2017

PINAR ET ANNUAL REPORT

Yaşar
for a better life

Reporting Period
01.01.2017 - 31.12.2017

Commercial Name
Pınar Entegre Et ve Un Sanayii A.Ş.

Trade Registry & Number
İzmir Trade Registry Office 45251 K:1912

Authorized Capital
TL 100,000,000

Paid-in Capital
TL 43,335,000

Contact Details

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Kemalpaşa - İzmir

Işıkkent Branch
Kemalpaşa Caddesi No: 250/A Işıkkent - İzmir

Web Site -Social Media
www.pinar.com.tr
twitter.com/PinarKurumsal
facebook.com/pinarlayasam
facebook.com/pinaracbitir
facebook.com/illakipinarsucuk
facebook.com/pinarlezzetfikirleri
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instagram.com/pinaracbitir
instagram.com/illakipinarsucuk
instagram.com/pinarlezzetfikirleri
youtube.com/pinarlezzetfikirleri

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Pınar Et, continues its research and development activities with R&D Center while meeting with consumers at charcuterie, frozen meat products, frozen bakery products, frozen sea products, sea products and non-processed meat categories.

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

Since its foundation, Yaşar Group has adopted the motto of "non-stop working, producing and contributing in the country" to enrich Turkish economy, society, environment, life quality and human health without compromising corporate and ethical principles. Yaşar Group is one of Turkey's leading groups and today operates with 22 companies, 24 factories and facilities, 2 foundations and approximately 7,500 employees and stands on "Durmuş Yaşar Enterprise" founded in 1927 by Durmuş Yaşar in İzmir to sell naval materials and coating products.

FOOD AND BEVERAGE GROUP	COATINGS GROUP	TISSUE PAPER GROUP	TRADE AND SERVICE GROUP	FOUNDATIONS
Food • Pınar Süt • Pınar Et • Yaşar Birleşik Pazarlama • Pınar Foods GmbH • HDF FZCO • Hadaf Foods Industries LLC ***Beverage*** • Pınar Su ***Agriculture, Husbandry and Fishery*** • Çamlı Yem Besicilik	• Dyo Boya Fabrikaları • Kemipex Joint-Stock Co. • S.C. Dyo Balkan SRL • Dyo Africa Paints and Varnishes LLC	• Viking Kağıt	• Altın Yunus Çeşme • Bintur • Yaşar Dış Ticaret • Yaşar Bilgi İşlem ve Ticaret • Yadex International GmbH • Desa Enerji • Desa Elektrik • Arev Gayrimenkul	• Yaşar Eğitim ve Kültür Vakfı • Selçuk Yaşar Spor ve Eğitim Vakfı

Most Recognized Brands in Different Sectors

Food, beverage and coating are main business branches of Yaşar Group and its flagship brands Pınar and DYO in these sectors are at the top of the "list of brands most recognized by consumers". Yaşar Holding A.S. also operates in tissue paper, tourism, foreign trade and power business in addition to food, beverage and coating sectors and shares of subsidiary companies Pınar Süt, Pınar Et, Pınar Su, Dyo Boya, Viking Kağıt and Altın Yunus Çeşme are traded in Borsa İstanbul.

Ground Breaking Deep Rooted Establishment Presenting "Firsts" in Turkey

Yaşar Group leaded the way in Turkey with its innovative approach:

- First coating factory and brand, DYO
- First private dairy factory in international standards, PINAR SÜT
- First, first class holiday village with 1,100 beds, ALTIN YUNUS ÇEŞME
- First paper factory in private sector, VİKİNG KAĞIT
- First natural source water in one way package, PINAR SU
- First private sector integrated meat facility, PINAR ET
- First integrated turkey facility,
- First aquaculture facility and first culture fish production, PINAR DENİZ

An Approach Dignifying Environment and Society

Yaşar Group adopts a principal that focuses on minimizing the effects of it activities from manufacturing to trading to environment and human and maintains its operations in line with all applicable laws and regulations. Yaşar Group contributes in sports, culture and art through its long term social responsibility projects and Yaşar Eğitim ve Kültür Vakfı (Yaşar Education and Culture Foundation) and Selçuk Yaşar Spor ve Eğitim Vakfı (Selçuk Yaşar Sports and Education Foundation) designs several projects. Yaşar University is developing to become one of the most successful universities in the country.

