



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

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

1. Opinion

We have audited the annual report of Pinar Süt Mamülleri Sanayii A.Ş. (the "Company") for the 1 January - 31 December 2021 period.

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

2. Basis for Opinion

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

3. Our Audit Opinion on the Full Set Financial Statements

We expressed an unqualified opinion in the auditor's report dated 1 March 2022 on the full set financial statements for the 1 January - 31 December 2021 period.

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

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

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

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

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

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

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

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

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Serbest Muhasebeci Mali Müşavirlik A.Ş.

Serdar İnanç, SMMM
Partner

Istanbul, 1 March 2022

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

FINANCIAL STATEMENTS

AT 1 JANUARY - 31 DECEMBER 2021

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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



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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Pınar Süt 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 2021, 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 2021, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

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

3. Key audit matters

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



Key Audit Matter

How the key audit matter was addressed in the audit

Fair value determination of land, land improvements, buildings and machinery and equipment

As disclosed in Note 2 of the accompanying financial statements, the Company accounted land, land improvements, buildings and machinery and equipment at their fair values in accordance with the relevant provisions of TAS 16 "Tangible Fixed Assets" standard in its financial statements.

As explained in Note 10 of the accompanying financial statements, as a result of the valuations performed by an independent professional valuation firm appointed by the Company management as of 31 December 2021, the total fair value increase in the carrying values of land, land improvements, buildings and machinery and equipment before tax amounted to 894,5 million TRY and as of 31 December 2021, the total carrying value of these assets was 1.589,5 million TRY.

The aforementioned fair value increase was accounted in "Increase on Revaluation of Property, Plant and Equipment" line under shareholders' equity in the accompanying statement of financial position, net of deferred tax effect.

As of 31 December 2021, the total value of land, land improvements, buildings and machinery and equipment have a significant share in the Company's assets, and the valuation techniques applied, such as market reference method, construction costs per m2, condition and location of the relevant assets. Consequently, the fair value determination of land, land improvements, buildings and machinery and equipment were considered as a key audit matter by us, as they contain significant estimates and assumptions.

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

- The competence, adequacy and independence of the independent professional valuation firm appointed by the company management was evaluated in accordance with the relevant auditing standards.
- The consistency of the data used by the independent professional valuation firm appointed by the Company management was checked with the Company's records on sampling basis.
- In order to evaluate the assumptions and methods used by the Company management and the independent professional valuation firm appointed by the Company management, an external expert was included in our audit to examine the valuation reports selected on a sampling basis in accordance with the provisions of "ISA 620: Use of Work of Expert" standard.
- The compliance of the disclosures of fair value determination of land, land improvements, buildings and machinery and equipment in the financial statements in accordance with the relevant financial reporting standards were evaluated.



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

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

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

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

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

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

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

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

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



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 actions taken to eliminate threats or safeguards applied.

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



B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2021 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.
2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.
3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 1 March 2022.

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

Serdar İnanc, SMMM
Partner

Istanbul, 1 March 2022

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PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)****AT 31 DECEMBER 2021 AND 2020**

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

	Notes	31 December 2021	31 December 2020
CURRENT ASSETS			
Cash and Cash Equivalents	4	40,250,262	361,785
Trade Receivables		789,743,400	493,730,536
- Trade Receivables from Related Parties	5	781,316,456	489,417,806
- Trade Receivables from Third Parties		8,426,944	4,312,730
Other Receivables		26,530,857	11,979,650
- Other Receivables from Related Parties	5	23,377,115	10,396,180
- Other Receivables from Third Parties		3,153,742	1,583,470
Inventories	8	329,959,713	216,830,873
Prepaid Expenses	9	4,366,589	2,847,042
- Prepaid Expenses to Third Parties		4,366,589	2,847,042
Other Current Assets	18	56,933,844	40,487,046
- Other Current Assets from Third Parties		56,933,844	40,487,046
TOTAL CURRENT ASSETS		1,247,784,665	766,236,932
NON-CURRENT ASSETS			
Other Receivables		10,386,332	18,575,859
- Other Receivables from Related Parties	5	10,312,500	18,562,500
- Other Receivables from Third Parties		73,832	13,359
Financial Investments	27	176,161,024	187,912,982
Investments in Associates Accounted for Using Equity Method	3	281,121,314	182,937,923
Property, Plant and Equipment	10.a	1,641,563,244	748,597,403
- Land		403,737,267	183,225,000
- Land Improvements		32,030,382	14,045,311
- Buildings		213,023,937	100,332,512
- Machinery, Plant and Equipment		940,737,758	426,957,150
- Vehicles		461,366	623,151
- Furniture and Fixtures		13,704,848	13,072,293
- Construction in Progress		37,867,686	10,341,986
Right of Use Assets	10.b	17,377,860	3,036,776
Intangible Assets	11	12,567,202	8,825,241
- Other Intangible Assets		12,567,202	8,825,241
Prepaid Expenses	9	362,101	3,092,444
- Prepaid Expenses to Third Parties		362,101	3,092,444
TOTAL NON-CURRENTS ASSETS		2,139,539,077	1,152,978,628
TOTAL ASSETS		3,387,323,742	1,919,215,560

The financial statements at 31 December 2021 and for the year then ended have been approved for issue by Board of Directors of Pinar Süt Mamülleri Sanayii A.Ş. on 1 March 2022. General Assembly and specified regulatory bodies have the right to make amendments after statutory financial statements issued.

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)

AT 31 DECEMBER 2021 AND 2020

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

	Notes	31 December 2021	31 December 2020
CURRENT LIABILITIES			
Short-Term Borrowings	13	385,642,814	185,661,284
- Short-Term Borrowings From Third Parties		385,642,814	185,661,284
- Bank Borrowings		385,642,814	185,661,284
Short-Term Portion of Long-Term Borrowings	13	52,760,738	44,173,385
- Short-Term Portion of Long-Term Borrowings From Third Parties		52,760,738	44,173,385
- Bank Borrowings		46,102,447	42,666,926
- Borrowings From Lease Liabilities		6,658,291	1,506,459
Other Financial Liabilities		1,056,051	46,394
- Other Miscellaneous Financial Liabilities		1,056,051	46,394
Trade Payables		660,156,982	441,564,165
- Trade Payables to Related Parties	5	51,891,507	56,797,551
- Trade Payables to Third Parties	6	608,265,475	384,766,614
Payables Related to Employee Benefits	16	4,660,960	3,875,430
Other Payables		9,049,038	18,425,450
- Other Payables to Related Parties	5	1,831,338	6,125,164
- Other Payables to Third Parties	7	7,217,700	12,300,286
Deferred Income		61,694	23,140
- Deferred Income From Third Parties	9	61,694	23,140
Current Tax Liabilities	25	1,010,455	134,497
Short-Term Provisions		1,135,427	1,047,758
- Short-Term Provisions for Employee Benefits	16	1,135,427	1,047,758
Other Current Liabilities	18	36,885	45,825
- Other Current Liabilities to Third Parties		36,885	45,825
TOTAL CURRENT LIABILITIES		1,115,571,044	694,997,328
NON-CURRENT LIABILITIES			
Long-Term Borrowings	13	72,893,749	78,891,714
- Long-Term Borrowings From Third Parties		72,893,749	78,891,714
- Bank Borrowings		60,790,662	77,400,855
- Borrowings From Lease Liabilities		12,103,087	1,490,859
Trade Payables		10,429,300	18,485,589
- Trade Payables to Third Parties	6	10,429,300	18,485,589
Long-Term Provisions		52,368,021	36,169,930
- Long-Term Provisions for Employee Termination Benefits	16	52,368,021	36,169,930
Deferred Tax Liabilities	25	185,208,744	29,057,195
TOTAL NON-CURRENT LIABILITIES		320,899,814	162,604,428
TOTAL LIABILITIES		1,436,470,858	857,601,756

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)****AT 31 DECEMBER 2021 AND 2020**

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

	Notes	31 December 2021	31 December 2020
EQUITY			
Equity Attributable to Owners of the Parent Company		1,950,852,884	1,061,613,804
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		1,321,081,846	559,683,646
- Gain/(Loss) on Revaluation and Remeasurement		1,034,751,841	317,157,291
- Increase/(Decrease) on Revaluation of Property, Plant and Equipment	10	1,057,648,792	336,915,821
- Actuarial Gain/(Loss) Arising from Defined Benefit Plans		(22,896,951)	(19,758,530)
- Share of Other Comprehensive Income of Investment-in-Associates Accounted for Using Equity Method that will not be Reclassified to Profit or Loss		148,129,262	89,079,638
- Fair Value Gain of Financial Assets Measured through Other Comprehensive Income	27	138,200,743	153,446,717
Other Comprehensive Income/(Expense) to be Reclassified to Profit or Loss		31,164,054	15,102,327
- Share of Other Comprehensive Income of Investment-in-Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss		31,164,054	15,102,327
Other Profit or Loss		(884,162)	(1,326,243)
Restricted Reserves		66,621,303	64,510,334
- Legal Reserves	19	66,621,303	64,510,334
Retained Earnings		354,062,133	321,991,686
Net Profit for the Year		117,343,109	40,187,453
TOTAL EQUITY		1,950,852,884	1,061,613,804
TOTAL LIABILITIES AND EQUITY		3,387,323,742	1,919,215,560

