of which TRY 1,545,852 original stamp tax and TRY 2,318,779 tax loss penalty against the Company, as a result of the tax inspection conducted for the years 2017 and 2018. a total of TRY 10,517,791 of fined tax was levied, including TRY 4,207,116 original tax and TRY 6,310,675 tax penalty. The company has applied for reconciliation based on the related penalty assessments, and it is planned to file a lawsuit for the cancellation of the penalty assessments made if deemed necessary according to the conclusion of the settlement.

In accordance with the Investigation Report on VAT transactions for the 2017 and 2018 accounting periods, a counterclaim has been filed for the letter (administrative transaction), which states that the Company's VAT amount transferred for the period 02/2020 should be reduced by TRY 4,884,152 and the subject case was reviewed by İzmir 1st Tax Court. It is expected that the case will be concluded in favour by the company.

NOTE 15 - COMMITMENTS

As of 31 December 2020, the Company has not any purchase commitments (2019: None).

NOTE 16 - EMPLOYEE BENEFITS

a) Payables related to employee benefits:

	31 December 2020	31 December 2019
Social security premiums payable	2,486,667	2,021,096
Payables to personnel	1,388,763	249,871
	3,875,430	2,270,967

b) Short-term provisions for employee benefits

Provision for seniority incentive bonus	1,047,758	670,613
	1,047,758	670,613

c) Long-term provisions for employee benefits:

Provision for employment termination benefits	34,555,141	25,913,225
Provision for seniority incentive bonus	1,614,789	1,407,890
	36,169,930	27,321,115

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

NOTE 16 - EMPLOYEE BENEFITS (Continued)

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 TRY7,117.17 for each year of service as of 31 December 2020 (31 December 2019: TRY6,379.86). 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 TRY7,638.96 which is effective from 1 January 2021 (1 January 2020: TRY6,730.15) 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:

	2020	2019
Discount rate (%)	4.70	5.00
Probability of retirement (%)	94.95	97.18

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

	2020	2019
1 January	25,913,225	21,863,974
Interest costs	4,291,192	3,163,977
Actuarial losses	7,653,628	3,153,808
Paid during the year (-)	(5,827,704)	(4,340,555)
Annual charge	2,524,800	2,072,021
31 December	34,555,141	25,913,225

The total of interest cost, actuarial losses and increase during the year amounting to TRY14,469,620 (2019: TRY8,389,806) was included in general administrative expenses amounting to TRY2,524,800 (2019: TRY2,072,021) financial expenses amounting to TRY4,291,192 (2019: TRY3,163,977), and other comprehensive income amounting to TRY7,653,628 (2019: TRY3,153,808).

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 17 - EXPENSES BY NATURE

	1 January - 31 December 2020	1 January - 31 December 2019
Direct material costs	1,505,263,852	1,242,724,885
Staff costs	108,326,380	91,615,278
Energy	66,831,685	59,393,803
Repair and maintenance	57,936,733	45,436,177
Depreciation and amortization	51,604,418	49,777,554
Advertisement	50,621,401	38,104,717
Consultancy charges	20,921,001	20,031,921
Other	113,041,517	84,483,400
	1,974,546,987	1,631,567,735

NOTE 18 - OTHER ASSETS AND LIABILITIES

	31 December 2020	31 December 2019
a) Other current assets from third parties:		
Deferred Value Added Tax	37,485,137	26,254,999
Income accrual	2,997,838	2,612,660
Other	4,071	4,071
	40,487,046	28,871,730
b) Other current liabilities to third parties:		
Expense accruals	45,825	26,980
	45,825	26,980

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 2020 and 2019 are as follows:

	31 December 2020	31 December 2019
Registered share capital (historical values)	80,000,000	80,000,000
Authorized registered share capital with a nominal	44,951,051	44,951,051

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

The compositions of the Company's share capital at 31 December 2020 and 2019 were as follows:

Shareholder	31 December 2020		31 December 2019	
	Share (%)	Share amount (TRY)	Share (%)	Share amount (TRY)
Yaşar Holding (A,B,C)	61.41	27,603,901	61.41	27,603,901
Public Part (C)	37.95	17,060,367	37.95	17,060,367
Other	0.64	286,783	0.64	286,783
Share capital	100.00	44,951,051	100.00	44,951,051
Adjustment to share capital		16,513,550		16,513,550
Total paid-in capital		61,464,601		61,464,601

Adjustment to share capital amounting to TRY16,513,550 (2019: TRY16,513,550) represents the remaining amount after net-off the accumulated losses of 2003 from the difference between restated (inflation adjusted) share capital and historical cost of share capital (before inflation adjustment).