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021 AND 2020

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

	Notes	1 January - 31 December 2021	1 January - 31 December 2020
PROFIT OR LOSS			
Revenue	20	2,681,942,094	2,028,470,217
Cost of Sales	20	(2,333,826,475)	(1,766,359,332)
Gross Profit from Trading Operations		348,115,619	262,110,885
GROSS PROFIT	20	348,115,619	262,110,885
General Administrative Expenses	21	(66,123,791)	(55,110,768)
Marketing Expenses	21	(165,782,397)	(136,957,881)
Research and Development Expenses	21	(17,853,795)	(16,119,006)
Other Income from Operating Activities	22	151,248,078	32,994,068
Other Expense from Operating Activities	22	(34,834,452)	(26,826,252)
OPERATING PROFIT		214,769,262	60,091,046
Income From Investing Activities	23	14,097,748	9,366,603
Expense From Investing Activities	23	(3,806,707)	-
Share of Results of Investment-in-Associates	3	32,456,654	15,746,034
OPERATING PROFIT BEFORE FINANCIAL INCOME/ (EXPENSE)		257,516,957	85,203,683
Financial Income	24	5,086,425	13,893,115
Financial Expenses	24	(142,265,917)	(69,457,325)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	120,337,465	29,639,473	
Tax (Expense)/ Income from Continuing Operations		(2,994,356)	10,547,980
- Current Tax Expense	25	(2,030,083)	(606,104)
- Deferred Tax (Expense)/ Income	25	(964,273)	11,154,084
PROFIT FOR THE YEAR CONTINUING OPERATIONS		117,343,109	40,187,453
PROFIT FOR THE YEAR		117,343,109	40,187,453
Earnings Per Share		2,6105	0,8940
- Earnings per Kr1 number of 100 shares from continuing operations	26	2,6105	0,8940

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME
FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021 AND 2020**

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

	Notes	1 January - 31 December 2021	1 January - 31 December 2020
OTHER COMPREHENSIVE INCOME			
Items not to be Reclassified to Profit or Loss		778,749,401	136,210,563
Increase in Revaluation of Property, Plant and Equipment	10	894,580,713	-
Fair Value Loss Of Financial Assets Measured Through Other Comprehensive Income	27	(16,139,009)	102,075,868
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will not be Reclassified to Profit or Loss		59,417,999	45,310,086
- Losses on Remeasurements of Defined Benefit Plans of Associates Accounted for Using Equity Method	3	(481,403)	(1,304,894)
- Revaluation Increases (Decreases) of Property, Plant and Equipment of Associates Accounted for Using Equity Method	3	59,899,402	46,614,980
Actuarial Loss Arising from Defined Benefit Plans	16	(3,923,026)	(7,653,628)
Taxes Relating To Other Comprehensive Income That Will Not Be Reclassified To Profit Or Loss		(155,187,276)	(3,521,763)
- Gains on Revaluation of Property, Plant and Equipment, Tax Effect	25	(156,864,916)	-
- Fair Value Gain Of Financial Assets Measured Through Other Comprehensive Income, Tax Effect	25	893,035	(5,052,488)
- Actuarial Gain/(Loss) Arising from Defined Benefit Plans, Tax Effect	25	784,605	1,530,725
Items to be Reclassified to Profit or Loss		16,061,727	5,968,669
Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss		16,061,727	5,968,669
- Gains on Foreign Currency Translation Differences Of Associates Accounted for Using Equity Method	3	16,061,727	5,968,669
OTHER COMPREHENSIVE INCOME		794,811,128	142,179,232
TOTAL COMPREHENSIVE INCOME		912,154,237	182,366,685

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2021 AND 2020

(Amounts expressed in Turkish Lira ("TRY") 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				Retained Earnings/ (Losses)	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 Earnings of Assets at Fair Value Through Other Comprehensive Income	Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	Share of Other Comprehensive Income of Associates Accounted to Equity Method that will be Reclassified to Profit or Loss	Other (Losses)/ Gains				
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	-	-	-	40,187,453	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
1 January -31 December 2021												
Balances at the beginning of the period	44,951,051	16,513,550	336,915,821	(19,758,530)	153,446,717	89,079,638	15,102,327	(1,326,243)	64,510,334	321,991,686	40,187,453	1,061,613,804
Transfers	-	-	(16,982,826)	-	-	(368,375)	-	-	-	57,538,654	(40,187,453)	-
Dividends	-	-	-	-	-	-	-	-	2,110,969	(25,468,207)	-	(23,357,238)
Due to other changes (decrease)/ increase	-	-	-	-	-	-	-	442,081	-	-	-	442,081
Total comprehensive income	-	-	737,715,797	(3,138,421)	(15,245,974)	59,417,999	16,061,727	-	-	-	117,343,109	912,154,237
- Net profit for the year	-	-	-	-	-	-	-	-	-	-	117,343,109	117,343,109
- Other comprehensive income/(expense)	-	-	737,715,797	(3,138,421)	(15,245,974)	59,417,999	16,061,727	-	-	-	-	794,811,128
Balances at the end of the period	44,951,051	16,513,550	1,057,648,792	(22,896,951)	138,200,743	148,129,262	31,164,054	(884,162)	66,621,303	354,062,133	117,343,109	1,950,852,884

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**STATEMENTS OF CASH FLOW FOR THE YEARS ENDED AT
31 DECEMBER 2021 AND 2020**

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

	Notes	1 January - 31 December 2021	1 January - 31 December 2020
CASH FLOWS FROM OPERATING ACTIVITIES		36,637,236	(49,872,831)
Net Profit/(Loss) for the Year		117,343,109	40,187,453
Profit/(Loss) for the Year from Continuing Activities		117,343,109	40,187,453
Adjustments Related to Reconciliation of Net Profit/(Loss) for the Year:		55,434,862	32,046,971
Adjustments for Depreciation and Amortization	10	60,079,075	51,604,418
Adjustments for Impairments/Reversals		554,778	164,322
- Adjustments for Decrease in Fair Value of Inventories	3	554,778	164,322
Adjustments for Provisions		8,239,006	6,815,993
- Adjustments for (Reversal of) Provisions Related with Employee Benefits		8,239,006	6,815,993
Adjustments for Dividend Income	23	(8,297,498)	(4,919,379)
Adjustments for Interest Income/(Expense)		74,119,585	29,489,686
- Adjustments for Interest Income		(8,025,937)	(6,299,613)
- Adjustments for Interest Expense		82,145,522	35,789,299
Adjustments for Unrealized Foreign Currency Translation Differences		(53,004,313)	(24,747,557)
Adjustments for Undistributed Profits of Investments Accounted for Using Equity Method		(32,456,654)	(15,746,034)
- Adjustments for Undistributed Profits of Associates	3	(32,456,654)	(15,746,034)
Adjustments for Tax Income	25	2,994,356	(10,547,980)
Adjustments for Gain/ Losses on Sale of Tangible Assets		3,518,851	(319,662)
Adjustments for Other Adjustments Related to Profit/Loss Reconciliation		(312,324)	253,164
Changes in Working Capital:		(129,865,756)	(117,586,567)
Adjustments For Increases/(Decreases) In Trade Receivables		(191,097,855)	(109,475,893)
- (Decreases)/Increases In Trade Receivables From Related Parties		(186,983,641)	(117,078,485)
- (Decreases)/Increases In Trade Receivables From Third Parties		(4,114,214)	7,602,592
Adjustments For Increases In Other Receivables		(11,953,200)	(2,096,396)
- Increases/Decreases In Other Receivables From Third Parties		(11,953,200)	(2,096,396)
Adjustments For Increases/ (Decreases) In Inventories		(113,128,840)	(59,084,937)
(Decreases)/ Increases In Prepaid Expenses		(1,519,547)	2,773,665
Adjustments for Increases/(Decreases) in Trade Payables		201,882,941	52,919,012
- Increase In Trade Accounts Payables To Related Parties		(15,744,946)	7,144,662
- Increase In Trade Accounts Payables To Third Parties		217,627,887	45,774,350
Increases/Decreases In Debts From Employment Termination Benefits		1,104,716	2,188,507
Adjustments For Increases In Other Payable		(317,088)	8,708,290
- Increases In Other Payable From Third Parties		(317,088)	8,708,290
Adjustments For Increases/(Decreases) In Deferred Income		38,554	22,087
Adjustments For Increases/Decreases In Other Liabilities Of Working Capital		(14,875,437)	(13,540,902)
- Increase/(Decrease) In Other Assets Related With Operations		(14,866,502)	(13,559,751)
- Increase (Decrease) In Other Payables Related With Operations		(8,935)	18,849
Cash Flows From Operating Activities:		42,912,215	(45,352,143)
Employee Termination Benefits Paid	16	(3,852,881)	(5,827,704)
Income Taxes Refund/(Paid)		(1,154,125)	(384,256)
Government Grants Received		(1,267,973)	1,691,272

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

STATEMENTS OF CASH FLOW FOR THE YEARS ENDED AT

31 DECEMBER 2021 AND 2020

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

	Notes	1 January - 31 December 2021	1 January - 31 December 2020
CASH FLOWS FROM INVESTING ACTIVITIES:		(34,403,497)	(61,926,396)
Cash Inflows due to Sale of Shares or capital Decrease of Affiliates and / or Joint Ventures	3	-	3,051,587
Cash Outflows Due to Share Purchase or Capital Increase of Affiliates and/or Joint Ventures		(4,387,050)	-
Cash Inflows Due To Sales Of Tangible Assets		2,004,749	357,276
- Cash Inflows Due To Sales Of Tangible Assets		2,004,749	357,276
Cash Outflows Due To Purchases Of Tangible And Intangible Assets		(55,984,329)	(47,122,954)
- Cash Outflows Due To Purchases Of Tangible Assets		(51,307,418)	(42,609,936)
- Cash Outflows Due To Purchases Of Intangible Assets		(4,676,911)	(4,513,018)
Cash Payments Of Advances And Loans		(5,093,036)	(31,399,485)
- Cash Advances And Loans Made To Related Parties		(4,730,935)	(28,892,269)
- Other Cash Advances And Loans Made To Other Parties		(362,101)	(2,507,216)
Cash Payments Of Advances And Loans		3,092,444	-
- Other Cash Advances And Loans Made To Other Parties		3,092,444	-
Dividends Received	5	17,937,788	6,887,567
Interest Received		8,025,937	6,299,613
CASH FLOWS FROM FINANCING ACTIVITIES		37,621,560	95,709,447
Cash inflow Proceeds From Borrowings		727,788,506	323,560,229
- Cash inflow From Borrowings		727,788,506	323,560,229
Cash outflow from Payments Of Borrowings		(572,019,647)	(162,303,651)
- Cash outflow From Other Financial Payments Of Borrowings		(572,019,647)	(162,303,651)
Increase/(Decrease) In Other Payables To Related Parties		(1,108,827)	(5,121,148)
Cash Outflows from Lease Liabilities		(9,457,893)	(5,124,635)
Dividends Paid		(26,542,239)	(16,266,019)
Interest Paid		(76,272,842)	(39,035,329)
Other Cash Inputs (Outputs)		(4,765,498)	-
Net Increase/(Decrease) In Cash And Cash Equivalents Before Foreign Currency Translation Differences		39,855,299	(16,089,780)
EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		33,178	995,473
Net Increase/(Decrease) In Cash And Cash Equivalents		39,888,477	(15,094,307)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		361,785	15,456,092
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		40,250,262	361,785

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2021**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

99% (2020: 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 (2020: 61.41%) (Note 19).

The average number of employees are 1.162 in the period (1 January - 31 December 2020: 1.013).

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").

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2021
(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

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

2.2 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:

- Amendments to TFRS 7, TFRS 4 ve TFRS 16 - The benchmark interest rate reform Phase 2; effective from Annual periods beginning on or after 1 January 2021. These Phase 2 amendments address issues arising from the implementation of reforms, including replacing a benchmark interest rate with an alternative. Phase 2 changes provide temporary additional ease in applying certain TAS 39 and TFRS 9 hedge accounting requirements to hedging relationships directly affected by the IBOR reform.

b) New standards, amendments and interpretations issued and effective as of 31 December 2021 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 2021:

Amendments to TFRS 16 "Leases - Changes to the extension of COVID 19 Lease Concessions' facilitating practice; As of March 2021, this change has been extended until June 2022 and is effective from April 1, 2021. These concessions can take a variety of forms, including suspension or postponement of lease payments. On May 28, 2020, with the amendment to the TFRS 16 Leases standard, the IASB introduced an optional facilitating application for tenants to not evaluate whether the privileges granted due to COVID-19 in lease payments are a change in the lease. Tenants may choose to account for such lease concessions in accordance with the provisions that apply in the absence of a change to the lease. This ease of implementation often causes the lease concession to be accounted for as variable lease payment in periods when an event or condition that triggers a reduction in lease payments occurs.

- Amendment to TAS 1, "Presentation of financial statements" regarding the classification of liabilities; the effective date has been postponed to the annual reporting periods beginning on or after 1 January 2024. effective from Annual periods beginning on or after 1 January 2022. These narrow-scope amendments to TAS 1, "Presentation of financial statements", explain that liabilities are classified as current or non-current, depending on the rights existing at the end of the reporting period. The amendment also clarifies what TAS 1 means to "settle" a liability.
- Narrow amendments in TFRS 3, TAS 16, TAS 37 and some annual improvements in TFRS 1, TFRS 9, TAS 41 and TFRS 16; effective from Annual periods beginning on or after 1 January 2022.
- **Amendments to TFRS 3 'Business Combinations';** This amendment updates a reference to the Conceptual Framework for Financial Reporting in TFRS 3 without changing the accounting requirements for business combinations.

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2021

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

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

2.2 Amendments in Turkish Financial Reporting Standards

c) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021: (Continued)

- **Amendments to TAS 16 'Tangible fixed assets';** prohibits a company from deducting the income from the sale of manufactured products from the amount of the tangible fixed asset until the asset is ready for use. Instead, the company will reflect such sales revenue and related cost in profit or loss.
- **Amendments to TAS 37, 'Provisions, Contingent Liabilities and Contingent Assets';** this amendment specifies what costs a company involves when deciding whether to lose from a contract.

Annual improvements make minor changes to the explanatory examples of TFRS 1, 'First application of International Financial Reporting Standards' TFRS 9 'Financial Instruments', TAS 41 'Agricultural Activities' and TFRS 16.

- Narrow changes in TMS 1, Application Statement 2 and TAS 8, effective from Annual periods beginning on or after 1 January 2023. These changes are intended to improve accounting policy disclosures and help financial statement users distinguish between changes in accounting estimates and changes in accounting policies.

TAS 12, Amendment to deferred tax on assets and liabilities arising from a single transaction, effective from Annual periods beginning on or after 1 January 2023. These amendments require deferred tax recognition on transactions that cause equal amounts of taxable and deductible temporary differences when first recognized by companies.

The company will evaluate the effects of the above changes on its operations and apply them as of the effective date. The standards and amendments that were published as of 31 December 2021 but have not come into force yet and are not related to the Company's activities are not given above.

2.3 Basis of Consolidation

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

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
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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/TFRS, in proportion to the decrease in the proportion of the equity participations that do not result in loss of significant activity.

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

The table below sets out the associates and the proportion of ownership interest as of 31 December 2021 and 2020 (Note 3):

	Share/Voting Right (%)	
	2021	2020
<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.

Exchange differences arising from re-translation of the opening net assets of investment-in-associate and the differences between the average and year-end rates are included in the share of other comprehensive income of investments in associates accounted for using equity method that will be reclassified to profit or loss under the equity as a separate component.

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2021

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

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

2.3 Basis of Consolidation (Continued)

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

End of period asset purchase:	31 December 2021	31 December 2020
USD /TRY	13.3290	7.4194
EUR /TRY	15.0867	9.1164
End of period liability sales:		
USD /TRY	13.3530	7.4327
EUR /TRY	15.1139	9.1329
Annual average:	1 January - 31 December 2021	1 January - 31 December 2020
USD /TRY	8.8854	7.0034
EUR /TRY	10.4687	8.0140

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 2021 on a comparative basis with balance sheet at 31 December 2020; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2021 on a comparative basis with financial statements for the period of 1 January - 31 December 2020.

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2021
 (Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

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

2.6 Summary of significant accounting policies

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

2.6.1 TFRS 16 Leases

The Company - as a lessee

At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, The Company assess whether:

- the contract involved the use of an identified asset - this may be specified explicitly or implicitly.
- the asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, the asset is not identified.
- the Company has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use and
- the Company has the right to direct use of the asset. The Company concludes to have the right of use, when it is predetermined how and for what purpose the Company will use the asset. The Company has the right to direct use of asset if either:
 - i. the Company has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or,
 - ii. the Company designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used.

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

Right of use asset

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

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2021

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

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

2.6 Summary of significant accounting policies (Continued)

2.6.1 TFRS 16 Leases (Continued)

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

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

The Company applies TAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment (Note 11.b).The Company apply TAS 36 Impairment of Assets to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease Liability

At the commencement date, The Company measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company use the lessee's alternative borrowing rate.

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

- fixed payments, less any lease incentives receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option and payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

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

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect the lease payments made and
- remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

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

Extension and early termination options

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

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

2.6 Summary of significant accounting policies (Continued)

2.6.1 TFRS 16 Leases (Continued)

Facilitating applications

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

Company - as lessor

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

2.6.2 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 fulfills the performance obligations related to the related sales over time, it measures the progress of the fulfillment of the performance obligations and takes the revenue to the financial statements. Revenue related to performance obligations, such as goods or service transfer commitments, is recognized when customers are in control of the goods or services.

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

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

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.6 Summary of significant accounting policies (Continued)****2.6.2 Revenue Recognition (Continued)**

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

Revenue from product sales

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

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

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

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

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

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

2.6.3 Financial assets***Classification and measurement***

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

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

2.6 Summary of significant accounting policies (Continued)

2.6.3 Financial assets(Continued)

(a) Financial assets carried at amortized cost

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

Impairment

The Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, The Company measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of The Company and its expectations for the future indications.

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

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

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

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

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

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

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.6 Summary of significant accounting policies (Continued)****2.6.4 Inventories**

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

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

2.6.5 Property, plant and equipment

Property, plant and equipment except for land, land improvements and buildings and machinery and equipment are stated at cost less accumulated depreciation. Land, land improvements and buildings and machinery and equipment are reflected in the financial statements at their fair values determined by an independent valuation company as of 31 December 2021 (Note 10). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset and the net amount is restated to the revalued amount of the asset. Property, plant and equipment except for land, land improvements and buildings and machinery and equipment are carried at cost, less accumulated amortisation and impairment losses.

Increases in the carrying amount arising on the revaluation of land, land improvements and buildings and machinery and equipment are credited to the revaluation reserve in equity, net of applicable deferred income tax. Decreases that offset previous increases of the revalued asset are charged against that reserve; all other decreases are charged to the statement of comprehensive income. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset and the net amount is restated to the revalued amount of the asset. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to accumulated losses, and the amount transferred is net of any related deferred income tax.