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 2020, there are 4,495,105,125 (2019: 4,495,105,125) units of shares each with a face value of Kr1 each.

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

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

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

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

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

There is no use of capital correction differences other than being added to capital. 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 Article 28 of the Articles of Association, after the loss from the previous year (if any) is deducted from the net profit for the period, the legal reserve and first dividend are set aside from the balance within the framework of the Capital Markets Regulation. Later, an amount up to 3% of the remaining amount can be allocated for facilities established in the company as per Article 522 of the Turkish Commercial Code, within the framework of the General Assembly decision. An amount up to 5% can be allocated to members of a board of directors as an allocation provision, based on the parameters the board of directors sets and thinks necessary. An amount up to 5% can be allocated for social aid, premiums (profits), bonuses, etc. as per board of directors decisions.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

Based on the decision of General Assembly meeting on 25 March 2020, the Company has decided to distribute TRY19,442,096 of the distributable net profit for the year 2019 as dividend and payments to boards. The Board of Directors, authorized by the General Assembly to determine the number of instalments and the payment time, decided to make the dividend payments in two instalments on 14 October 2020 and 31 December 2020. In context of this dividend distribution decision, the Company separated TRY1,719,454 as "Restricted Reserves".

NOTE 20 - REVENUE AND COST OF SALES

	1 January - 31 December 2020	1 January - 31 December 2019
Domestic sales	2,318,486,945	1,930,887,119
Export sales	307,693,250	260,860,458
Merchandise goods sales	96,440	131,000
Gross sales	2,626,276,635	2,191,878,577
Less: Discounts	(564,012,273)	(490,261,138)
Returns	(33,794,145)	(37,031,968)
Net sales	2,028,470,217	1,664,585,471
Cost of merchandise goods sold	(90,105)	(122,734)
Cost of goods sold	(1,766,269,227)	(1,461,384,769)
Cost of sales	(1,766,359,332)	(1,461,507,503)
Gross profit	262,110,885	203,077,968

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

	1 January - 31 December 2020	1 January - 31 December 2019
a) Marketing expenses:		
Advertisement	50,621,401	38,104,717
Staff costs	14,519,889	11,061,229
Consultancy	11,110,028	8,905,567
Outsourced services	10,222,254	9,529,888
Transportation	7,940,113	5,352,370
Leasing	7,614,411	4,069,419
Repair and maintenance	5,913,297	7,324,932
Depreciation and amortization	4,876,906	4,554,266
Other	24,139,582	16,784,430
	136,957,881	105,686,818
b) General administrative expenses:		
Outsourced services	12,301,042	8,108,944
Staff costs	10,863,342	11,027,001
Consultancy charges	9,810,973	11,126,354
Depreciation and amortization	4,931,121	4,792,216
Taxes (Corporate tax excluded)	2,859,871	3,100,730
Repair and maintenance	2,536,405	2,152,863
Termination benefits	2,524,800	2,072,021
Energy	1,199,335	1,169,926
Other	8,083,879	6,520,717
	55,110,768	50,070,772
c) Research and development expenses:		
Repair and maintenance	5,939,820	4,283,562
Staff costs	5,616,802	5,477,057
Outsourced services	2,544,879	2,491,323
Depreciation and amortization	891,402	972,830
Other	1,126,103	1,077,870
	16,119,006	14,302,642

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

NOTE 22 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2020	1 January - 31 December 2019
a) Other income from operating activities:		
Foreign exchange gain	26,993,671	9,596,662
Rent income	3,009,388	2,770,985
Interest income	1,705,530	6,096,156
Income from sale of auxiliary material and scrap	767,628	1,198,411
Insurance damage compensation (*)	155,847	15,176,030
Other	362,004	1,487,038
	32,994,068	36,325,282

(*) The insurance company made an insurance claim compensation payment amounting to TRY15,176,030, based on the damage occurred in 2019.