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

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

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

2.6 Summary of significant accounting policies (Continued)

2.6.5 Property, plant and equipment (Continued)

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 10). Land is not depreciated as it is deemed to have an indefinite life. The annual depreciation rates for property, plant and equipment, which are based on the approximate useful lives of such assets, are as follows;

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

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

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

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

2.6.6 Intangible assets

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

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NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)**2.6 Summary of significant accounting policies (Continued)****2.6.6 Intangible assets (Continued)**

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The Company derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Subsequent costs included in the asset's carrying value or recognised as separate asset, are depreciated based on their useful lives.

2.6.7 Impairment of assets

Impairment of financial assets:

- Assets carried at amortized cost

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

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

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

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

2.6 Summary of significant accounting policies (Continued)

2.6.7 Impairment of assets (Continued)

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

Impairment of non-financial assets:

At each reporting date, the Company assesses whether there is an impairment indication for the assets, except for the deferred income tax asset. When an indication of impairment exists, the Company estimates the recoverable amounts of such assets. The recoverable amounts of intangible assets not yet available for use to be measured annually. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets are allocated to cash generating units for the purpose of impairment testing, which is undertaken on the lowest level. An impairment loss is recognized for the amount by which the carrying amount of the asset or any cash-generating unit of that asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. Impairment losses are accounted for in the statement of comprehensive income. Impairment losses can be reversed to the extent that increased carrying amount of an asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years provided that increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period in which the impairment loss was recognized.

2.6.8 Borrowing and borrowing cost

Borrowings are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 24). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 13). Qualifying assets are described as assets that necessarily take a substantial period of time to get ready for their intended use or sale within a year or more period. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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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 Loss per share

Loss per share disclosed in the statement of income and other comprehensive income are determined by dividing net profit/(loss) for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 26). Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of loss per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year. In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

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.

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

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

The person concerned,

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

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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.

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

2.6.18 Share capital and dividends

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

2.6.19 Government grants and incentive

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

2.6.20 Research and development expenses

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

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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 Significant accounting assessments, estimates and assumptions

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

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

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

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

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

2.6 Summary of Significant Accounting Policies (Continued)

2.6.21 Significant accounting assessments, estimates and assumptions(Continued)

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

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

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

b) Employee termination benefits

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

c) Financial assets fair value determination

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

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NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)**2.6 Summary of Significant Accounting Policies (Continued)****2.6.21 Significant accounting assessments, estimates and assumptions(Continued)****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.

NOTE 3 - INTERESTS IN OTHER ENTITIES**Associates:**

	31 December 2021		31 December 2020	
	TRY	(%)	TRY	(%)
YBP	206,050,404	31.82	144,107,953	31.82
Desa Enerji	33,312,615	30.52	14,781,666	30.52
Pinar Foods	41,758,295	44.94	24,048,304	44.94
	281,121,314		182,937,923	

Details of significant investment in associates of the Company as at 31 December 2021 and 2020 are as follows:

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

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

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NOTE 3 - INTERESTS IN OTHER ENTITIES (Continued)

<i>Statement of Financial Position</i>	YBP		Desa Enerji		Pınar Foods	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Current Assets						
Cash and Cash Equivalents	34,147,803	54,136,095	13,619,763	7,186,809	35,522,664	38,065,332
Other Current Assets	574,059,187	428,529,494	31,240,789	11,829,521	57,843,035	21,478,896
Total Current Assets	608,206,990	482,665,589	44,860,552	19,016,330	93,365,700	59,544,227
Non-Current Assets	806,582,654	593,296,580	102,498,131	43,979,183	8,886,409	6,447,585
Short-Term Liabilities						
Financial Liabilities (Trade Payables Excluded)	54,511,370	49,410,302	169,032	42,996	3,133,044	1,601,513
Other Short-Term Liabilities	637,273,577	521,106,972	24,662,911	12,673,751	305,175	5,981,936
Total Short-Term Liabilities	691,784,947	570,517,274	24,831,943	12,716,747	3,438,219	7,583,449
Long-Term Liabilities						
Financial Liabilities (Trade Payables Excluded)	15,987,793	17,140,652	868,242	739,485	5,893,781	4,896,335
Other Long-Term Liabilities	59,466,923	35,419,414	12,508,383	1,106,561	-	-
Total Long-Term Liabilities	75,454,716	52,560,066	13,376,625	1,846,046	5,893,781	4,896,335
Net Assets	647,549,981	452,884,829	109,150,114	48,432,720	92,920,109	53,512,029

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NOTE 3 - INTERESTS IN OTHER ENTITIES (Continued)

Reconciliation of Net Book Values	YBP		Desa		Pinar Foods	
	31.12.5	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
1 January Opening Value of Net Assets	452,884,831	277,702,028	48,432,719	54,718,897	53,512,025	35,860,990
Net Profit for the Year	83,229,947	34,509,708	19,094,503	9,870,540	4,011,310	4,333,566
Other Comprehensive Income	136,348,765	140,673,093	49,489,978	179,531	-	-
Dividend paid	(24,913,561)	-	(7,868,087)	(6,336,248)	-	-
Capital reduction	-	-	-	(10,000,000)	-	-
Foreign Currency Translation Differences	-	-	-	-	35,396,773	13,317,473
Closing Value of Net Assets	647,549,981	452,884,829	109,150,114	48,432,720	92,920,109	53,512,028
Company's share in %	31.82%	31.82%	30.52%	30.52%	44.94%	44.94%
Company's share in TRY	206,050,404	144,107,953	33,312,615	14,781,666	41,758,295	24,048,304
Net Book Value	206,050,404	144,107,953	33,312,615	14,781,666	41,758,295	24,048,304

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NOTE 3 - INTERESTS IN OTHER ENTITIES (Continued)

Comprehensive Income Statement	YBP		Desa		Pınar Foods	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020	31.12.2021	31.12.2020
Revenue	3,486,632,759	2,712,142,692	139,609,376	81,651,427	163,091,185	136,703,316
Interest Income	1,911,348	-	1,405,003	188,877	-	-
Depreciation and Amortization	(16,733,950)	(17,714,771)	(7,595,554)	(6,458,709)	(72,613)	(36,801)
Interest Expense	(13,102,618)	(14,440,259)	-	-	-	-
Income Tax Expense	(13,349,590)	(7,408,633)	(5,266,281)	(2,591,755)	(1,806,339)	(2,200,777)
Profit For The Year Continuing Operations	83,229,947	34,509,708	19,094,503	9,870,539	4,011,310	4,333,565
Net Profit for the Year	83,229,947	34,509,708	19,094,503	9,870,539	4,011,310	4,333,565
Other Comprehensive Income	136,348,765	140,673,092	49,489,978	179,532	-	-
Total Comprehensive Income	219,578,712	175,182,800	68,584,481	10,050,071	4,011,310	4,333,565

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2021**

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NOTE 3 - INTERESTS IN OTHER ENTITIES (Continued)

Movement in investments-in-associates during the years 2021 and 2020 are as follows:

	2021	2020
1 January	182,937,923	120,655,150
Share of profit before taxation of investments-in-associates - net	32,456,654	15,746,034
Increase in fair value reserves of investments-in-associates - net	8,290,473	46,614,980
Dividend income from investments-in-associates (Note 5.ii.d)	(9,640,290)	(1,968,188)
Currency translation reserve	16,061,727	5,968,669
Increase in revaluation reserve of investments-in-associates	51,608,927	-
Actuarial loss arising from defined benefit plans of investments-in associates - net	(481,403)	(1,304,894)
(Decrease)/increase due to other changes	442,081	442,081
Earnings from capital deduction of associate	-	(3,051,587)
Elimination of net effect of unrealized profits on inventory	(554,778)	(164,322)
31 December	281,121,314	182,937,923

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2021	31 December 2020
Cash in hands	98,621	62,145
Banks	40,151,641	299,640
- Demand deposits	201,641	299,640
- TRY	201,641	299,640
- Time deposits	39,950,000	-
- TRY	39,950,000	-
	40,250,262	361,785

The effective interest rates of time deposits are 19.33% for TRY and the maturity period is within 1 month.

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

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NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2021 and 2020 are as follows:

i) Balances with related parties:

	31 December 2021	31 December 2020
a) Short-term trade receivables from related parties:		
YBP ⁽¹⁾	426,303,122	335,839,739
YDT ⁽²⁾	355,013,334	153,578,067
	781,316,456	489,417,806

The average maturity of short-term trade receivables from related parties as of 31 December 2021 is 2 months (2020: 2 months).

As of 31 December 2021, trade receivables from related parties amounting to TRY272,734,965 (2020: TRY135,139,444) over which no provision for impairment is provided of overdue receivables and aging is shown Note 28.a. A significant portion of the aforementioned overdue receivable stems from sales to Yaşar Holding's group companies abroad through YDT, and no risk is foreseen for the collection of these receivables. Necessary actions are taken by the Company Management and Yaşar Holding in order to collect the said receivable within one year, but a significant part of the increase in these receivables in foreign currency is due to the increase in the exchange rate.

b) Other short-term receivables from related parties:

Yaşar Holding ⁽³⁾	23,325,339	10,352,093
DYO Boya Fab. San. ve Tic. A.Ş. ("DYO Boya") ⁽²⁾	51,776	4,048
Other	-	40,039
	23,377,115	10,396,180

As of 31 December 2021, the Company has nontrade receivables from Yaşar Holding amounting to TRY15,009,788 (2020: TRY2,019,775) with an effective interest rate of 19.75% (31 December 2020: %20.25).

As of 31 December 2021, the Company's other short-term receivables from Yaşar Holding amounting to TRY8,315,551 (31 December 2020: TRY8,332,318) 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 18.16% per annum (31 December 2020: 18.42%).

(1) Investment in associate

(2) Related party controlled by parent company

(3) Parent company

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NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**c) Other long-term receivables from related parties:**

	31 December 2021	31 December 2020
Yaşar Holding	10,312,500	18,562,500
	10,312,500	18,562,500

As of 31 December 2021, 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 18.16% per annum (31 December 2020: 18.42%).

d) Short-term trade payables to related parties:

Çamlı Yem Besicilik Sanayi ve Tic. A.Ş. ("Çamlı Yem") ⁽²⁾	15,623,417	15,985,414
YDT	12,449,654	-
Yaşar Holding	7,742,762	6,100,474
Desa Enerji ⁽¹⁾	7,572,146	2,867,038
HDF FZCO ⁽²⁾	5,011,484	4,602,974
Yadex International GmbH ("Yadex") ⁽²⁾	114,111	24,358,626
Other	3,377,933	2,883,025
	51,891,507	56,797,551

Trade payables to Çamlı Yem 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	1,831,338	5,020,587
	1,831,338	6,125,164

Majority of other short-term payables to related parties which are amounting to TRY1,831,338 consist of bonus payments to board of directors according to the decision taken at the General Assembly Meetings held at 25 March 2021 and 25 March 2020. (31 December 2020: Majority of other short-term payables to related parties which are amounting to TRY5,016,338 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, 30 March 2017.)

(1) Investment in associate

(2) Related party controlled by parent company

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

ii) Transaction with related parties:

	1 January - 31 December 2021	1 January - 31 December 2020
a) Product sales:		
YBP	2,247,970,266	1,694,390,305
YDT	417,463,407	307,419,613
Pinar Et	772,520	562,683
Other	1,107,176	316,350
	2,667,313,369	2,002,688,951

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

b) Service sales:

YDT	22,665,503	14,623,395
Pinar Et	667,149	243,917
YBP	663,527	659,075
Çamlı Yem	453,330	427,965
Other	651,688	487,527
	25,101,197	16,441,879

c) Other income from operating activities:

YDT	137,309,032	25,068,817
YBP	3,004,143	2,073,582
Çamlı Yem	1,885,606	1,678,139
Other	6,671	7,469
	142,205,452	28,828,007

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

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NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**d) Dividends received:**

	1 January - 31 December 2021	1 January - 31 December 2020
Pınar Et	8,286,663	4,906,577
YBP	7,322,027	-
Desa Enerji	2,318,263	1,968,188
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur") ⁽²⁾	10,835	12,802
	17,937,788	6,887,567

e) Other expenses from operating activities:

YDT	8,763,860	10,572,811
Çamlı Yem	1,256,496	705,625
Yaşar Holding	369,011	234,880
Other	1,736,938	410,172
	12,126,305	11,923,488

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

f) Product purchases:

Desa Enerji	44,441,690	28,479,644
Çamlı Yem	33,336,094	26,656,398
Hedef Ziraat Ticaret A.Ş. ⁽⁴⁾	11,808,887	8,439,732
Desa Elektrik Enerjisi Ticaret A.Ş.	4,599,391	-
Yadex	-	19,725,659
Other	1,072,984	777,619
	95,259,046	84,079,052

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

g) Service purchases:

Yaşar Holding	25,853,824	20,379,204
YBP	20,638,326	15,420,432
YDT	19,548,216	14,899,584
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yabim") ⁽²⁾	5,498,335	4,116,518
HDF FZCO	616,861	10,552,771
Bintur	237,283	194,136
Other	937,754	711,743
	73,330,599	66,274,388

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

(2) Related party controlled by parent company

(4) Ultimate parent company

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

h) Financial and investment income from related parties:

	1 January - 31 December 2021	1 January - 31 December 2020
Yaşar Holding	5,301,210	5,096,442
	5,301,210	5,096,442

i) Dividends and profit shares to related parties:

Yaşar Holding	12,835,814	10,627,502
Yaşar Eğitim ve Kültür Vakfı	890,000	777,149
Other	1,573,339	1,365,696
	15,299,153	12,770,347

On the Ordinary Meeting of the General Assembly for the year 2020 as of 25 March 2021, it has been decided to distribute dividend amounting to TRY23,357,239 (2020: TRY19,442,096). TRY8,058,086 portion of this dividend will pay to other shareholders. (TRY6,671,748 portion of this dividend was paid to other shareholders).

j) Donations to related parties:

Yaşar Eğitim ve Kültür Vakfı	103,210	3,042,674
	103,210	3,042,674

k) Financial expenses from related parties:

Yaşar Holding	241,873	556,575
Other	-	636,575
	241,873	1,193,150

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	10,355,773	7,764,192
Other long-term benefits	751,747	209,361
	11,107,520	7,973,553

The portion of total short-term benefits amounting to TRY1,565,000 (31 December 2020: TRY1,358,792) consists of Board of Directors appropriation according to the decision taken at the Ordinary Meeting of the General Assembly.

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NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)**m) Bails received from related parties:**

Received bails are related with guarantee letter amounting to TRY80,600,595 guarantees provided by YBP, YDT and Yaşar Holding (31 December 2020: guarantees provided by YBP, YDT and Yaşar Holding related with guarantee letters amounting to TRY106,736,309).

NOTE 6 - TRADE PAYABLES

	31 December 2021	31 December 2020
a) Short-term trade payables to third parties:		
Supplier current accounts	608,265,475	384,766,614

Trade payables mature within two months (31 December 2020: Two months).

b) Long-term trade payables to third parties:

Supplier current accounts	10,429,300	18,485,589
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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 EUR690,047 as of 31 December 2021 (31 December 2020: EUR2,052,153). The redemption schedules of long-term trade payables at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
2022	-	12,269,717
2023	10,429,300	6,215,872
	10,429,300	18,485,589

NOTE 7 - OTHER PAYABLES**a) Other short-term payables to third parties:**

	31 December 2021	31 December 2020
Taxes and funds payable	6,913,731	7,269,632
Dividend payables to shareholders	-	4,765,498
Other	303,969	265,156
	7,217,700	12,300,286

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NOTE 8 - INVENTORIES

	31 December 2021	31 December 2020
Raw materials	77,691,911	56,555,046
Work-in-progress	102,826,637	77,955,621
Finished goods	132,015,951	69,084,217
Spare parts and pallets	17,425,214	13,235,989
	329,959,713	216,830,873

The costs of inventories recognized as expense and included in cost of sales amounted to TRY1,996,399,096 (2020: TRY1,505,263,852) (Note 17). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell as of 31 December 2021.

NOTE 9 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2021	31 December 2020
a) Short-term prepaid expenses to third parties:		
Prepaid expenses	3,663,069	2,332,480
Advances given	703,520	514,562
	4,366,589	2,847,042

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS**a) Property, Plant And Equipment:**

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

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

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

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.

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NOTE 10 - PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS (Continued)**b) Right of Use Assets:**

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

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

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

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

There are no mortgages or other collaterals placed on property, plant and equipment as of 31 December 2021 (2020: None).

Current year's depreciation and amortization charges were allocated to cost of goods sold by TRY43,149,719 (2020: TRY40,349,920) to the cost of inventories by TRY542,242 (2020: TRY555,069), to marketing expenses by TRY 9,616,939 (2020: TRY4,876,906) (Note 21.a), to general administrative expenses by TRY5,626,904 (2020: TRY4,931,121) (Note 21.b), to research and development expenses by TRY1,143,272 (2020: TRY891,402) (Note 21.c).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2021 and 2020 were as follows:

	2021	2020
1 January	336,915,821	353,044,854
Disposal of revaluation funds due to		
sale of property, plant and equipment - net	(1,352,913)	-
Increase in revaluation reserve arising from revaluation		
of land, buildings and land improvements - net	737,715,797	-
Depreciation transfer upon revaluation reserve - net	(15,629,913)	(16,129,033)
31 December	1,057,648,792	336,915,821

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 2021 and 2020 are as follows:

	Land	Land improvements and buildings	Machinery and equipment
31 December 2021			
Cost	9,059,482	88,951,541	436,764,746
Less: Accumulated depreciation	-	(31,486,143)	(177,840,976)
Net book value	9,059,482	57,465,398	258,923,770
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

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NOTE 11 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortization for the years ended 31 December 2021 and 2020 were as follows:

	1 January 2021	Additions	Disposals	31 December 2021
Costs:				
Rights	14,230,426	620,800	(523,873)	14,327,353
Construction in progress	8,109,384	4,056,111	-	12,165,495
Less: Accumulated amortization	(13,514,569)	(934,951)	523,873	(13,925,646)
Net book value	8,825,241	3,741,961	-	12,567,202
	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

NOTE 12 - GOVERNMENT GRANTS AND INCENTIVES

During 2021, 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 TRY547,442 (2020: TRY584,061) government incentive. As of 31 December 2021, the company has incentive accrual amounting to TRY3,702,545 (31 December 2020: TRY2,842,840).