b) Other expense from operating activities:

Foreign exchange loss	(13,621,113)	(4,534,085)
Interest expense	(5,093,235)	(7,585,434)
Donations	(4,131,420)	(2,400,426)
Other	(3,980,484)	(1,532,168)
	(26,826,252)	(16,052,113)

NOTE 23 - INCOME/EXPENSES FROM INVESTING ACTIVITIES

	1 January - 31 December 2020	1 January - 31 December 2019
a) Income from investing activities:		
Dividend income (*)	4,919,379	5,084,993
Maturity difference and interest income calculated over other receivables from related parties	4,127,562	-
Income from sales of property, plant and equipment	319,662	286,755
	9,366,603	5,371,748

(*) Note 5.ii.d.

b) Expense from investing activities:

Loss from sales of property, plant and equipment	-	(9,745)
	-	(9,745)

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020
(Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 24 - FINANCIAL INCOME/EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
a) Financial income:		
Foreign exchange gain	12,457,713	3,886,277
Interest income	466,521	1,028,128
Bail income from related parties	968,881	2,615,299
	13,893,115	7,529,704
b) Financial expenses:		
Foreign exchange loss	(31,884,788)	(12,849,140)
Interest expense	(30,696,064)	(26,745,397)
Bail expense	(1,193,150)	(665,500)
Other	(5,683,323)	(4,871,820)
	(69,457,325)	(45,131,857)

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

As of 31 December 2020 and 2019, corporation taxes currently payable are as follows:

	31 December 2020	31 December 2019
Corporation taxes currently payable	606,104	451,192
Less: Prepaid corporate tax	(471,607)	(538,543)
Current income tax liabilities		
(Assets related to current period tax)	134,497	(87,351)

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

Corporation tax is payable at a rate of 22% for 2020 (2019: 22%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

Dividends paid to on-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2019: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

Corporations are required to pay advance corporation tax quarterly at the rate of 22% (2019: 22%) on their corporate income. Advance tax is declared by 17th and payable by the 17th (2019: 17th) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

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

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

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

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

75% of the profits from sale of preferential right certificates and share premiums generated from sale of shares at a price exceeding face values of those shares during incorporations or capital increases of joint stock companies are exempt from corporate tax. Accordingly, the aforementioned gains/(losses) which have been included in trade profit/(loss) have been taken into consideration in calculation of Company's corporate tax.

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

Transfer Pricing

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

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

Taxation on income in the statement of comprehensive income for the years ended 31 December 2020 and 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Current corporation tax expense	(606,104)	(451,192)
Deferred tax income	11,154,084	9,712,082
Taxation on income	10,547,980	9,260,890

The reconciliation of tax expense is as follows:

Profit before tax	29,639,473	25,418,942
Tax calculated at tax rates applicable to the profit	(6,520,684)	(5,592,167)
Expenses not deductible for tax purposes	(681,082)	(194,446)
Tax effect upon the results of investments-in-associates	3,464,127	961,001
Income tax due to dividends received from available-for-sale investments	1,082,263	1,118,697
Utilized investment incentive during period	3,013,072	4,064,364
Recognition of deferred income tax asset/(liability) on investment incentive	9,494,418	8,528,886
Other	695,866	374,555
Total taxation on income	10,547,980	9,260,890

Deferred income taxes

The company recognizes deferred income tax assets and liabilities based upon temporary differences arising between its financial statements are reported in accordance with the CMB Financial Reporting Standards and its tax purpose financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (2019: 20%).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on Amendments to Certain Tax Laws and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2018 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/(liabilities) provided at 31 December 2020 and 2019 using the enacted tax rates at the balance sheet dates are as follows:

	31 December 2020		31 December 2019	
	Cumulative temporary differences	Deferred income tax assets/ (liabilities)	Cumulative temporary differences	Deferred income tax assets/ (liabilities)
Revaluation of property, plant and equipment	399,251,909	(62,336,088)	419,511,871	(66,467,018)
Difference between carrying values (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	109,653,161	(22,131,357)	96,758,883	(19,552,502)
Difference between carrying value and tax bases of available for-sale investments	163,501,808	(8,123,802)	61,425,940	(2,931,690)
Unused tax credits (*)	184,486,311	55,791,469	195,165,249	46,297,051
Provision for employment termination benefits	(34,555,141)	6,911,028	(25,913,225)	5,182,645
Other	(4,157,777)	831,555	(3,909,994)	781,998
Deferred tax liabilities - net		(29,057,195)		(36,689,516)

(*) The Company has investment incentive certificate relating with modernization investment at Şanlıurfa, Eskişehir and İzmir facilities. As of 31 December 2020, 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 TRY55,791,469 (2019: TRY46,297,051).