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 2021	31 December 2020
From third parties:		
Short-term borrowings	385,642,813	185,661,284
Short-term portion of long-term borrowings	46,102,447	42,666,926
Borrowings from lease liabilities	6,658,291	1,506,459
Short-term borrowings	438,403,551	229,834,669
Long-term borrowings	60,790,662	77,400,855
Borrowings from lease liabilities	12,103,087	1,490,859
Long-term borrowings	72,893,749	78,891,714
	511,297,300	308,726,383

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NOTE 13 - BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average interest rate p.a. (%)		Original currency		TRY equivalent	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Short-term borrowings:						
TRY borrowings (*)	21.01	18.09	292,171,814	148,958,784	292,171,814	148,958,784
EUR leasing borrowings	0.96	0.74	7,000,000	5,000,000	93,471,000	36,702,500
Short-term portion of long-term bank borrowings:						
TRY borrowings (**)	16.31	15.01	40,366,166	40,449,917	40,366,166	40,449,917
EUR leasing borrowings	3.71	3.71	379,537	246,118	5,736,281	2,217,009
Total short-term borrowings					431,745,261	228,328,210
Long-term bank borrowings:						
TRY borrowings (**)	16.29	15.41	49,798,214	70,933,929	49,798,214	70,933,929
EUR leasing borrowings	3.71	3.71	727,307	717,917	10,992,448	6,466,926
Total long-term borrowings					60,790,662	77,400,855

(*) As of 31 December 2021, short-term borrowings consist of zero and fixed interest spot loans and floating and fixed interest loans. (31 December 2020: Short-term financial liabilities consist of spot loans. Interest rate for spot loans is 0% p.a.). As of 31 December 2021 USD short-term financial liabilities consist of export credits with interest rate 0.96% p.a. (31 December 2020: USD short-term financial liabilities consist of export credits with interest rate 0.74% p.a.).

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

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NOTE 13 - BORROWINGS AND BORROWING COSTS (Continued)

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

The redemption schedule of long-term borrowings at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
2022	-	33,352,924
2023	44,794,934	33,352,924
2024	15,995,729	10,695,007
	60,790,662	77,400,855

31 December 2021 and 2020 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 2021

Borrowing with variable interest rates	195,362,500
Borrowings with fixed rates	315,934,800
Total	511,297,300

31 December 2020

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

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

	Carrying Amounts		Fair Values	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Bank borrowings	511,297,300	308,726,383	449,046,385	313,546,563

The fair values of the loans are determined using the discounted cash flow method using the effective weighted interest rates of 27.95% for TRY loans, and 28.28% for USD loans (31 December 2020: 13.85% for TRY loans, 3.71% for EUR loans and 0.21% for USD loans. It is determined by the discounted cash flow method using 0.21% effective weighted interest rates).

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NOTE 13 - BORROWINGS AND BORROWING COSTS (Continued)

As of 31 December 2021, and 2020 the movement of net borrowings are as follows:

	2021	2020
1 January	308,364,598	137,145,748
Cash inflow from borrowings	717,632,680	317,465,039
Repayment of borrowings	(573,029,305)	(162,303,651)
Currency translation difference	31,330,135	(2,348,103)
Accrual of interest effect	717,521	(3,246,030)
Change in cash and cash equivalents	(39,888,476)	15,094,308
Borrowings from lease liabilities	15,764,061	462,097
Borrowings from financial lease liabilities	10,155,826	6,095,190
31 December	471,047,040	308,364,598

NOTE 14 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
a) Guarantees given:		
Letter of guarantee	134,003,559	85,752,742
Other	-	825,806
	134,003,559	86,578,548

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

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2021 and 2020 were as follows:

	31 December 2021			31 December 2020		
	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			134,003,559			86,578,548
	TRY	59,803,342	59,803,342	TRY	44,300,108	44,300,108
	USD	5,556,820	74,200,217	USD	5,506,820	40,422,812
	-	-	-	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		-	-		-	-
i. Total amount of CPM given on behalf of the majority shareholder		-	-		-	-
ii. Total amount of CPM given to behalf of other the Company companies which are not in scope of B and C		-	-		-	-
iii. Total amount of CPM given on behalf of third parties which are not in scope of C		-	-		-	-
Total			134,003,559			86,578,548

The ratio of total amount of other CPM to Equity

0%

0%

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

	31 December 2021	31 December 2020
b) Guarantees received:		
Bails	80,600,595	106,736,309
Guarantee notes	22,840,428	15,639,080
Letters of guarantee	9,867,974	12,079,342
Guarantee cheques	49,544	382,288
	113,358,541	134,837,019

Received bails are related with guarantee letter amounting to TRY80,600,595 guarantees provided by YBP, YDT and Yaşar Holding (31 December 2020: Received bails are related with guarantee letter amounting to TRY106,736,309 guarantees provided by YBP, YDT and Yaşar Holding).

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

Guarantees received	EUR	911,077
	USD	433,717

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

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

c) Major litigations

As a result of the stamp tax inspection carried out by the Ministry of Treasury and Finance inspection staff for 2014, the stamp tax inspection for 2016 was made by the İzmir Hasan Tahsin Tax Office Directorate, of which TRY1,545,852 original stamp tax and TRY2,318,779 tax loss penalty. As a result of the tax inspection made for the years 2017 and 2018, a total tax assessment of TRY3,431,030 including the original stamp tax amounting to TRY1,715,515 and a tax loss penalty of TRY1,715,515, and a total tax penalty of TRY10,517,791, including the original tax amount of TRY4,207,116 and a tax loss penalty of TRY6,310,675 has been made. The Company benefited from the provisions of the Law No. 7326 on Restructuring Some Receivables and Amending Certain Laws by paying a total of TRY12,921,264, of which TRY5,511,609 is the original tax and TRY7,409,655 for the default interest, and TRY2,800,371 for the related penalty assessments. A settlement could not be reached for the penalty assessments amounting to a total of TRY3,905,104, of which TRY1,562,041 is the original stamp tax and TRY2,343,063 is the tax loss penalty, which is the subject of the application for reconciliation, and a lawsuit will be filed for the cancellation of the aforementioned penalty assessments. It is expected that the lawsuits will be concluded in favor of the company.

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 TRY4,884,152 and the subject case was reviewed by İzmir 1. Continuing before the Tax Court. It is expected that the case will be concluded in favour by the company.

NOTE 15 - COMMITMENTS

As of 31 December 2021, the Company has not any purchase commitments (2020: None).

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NOTE 16 - EMPLOYEE BENEFITS

a) Payables related to employee benefits:

	31 December 2021	31 December 2020
Social security premiums payable	3,271,680	2,486,667
Payables to personnel	1,389,280	1,388,763
	4,660,960	3,875,430

b) Short-term provisions for employee benefits:

Provision for seniority incentive bonus	1,135,427	1,047,758
	1,135,427	1,047,758

c) Long-term provisions for employee benefits:

Provision for employment termination benefits	50,521,715	34,555,141
Provision for seniority incentive bonus	1,846,306	1,614,789
	52,368,021	36,169,930

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 TRY8,284.51 for each year of service as of 31 December 2021 (31 December 2020: TRY7,117.17). 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 TRY10,848.59 which is effective from 1 January 2022 (1 January 2021: TRY7,638.96) 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:

	2021	2020
Discount rate (%)	4.35	4.70
Probability of retirement (%)	97.25	94.95

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NOTE 16 - EMPLOYEE BENEFITS (Continued)

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

	2021	2020
1 January	34,555,141	25,913,225
Interest costs	11,948,618	4,291,192
Actuarial losses	3,923,026	7,653,628
Paid during the year	(3,852,881)	(5,827,704)
Annual charge	3,947,811	2,524,800
31 December	50,521,715	34,555,141

The total of interest cost, actuarial losses and increase during the year amounting to TRY19,819,455 (2020: TRY14,469,620) was included in general administrative expenses amounting to TRY3,947,811 (2020: TRY2,524,800) financial expenses amounting to TRY11,948,618, (2020: TRY4,291,192) and other comprehensive income amounting to TRY3,923,026 (2020: TRY7,653,628).

NOTE 17 - EXPENSES BY NATURE

	1 January - 31 December 2021	1 January - 31 December 2020
Direct material costs	1,996,399,096	1,505,263,852
Staff costs	148,156,881	108,326,380
Energy	98,213,773	66,831,685
Repair and maintenance	78,963,228	57,936,733
Advertisement	63,292,900	50,621,401
Depreciation and amortization	60,079,076	51,604,418
Consultancy charges	25,613,798	20,921,001
Other	112,867,706	113,041,517
	2,583,586,458	1,974,546,987

Fees For Services Received From Independent Auditors

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

	1 January - 31 December 2021	1 January - 31 December 2020
Independent audit fees for the reporting period	128,250	115,000
Fees for other assurance services	-	49,000
	128,250	164,000

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NOTE 18 - OTHER ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
a) Other current assets from third parties:		
Deferred Value Added Tax	53,104,934	37,485,137
Income accrual	3,824,839	2,997,838
Other	4,071	4,071
	56,933,844	40,487,046

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 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Registered share capital (historical values)	80,000,000	80,000,000
Authorized registered share capital with a nominal	44,951,051	44,951,051

The compositions of the Company's share capital at 31 December 2021 and 2020 were as follows:

Shareholder	31 December 2021		31 December 2020	
	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 (2020: TRY16,513,550) represents the remaining amount after net-off the accumulated losses of 2003 from the difference between restated (inflation adjusted) share capital and historical cost of share capital (before inflation adjustment).

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

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

As of 31 December 2021, there are 4,495,105,125 (2020: 4,495,105,125) units of shares each with a face value of Kr1 each.

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

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

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

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

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

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

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

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

There is no use of capital correction differences other than being added to capital. Companies distribute dividends in accordance with their dividend payment policies numbered II-19.1 settled by CMB on 1 February 2014 and dividend payment decision taken in general assembly and also in conformity with relevant legislations.

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

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

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

Based on the decision of General Assembly meeting on 25 March 2021, the Company has decided to distribute TRY23,357,239 of the distributable net profit for the year 2020 as dividend and payments to boards. In context of this dividend distribution decision, the Company separated TRY2,110,969 as "Restricted Reserves".

NOTE 20 – REVENUE AND COST OF SALES

	1 January - 31 December 2021	1 January - 31 December 2020
Domestic sales	3,051,317,744	2,318,486,945
Export sales	421,987,016	307,693,250
Merchandise goods sales	475,451	96,440
Gross sales	3,473,780,211	2,626,276,635
Less: Discounts	(741,435,028)	(564,012,273)
Returns	(50,403,089)	(33,794,145)
Net sales	2,681,942,094	2,028,470,217
Cost of merchandise goods sold	(481,355)	(90,105)
Cost of goods sold	(2,333,345,120)	(1,766,269,227)
Cost of sales	(2,333,826,475)	(1,766,359,332)
Gross profit	348,115,619	262,110,885

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

	1 January - 31 December 2021	1 January - 31 December 2020
a) Marketing expenses:		
Advertisement	63,292,900	50,621,401
Staff costs	17,014,056	14,519,889
Consultancy	14,143,572	11,110,028
Outsourced services	12,435,120	10,222,254
Depreciation and amortization	9,616,939	4,876,906
Transportation	9,436,265	7,940,113
Repair and maintenance	7,005,907	5,913,297
Other	32,837,638	31,753,993
	165,782,397	136,957,881
b) General administrative expenses:		
Personel	18,692,186	10,863,342
Outsourced services	15,601,478	12,301,042
Consultancy charges	11,470,226	9,810,973
Depreciation and amortization	5,626,904	4,931,121
Termination benefits	3,947,811	2,524,800
Taxes (Corporate tax excluded)	3,122,629	2,859,871
Repair and maintenance	2,595,584	2,536,405
Energy	1,426,833	1,199,335
Other	3,640,140	8,083,879
	66,123,791	55,110,768
c) Research and development expenses:		
Staff costs	7,036,478	5,616,802
Repair and maintenance	6,837,894	5,939,820
Outsourced services	1,834,280	2,544,879
Depreciation and amortization	1,143,272	891,402
Other	1,001,871	1,126,103
	17,853,795	16,119,006

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NOTE 22 - OTHER INCOME/EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2021	1 January - 31 December 2020
a) Other income from operating activities:		
Foreign exchange gain	143,850,382	26,993,671
Rent income	3,414,386	3,009,388
Interest income	1,772,611	1,705,530
Income from sale of auxiliary material and scrap	1,378,735	767,628
Insurance damage compensation	565,856	155,847
Other	266,108	362,004
	151,248,078	32,994,068
b) Other expense from operating activities:		
Interest expense	(19,896,958)	(13,621,113)
Foreign exchange loss	(5,793,592)	(5,093,235)
Donations	(404,737)	(4,131,420)
Other	(8,739,165)	(3,980,484)
	(34,834,452)	(26,826,252)

NOTE 23 - INCOME/EXPENSES FROM INVESTING ACTIVITIES

	1 January - 31 December 2021	1 January - 31 December 2020
a) Income from investing activities:		
Dividend income (*)	8,297,498	4,919,379
Maturity difference and interest income calculated over other receivables from related parties	5,512,394	4,127,562
Income from sales of property, plant and equipment	287,856	319,662
	14,097,748	9,366,603
b) Expense from investing activities:		
Loss from sales of property, plant and equipment	(3,806,707)	-
	(3,806,707)	-

(*) Note 5.ii.d.

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NOTE 24 - FINANCIAL INCOME/EXPENSES

	1 January - 31 December 2021	1 January - 31 December 2020
a) Financial income:		
Foreign exchange gain	4,334,665	12,457,713
Interest income	740,932	466,521
Bail income from related parties	10,828	968,881
	5,086,425	13,893,115
b) Financial expenses:		
Foreign exchange loss	(80,643,123)	(30,696,064)
Interest expense	(59,844,971)	(31,884,788)
Bail expense	(47,846)	(1,193,150)
Other	(1,729,977)	(5,683,323)
	(142,265,917)	(69,457,325)

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

As of 31 December 2021, and 2020, corporation taxes currently payable are as follows:

	31 December 2021	31 December 2020
Corporation taxes currently payable	2,030,083	606,104
Less: Prepaid corporate tax	(1,019,628)	(471,607)
Current income tax liabilities (Assets related to current period tax)	1,010,455	134,497

In Turkey, the corporation tax rate for 2021 is 25% (31 December 2020: 22%). According to Article 32 of the Corporate Tax Law No. 5520, the corporate tax rate is 20%. However, within the scope of Articles 11 and 14 of the Law No. 7316 on the Procedure for the Collection of Public Claims and Amending Certain Laws published in the Official Gazette dated April 22, 2021; With the temporary 13th article added to the Corporate Tax Law No. 5520, the 20 percent corporate tax rate will be applied as 25 percent for 2021 and 23 percent for 2022. The law will apply to corporate earnings for the taxation period starting from January 1, 2021.

Corporation tax is payable at a rate of 25% for 2021 (2020: 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.

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

Dividends paid to on-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2020: 15%). With the President's Decision No. 4936 published in the Official Gazette dated 22.12.2021 and numbered 31697, the withholding tax rate applied from 15% to the profit shares distributed by fully taxpayer institutions has been reduced to 10%, effective as of 22.12.2021. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 25% (2020: 22%) on their corporate income. Advance tax is declared by 17th and payable by the 17th (2020: 17th) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

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

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

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

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

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

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

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

Corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period. If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to adjust in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

The reconciliation of tax expense is as follows:

	1 January - 31 December 2021	1 January - 31 December 2020
Profit before tax	120,348,032	29,639,473
Tax calculated at tax rates applicable to the profit	(30,087,008)	(6,520,684)
Expenses not deductible for tax purposes	(5,689,436)	(681,082)
Tax effect upon the results of investments-in-associates	8,114,164	3,464,127
Income tax due to dividends received from available-for-sale investments	2,074,375	1,082,263
Investment incentive effect	21,270,607	12,507,490
Other	1,320,302	695,866
Total taxation on income	(2,994,356)	10,547,980

Deferred income taxes

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

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

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law on Amendments to Certain Tax Laws and Some Other Laws", corporate tax rate for the years 2020 has increased from 20% to 22%. With the Law No. 7316 dated April 22, 2021 on the Collection of Public Receivables and Amending Certain Laws, the corporate tax rate for 2021 was increased to 25%. Within the scope of the aforementioned law, deferred tax assets and liabilities in the financial statements dated 31 December 2021 are calculated as 23 percent for the tax effect that will occur in the 2022 period and 20 percent for the part that will have a tax effect in the periods after 2022. The breakdown of cumulative temporary differences and the resulting deferred income tax assets/(liabilities) provided at 31 December 2021 and 2020 using the enacted tax rates at the balance sheet dates are as follows:

	31 December 2021		31 December 2020	
	Cumulative temporary differences	Deferred income tax assets/ (liabilities)	Cumulative temporary differences	Deferred income tax assets / (liabilities)
Revaluation of property, plant and equipment	1,272,583,894	(214,935,105)	399,251,909	(62,336,088)
Difference between carrying values (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	122,289,939	(24,658,713)	109,653,161	(22,131,357)
Difference between carrying value and tax bases of available for-sale investments	137,213,557	(7,230,197)	163,501,808	(8,123,802)
Unused tax credits (*)	166,457,735	51,474,390	184,486,311	55,791,469
Provision for employment termination benefits	(50,521,715)	10,104,343	(34,555,141)	6,911,028
Other	(182,690)	36,538	(4,157,777)	831,555
Deferred tax liabilities - net		(185,208,744)		(29,057,195)

(*) The Company has investment incentive certificate relating with modernization investment at Şanlıurfa, Eskişehir and İzmir facilities. As of 31 December 2021, 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 TRY51,474,390 (2020: TRY55,791,469).

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

	2021	2020
1 January	(29,057,195)	(36,689,516)
Credited to statement of comprehensive income	(964,273)	11,154,084
Charged to actuarial gain/loss arising from defined benefit plans	784,605	1,530,725
Charged to fair value reserve of available-for-sale investments	893,035	(5,052,488)
Calculated on revaluation fund	(156,864,916)	-
31 December	(185,208,744)	(29,057,195)

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NOTE 26 - EARNINGS PER SHARE

		1 January - 31 December 2021	1 January - 31 December 2020
Profit for the year	A	117,343,109	40,187,453
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	2,6105	0,8940

There are no differences between basic and diluted earnings per share. Since the General Assembly Meeting of the year 2021 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 2021	31 December 2020
Fair value difference			
assets recorded in other comprehensive income		176,161,024	187,912,982
		176,161,024	187,912,982

	31 December 2021		31 December 2020	
	TRY	(%)	TRY	(%)
Pınar Et	105,916,152	12.58	126,905,398	12.58
Çamlı Yem	37,689,366	5.47	29,261,809	5.47
Pınar Su	28,269,557	8.77	29,181,512	8.77
YDT	4,074,009	0.93	2,391,690	0.93
Bintur	192,579	1.33	153,212	1.33
Other	19,361	-	19,361	-
	176,161,024		187,912,982	

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 2021 by using the market interest rates and the risk premium specific to unlisted companies within the related sectors.