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

	2020	2019
1 January	(36,689,516)	(39,968,865)
Credited to statement of comprehensive income	11,154,084	9,712,082
Charged to actuarial gain/loss arising from defined benefit plans	1,530,725	630,762
Charged to fair value reserve of available-for-sale investments	(5,052,488)	(2,017,481)
Calculated on revaluation fund	-	(5,046,014)
31 December	(29,057,195)	(36,689,516)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

NOTE 26 - EARNINGS PER SHARE

		1 January - 31 December 2020	1 January - 31 December 2019
Profit for the year	A	40,187,453	34,679,832
Weighted average number of shares with a Kr1 face value (Note 19)	B	4,495,105,125	4,495,105,125
Earnings per share with a Kr1 face value	A/B	0.8940	0.7715

There are no differences between basic and diluted earnings per share. Since the General Assembly Meeting of the year 2020 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 2020	31 December 2019
Fair value difference assets recorded in other comprehensive income			187,912,982	85,837,114
			187,912,982	85,837,114
	31 December 2020		31 December 2019	
	TRY	(%)	TRY	(%)
Pınar Et	126,905,398	12.58	49,981,173	12.58
Çamlı Yem	29,261,809	5.47	25,205,918	5.47
Pınar Su	29,181,512	8.77	9,111,858	8.77
YDT	2,391,690	0.93	1,365,766	0.93
Bintur	153,212	1.33	153,038	1.33
Other	19,361	-	19,361	-
	187,912,982		85,837,114	

Pınar Et and Pınar Su are stated at quoted market prices as they are listed on ISE; YDT, Bintur and Çamlı Yem are stated at their fair values which are determined based on the discounted cash flows as of 31 December 2020 by using the market interest rates and the risk premium specific to unlisted companies within the related sectors.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

NOTE 27 - FINANCIAL INSTRUMENTS (Continued)

The discount and growth rates used in discounted cash flow models as at 31 December 2020 and 2019 are as follows:

	Discount Rate (%)		Growth Rate (%)	
	2020	2019	2020	2019
Bintur	19.61	20.21	1	1
YDT	18.76	19.01	1	1
Çamlı Yem	17.44	16.42	4	4

The movements of financial assets carried at fair value through other comprehensive income in 2020 and 2019 were as follows:

	2020	2019
1 January	85,837,114	46,114,555
Fair value gain/(loss):		
Pinar Et	76,924,225	22,079,596
Pinar Su	20,069,654	4,202,452
YDT	1,025,924	216,905
Bintur	174	23,657
Çamlı Yem	4,055,891	13,199,949
31 December	187,912,982	85,837,114

The movements of financial assets carried at fair value through other comprehensive income in 2020 and 2019 were as follows:

1 January	56,423,337	18,718,259
Fair value loss	102,075,868	39,722,559
Deferred income tax on fair value reserve of financial assets carried at fair value through other comprehensive income (Note 25)	(5,052,488)	(2,017,481)
31 December	153,446,717	56,423,337

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

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 2020 and 2019 are as follows:

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

31 December 2020

	Receivables				Bank Deposits
	Trade Receivables (1)		Other Receivables		
	Related Parties	Third Parties	Related Parties	Third Parties	

Maximum amount of credit risk exposed as of reporting date					
(A+B+C+D+E) (2)	489,417,806	4,312,730	28,958,680	1,596,829	299,640
- The part of maximum credit risk covered with guarantees	-	-	-	-	-

A. Net book value of financial assets not due or not impaired	354,278,362	3,690,965	28,958,680	1,596,829	299,640
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)	135,139,444	621,765	-	-	-
- 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).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