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NOTE 27 - FINANCIAL INSTRUMENTS (Continued)

The discount and growth rates used in discounted cash flow models as at 31 December 2021 and 2020 are as follows:

	Discount Rate (%)		Growth Rate (%)	
	2021	2020	2021	2020
Bintur	25.84	19.61	1	1
YDT	24.87	18.76	1	1
Çamlı Yem	23.31	17.44	4	4

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

	2021	2020
1 January	187,912,982	85,837,114
Participation in capital increase of assets at fair value through other comprehensive income:		
Pinar Su	4,387,050	-
Reasonable value change:		
Pinar Et	(20,989,246)	76,924,225
Pinar Su	(5,299,006)	20,069,654
YDT	1,682,319	1,025,924
Bintur	39,367	174
Çamlı Yem	8,427,558	4,055,891
31 December	176,161,024	187,912,982

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

1 January	153,446,717	56,423,337
Fair value loss	(16,139,009)	102,075,868
Deferred income tax on fair value reserve of financial assets carried at fair value through other comprehensive income (Note 25)	893,035	(5,052,488)
31 December	138,200,743	153,446,717

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

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow, and fair value interest rate risk), capital risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets.

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

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

- Safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk,
- Effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures,
- Effective monitoring and minimizing risks sourced from counterparts.

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risks arises from cash and cash equivalents, deposits in banks and financial 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 2021 and 2020 are as follows:

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

31 December 2021

	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)	781,316,457	8,426,944	33,689,615	3,227,574	40,151,641
- The part of maximum credit risk covered with guarantees	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	508,581,492	8,286,504	33,689,615	3,227,574	40,151,641
B. Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired (3)	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)	272,734,965	140,440	-	-	-
- The part covered by guarantees	-	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-
- Past due amount (gross book value)	-	566,461	-	-	-
- Impairment amount (-)	-	(566,461)	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) Notes 5 and 6.

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

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

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

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

31 December 2020

	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)	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).

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

31 December 2021	Receivables		
	Related Parties	Third Parties	Total
Past due 1 - 30 days	30,517,315	133,386	30,686,893
Past due 1 - 3 months	17,926,060	7,054	17,954,374
Past due 3 - 12 months	224,291,589	-	224,557,587
<i>The part of credit risk covered with guarantees</i>	-	-	-
	272,734,965	140,440	273,198,854

31 December 2020	Receivables		
	Related Parties	Third Parties	Total
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

b) Liquidity risk:

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

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2021**

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

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

31 December 2021					
	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	511,297,300	511,297,300	233,036,502	216,348,651	64,246,048
Trade Payables	670,586,282	670,586,282	61,919,118	58,237,864	10,429,300
Other Payables	9,049,038	9,049,038	9,049,038	-	-
	1,190,932,620	1,190,932,620	304,004,658	274,586,515	74,675,348

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	-
	787,201,587	821,002,548	421,414,959	284,636,232	114,951,357

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.

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2021
(Amounts expressed in Turkish lira ("TRY") unless otherwise indicated.)

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

	Foreign Currency Position							
	31 December 2021				31 December 2020			
	TRY Equivalent	USD	EUR	Other (TRY Equivalent)	TRY Equivalent	USD	EUR	Other (TRY Equivalent)
1. Trade Receivables	373,389,253	27,975,229	33,634	-	151,699,253	20,620,370	37,237	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	84,173	2,444	3,420	-	48,747	2,444	3,420	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	373,473,426	27,977,673	37,054	-	151,748,000	20,622,814	40,657	-
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)	373,473,426	27,977,673	37,054	-	151,748,000	20,622,814	40,657	-
10. Trade Payables	36,310,103	850,288	1,651,209	-	56,154,820	1,510,693	5,002,895	-
11. Financial Liabilities	99,207,281	7,000,000	379,537	-	38,919,506	5,000,000	246,118	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities 10+11+12	135,517,384	7,850,288	2,030,746	-	95,074,326	6,510,693	5,249,013	-
14. Trade Payables	10,429,300	-	690,047	-	18,485,589	-	2,052,153	-
15. Financial Liabilities	10,992,448	-	727,307	-	6,466,925	-	717,917	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities 14+15+16	21,421,748	-	1,417,354	-	24,952,514	-	2,770,070	-
18. Total Liabilities 13+17	156,939,132	7,850,288	3,448,100	-	120,026,840	6,510,693	8,019,083	-
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)	216,534,294	20,127,385	(3,411,046)	-	31,721,161	14,112,121	(7,978,426)	-
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	216,534,294	20,127,385	(3,411,046)	-	31,721,161	14,112,121	(7,978,426)	-
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	421,987,016	44,155,421	612,407	19,183,622	307,693,250	39,362,198	2,318,164	14,207,386
26. Import	33,851,966	-	3,233,651	-	62,184,960	-	7,746,236	-

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2021**

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

NOTE 28 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)**31 December 2021****Sensitivity Analysis for Foreign Currency Risk**

	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TRY:				
1- Asset/Liability denominated in USD - net	26,808,951	(26,808,951)	26,808,951	(26,808,951)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	26,808,951	(26,808,951)	26,808,951	(26,808,951)
Change of EUR by 10% against TRY::				
4- Asset/Liability denominated in EUR - net	(5,155,522)	5,155,522	(5,155,522)	5,155,522
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	(5,155,522)	5,155,522	(5,155,522)	5,155,522
Change of Other Currencies by average 10% against TRY				
7- Assets/Liabilities denominated in other foreign currencies - net	-	-	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	-	-	-	-
TOTAL (3+6+9)	21,653,429	(21,653,429)	21,653,429	(21,653,429)

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

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)

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2021**

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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 2021	31 December 2020
<u>Financial instruments with fixed interest rate</u>		
Financial assets	857,061,714	524,647,830
Financial liabilities	1,178,087,132	749,209,522
<u>Financial instruments with floating interest rate</u>		
Financial liabilities	18,562,500	41,913,889

According to the interest sensitivity analysis carried out by the company, as of 31 December 2021, if there was a 1% increase in interest rates and all other variables remained constant, the net profit for the period was TRY185,625 less (31 December 2020: TRY419,139).

iii) Price risk

The profitability of the Company's operations and the cash flows generated by those operations are affected by changes in the raw material prices and market competition that are closely monitored by the Company management and precautions for cost efficiency are taken. The Company does not anticipate that prices of raw milk and other raw materials will change significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline or increase in the prices of raw milk and other stocks and raw materials.

The current risks are properly monitored by Board of Directors and Audit Committee regularly in considering the need for active financial risk management.

d) Capital risk management:

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

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

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

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

	31 December 2021	31 December 2020
Financial liabilities	511,297,300	308,726,383
Less: Cash and cash equivalents (Note 4)	(40,250,260)	(361,785)
Net debt	471,047,040	308,364,598
Total equity	1,950,852,884	1,061,613,804
Net debt/equity ratio	24%	29%

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:

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2021**

(Amounts expressed in Turkish lira ("TRY") 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).

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

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2021 and 2020.

31 December 2021

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

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

As of 31 December 2021, and 2020, 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 2021 and 2020:

31 December 2021

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

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS****FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2021**

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

NOTE 30 - SUBSEQUENT EVENTS*Application of inflation accounting*

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, with Law No. It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the Repeated Article 298 are met. On January 20, 2022, POA made a statement titled "Implementation of Financial Reporting in Hyperinflationary Economies" within the scope of TFRS, and it was stated that there was no need to make any adjustments in the financial statements for 2021 within the scope of TAS 29 "Financial Reporting in Hyperinflationary Economies".

Domestic debt instrument issuance

At the Company's Board of Directors meeting dated January 18, 2022, with reference to the authorization in Article 7 of the Company's Articles of Association, titled "Issuance of Bonds and Other Securities"; 1. TRY150,000,000 (One hundred and fifty million Turkish Liras) in Turkish Lira, with a maximum maturity of 3 (three) years (including 3 years), in Turkish Lira, within the country, in one or more times, without being offered to the public, qualified Issuance of debt instruments to be sold to investors and/or privately, 2. Issuance of debt instruments to be issued with discount and/or fixed coupon or variable coupon depending on market conditions, Ziraat Bank, in order to determine all conditions including maturity, interest and additional rate of return and the method of sale, to determine distribution principles and collections, to complete the sale and to be traded in Borsa Istanbul A.Ş. Yatırım Menkul Değerler A.Ş. It has been decided to apply to the Capital Markets Board for issuance certificate approval in order to fulfill the necessary applications and transactions before all relevant authorities, including the conclusion of a contract with the Capital Markets Board.

Negotiations with Tek Gıda İş Union

The collective bargaining agreement between the Company and Tek Gıda İş Union has expired as of 31 December 2021 and negotiations for the new period are continuing.

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INFORMATION FOR INVESTORS

Stock Market

The shares of Pınar Süt Mamulleri Sanayii A.Ş. are traded on the Borsa İstanbul Main Market under the symbol PNSUT.

Public Offering Date: 03.02.1986 (first transaction date)

Ordinary General Meeting

In line with the decision taken by the Board of Directors of Pınar Süt Mamulleri Sanayii A.Ş., the Ordinary General Assembly meeting of the Company will be held on Tuesday, March 29, 2022, at 10.30 at Altın Yunus Çeşme Turistik Tesisleri in Altın Yunus Mah. 3215 Sok. No: 38 Çeşme/Izmir.

Dividend Distribution Policy

The Dividend Distribution Policy for 2013 and subsequent years prepared in line with the Capital Market Legislation of Pınar Süt Mamulleri Sanayii A.Ş. was submitted for the approval of the 2013 Ordinary General Assembly and disclosed to the public, and this information is available on the corporate website (www.pinar.com.tr) on the investor relations page both in Turkish and English.

Investor Relations

Pınar Süt Mamulleri Sanayii A.Ş.

Investor Relations Department

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To access Pınar Süt investor relations website:



(Compared to BIST ALL and BIST FOOD, BEVERAGE Index)