31 December 2019

	Receivables				
	Trade Receivables (1)		Other Receivables		Bank Deposits
	Related Parties	Third Parties	Related Parties	Third Parties	
Maximum amount of credit risk exposed as of reporting date					
(A+B+C+D+E) (2)	358,117,229	12,262,931	66,411	2,533,750	15,407,884
- The part of maximum credit risk covered with guarantees	-	350,000	-	-	-
A. Net book value of financial assets not due or not impaired	308,386,048	10,276,242	66,411	2,533,750	15,407,884
B. Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired (3)	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)	49,731,181	1,986,689	-	-	-
- The part covered by guarantees	-	350,000	-	-	-
D. Net book value of assets impaired					
- Past due amount (gross book value)	-	566,461	-	-	-
- Impairment amount (-)	-	(566,461)	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) Notes 5 and 6.

(2) Unearned credit finance income and secured portions of due and overdue receivables are taken into consideration while determining aforementioned amounts.

(3) Considering the past experiences, the Company management believes that no additional credit risk for the collection of these receivables.

(4) Considering the past experiences and collections subsequent to the balance sheet date, the Company management does not foresee any collection problem for the overdue receivables (Notes 5 and 6).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

31 December 2020

	Receivables		Total
	Related Parties	Third Parties	
Past due 1 - 30 days	27,788,597	494,631	28,283,228
Past due 1 - 3 months	23,034,680	126,069	23,160,749
Past due 3 - 12 months	84,316,167	1,065	84,317,232
<i>The part of credit risk covered with guarantees</i>	-	-	-
	135,139,444	621,765	135,761,209

31 December 2019

	Receivables		Total
	Related Parties	Third Parties	
Past due 1 - 30 days	16,418,796	1,420,228	17,839,024
Past due 1 - 3 months	26,679,583	-	26,679,583
Past due 3 - 12 months	6,632,802	566,461	7,199,263
<i>The part of credit risk covered with guarantees</i>	-	350,000	350,000
	49,731,181	1,986,689	51,717,870

b) Liquidity risk:

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

31 December 2020					
	Carrying value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contractual maturity dates					
Financial Liabilities					
Financial Liabilities	308,726,383	342,527,344	28,650,794	217,410,782	96,465,768
Trade Payables	460,049,754	460,049,754	392,764,165	48,800,000	18,485,589
Other Payables	18,425,450	18,425,450	-	18,425,450	-
	787,162,160	821,002,548	421,414,959	284,636,232	114,951,357

31 December 2019					
	Carrying value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contractual maturity dates:					
Financial Liabilities					
Financial Liabilities	152,601,839	207,579,400	39,758,930	40,651,963	127,168,507
Trade Payables	419,437,262	419,437,262	356,318,338	33,281,103	29,837,821
Other Payables	11,662,231	11,662,231	-	11,662,231	-
	583,701,332	638,678,893	396,077,268	85,595,297	157,006,328

c) Market risk:

i) Foreign exchange risk

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

	Foreign Currency Position							
	31 December 2020				31 December 2019			
	TRY Equivalent	USD	EUR	Other (TRY Equivalent)	TRY Equivalent	USD	EUR	Other (TRY Equivalent)
1. Trade Receivables	151,699,253	20,620,370	37,237	-	97,422,304	16,292,923	96,094	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	48,747	2,444	3,420	-	8,383,211	1,406,620	4,151	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	151,748,000	20,622,814	40,657	-	105,805,515	17,699,543	100,245	-
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)	151,748,000	20,622,814	40,657	-	105,805,515	17,699,543	100,245	-
10. Trade Payables	56,154,820	1,510,693	5,002,895	-	57,147,905	1,930,603	6,862,362	40,913
11. Financial Liabilities	38,919,506	5,000,000	246,118	-	30,738,350	5,000,000	155,978	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	95,074,326	6,510,693	5,249,013	-	87,886,255	6,930,603	7,018,340	40,913
14. Trade Payables	18,485,589	-	2,052,153	-	29,837,817	-	4,486,484	-
15. Financial Liabilities	6,466,925	-	717,917	-	1,551,400	-	233,272	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	24,952,514	-	2,770,070	-	31,389,217	-	4,719,756	-
18. Total Liabilities (13+17)	120,026,840	6,510,693	8,019,083	-	119,275,472	6,930,603	11,738,096	40,913
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)	31,721,161	14,112,121	(7,978,426)	-	(13,469,957)	10,768,940(11,637,851)	(40,913)	-
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	31,721,161	14,112,121	(7,978,426)	-	(13,469,957)	10,768,940(11,637,851)	(40,913)	-
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	307,693,250	39,362,198	2,318,164	14,207,386	260,860,458	42,989,550	473,991	14,497,378
26. Import	62,184,960	-	7,746,236	-	56,051,935	-	8,842,499	-

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

31 December 2020

	Sensitivity Analysis for Foreign Currency Risk			
	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TRY:				
1- Asset/Liability denominated in USD - net	10,359,002	(10,359,002)	10,359,002	(10,359,002)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	10,359,002	(10,359,002)	10,359,002	(10,359,002)
Change of EUR by 10% against TRY:				
4- Asset/Liability denominated in EUR - net	(7,186,886)	7,186,886	(7,186,886)	7,186,886
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	(7,186,886)	7,186,886	(7,186,886)	7,186,886
Change of Other Currencies by average 10% against TRY				
7- Assets/Liabilities denominated in other foreign currencies - net	-	-	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	-	-	-	-
TOTAL (3+6+9)	3,172,116	(3,172,116)	3,172,116	(3,172,116)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

31 December 2019

	Sensitivity Analysis for Foreign Currency Risk			
	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TRY:				
1- Asset/Liability denominated in USD - net	6,396,965	(6,396,965)	6,396,965	(6,396,965)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	6,396,965	(6,396,965)	6,396,965	(6,396,965)
Change of EUR by 10% against TRY:				
4- Asset/Liability denominated in EUR - net	(7,739,869)	7,739,869	(7,739,869)	7,739,869
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	(7,739,869)	7,739,869	(7,739,869)	7,739,869
Change of Other Currencies by average 10% against TRY				
7- Assets/Liabilities denominated in other foreign currencies-net	(4,091)	4,091	(4,091)	4,091
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	(4,091)	4,091	(4,091)	4,091
TOTAL (3+6+9)	(1,346,995)	1,346,995	(1,346,995)	1,346,995

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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

ii) Interest rate risk

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

	Interest Rate Position Schedule	
	31 December 2020	31 December 2019
Financial instruments with fixed interest rate		
Financial assets	524,647,830	388,102,163
Financial liabilities	749,209,522	586,018,693
Financial instruments with floating interest rate		
Financial liabilities	41,913,889	-

According to the interest sensitivity analysis carried out by the company, as of 31 December 2020, if there was a 1% increase in interest rates and all other variables remained constant, the net profit for the period was TRY419,139 less (31 December 2019: None).

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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 2020	31 December 2019
Financial liabilities	308,726,383	152,601,839
Less: Cash and cash equivalents (Note 4)	(361,785)	(15,456,092)
Net debt	308,364,598	137,145,747
Total equity	1,061,613,804	898,247,134
Net debt/equity ratio	29.05%	15.27%

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:

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş. NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020 (Amounts expressed in Turkish lira ("TL") unless otherwise indicated.)

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 2020 and 2019.

31 December 2020

	Level 1	Level 2	Level 3	Total
Assets:				
Financial investments	156,086,910	-	31,826,072	187,912,982
Total assets	156,086,910	-	31,826,072	187,912,982

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2020

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

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

31 December 2019

	Level 1	Level 2	Level 3	Total
Assets:				
Financial investments	59,093,031	-	26,744,083	85,837,114
Total assets	59,093,031	-	26,744,083	85,837,114

As of 31 December 2020 and 2019, 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 2020 and 2019:

31 December 2020

	Level 1	Level 2	Level 3	Total
Tangible Assets:				
Land	-	183,225,000	-	183,225,000
Buildings and land improvements	-	114,377,823	-	114,377,823
Machinery and equipment	-	426,957,150	-	426,957,150
Total assets	-	724,559,973	-	724,559,973

31 December 2019

	Level 1	Level 2	Level 3	Total
Tangible Assets:				
Land	-	183,225,000	-	183,225,000
Buildings and land improvements	-	106,683,235	-	106,683,235
Machinery and equipment	-	446,856,908	-	446,856,908
Total assets	-	736,765,143	-	736,765,143

NOTE 30 - SUBSEQUENT EVENTS

None (31 December 2019: None).