Yaşar Group joined in Unites Nations (UN) Global Compact network in November 12th 2007 and released Development Statement for 2009 and 2010 and Sustainability Report for 2011-2016. To see development statement and sustainability reports released under Global Compact please visit www.yasar.com.tr.

Group signed UN Women's Empowerment Principals "CEO Statement of Support" in 2012 and made commitments about fair gender policies with "Gender Equity Policies in the Workplace" in 2013.

Message from Chairperson

Pınar Et was entitled to receive the R&D center certificate in 2017. Pınar Et R&D Center, which is the first in the meat sector, will take our Company one step forward in competition.

Dear Shareholders,

Pınar Et, which has been providing health and taste together to its consumers since 1985, maintained its leading position in deli, frozen meat and frozen seafood markets in 2017.

Always breaking ground in food sector, our Company continued its activities with high brand awareness and reliability before its consumers by meeting expectations and demands of various customer groups.

Proceeding its activities as a member of Yaşar Holding, as a reflection of its leadership identity in its sector and most reputable groups in Turkey, our Company succeeded in the organic food inspections performed by "Ecocert" and received "Organic Food Certificate" in 2017.

Growth Achieved in Turkey and Worldwide

Slow-growing world economy and global trade since the global crisis was revitalized in 2017. In this period, when the growth of developed and developing countries accelerated, there was such a spring frenzy in the world economy that in 2017 the global growth rate is envisaged to reach 3.6%. Turkey's economy also had this growth trend in 2017. In the first 9 months, our economy grew by 7.4%, both due to the relaxation in global markets and the government's measures to increase domestic demand.

We also have positive expectations from world and Turkey`s economy in 2018, too. Developed economies and especially the fast-recovery of Europe will increase our exports to these economies as well as the number of tourists coming to Turkey from these countries. In Turkey`s economy from which we expect to have positive effects from global developments in 2018, we believe that private sector consumption and investment expenditures will stay strong even though "Credit Assurance Fund" in domestic market slows down.

Approximately One Million Tons of Production

As we know, the increase trend in red meat prices, which started in 2015, continued until the first half of 2017. Despite this increase, customs duties on imports of meat and live animals to Turkey were reduced or cancelled since 2016. With imports of live animals as well as carcass meats, together with prices loosening in the second half of 2017, price of red meat closed the year with an increase of 5.8% compared to the beginning of the year (calf lean meat price, National Red Meat Council). It can be said that this was the result of cost-oriented issues rising to prominence in Turkish agriculture and livestock sector. In the last 20 years, role of agriculture in economy evolved drastically in Turley and worldwide. The issue of agriculture will continue to be on the agenda of the world due to demographic changes that may limit food production, water and food safety, and negative changes in the climate.

According to the data obtained from TSI, in Turkey, bovine meat production was over 1 million tons in 2016 while in 2017, this amount was 987,481 with 6.8% decrease. Despite the decrease in total production compared to the previous year, we think that the increase in production in the last quarter of the year compared to the same quarter of the previous year is significant. In the same period, the production of sheep meat increased by 21% to 100,058 tons. In the subcategories of the industry, different growths were experienced. According to TSI data, turkey meat production increased by 12.6% in tonnage in 2017.

With regard to consumption, "Total Processed Meat Market" in Turkey increased by 11% on revenue basis by 9.2% on tonnage basis and reached a magnitude of more than 1.84 billion TL (Nielsen, BIM excluded). According to the Household Consumption Data prepared by IPSOS, in the period between July 2016 and August 2017, the total frozen meat, fish and bakery products market increased by 20% compared to the previous period and reached a volume of 400 million TL.

Our Market Share
Our Company maintained its leading position in many categories with its product set range enriched with new products. Pınar Et had a 20.5% revenue share (Nielsen, BIM excluded), which is more than twice of its closest competitor in the total processed meat market in 2017.

In 2017, we achieved 649.6 million TL net sales revenue. Even though the increasing red meat prices put pressure on the sector's profitability, our Company was able to maintain its operating profitability. At the end of the year, EBITDA was 63.3 million TL, while net income for the period was 59.3 million TL. At the end of the year, Pınar Et's asset size reached 650.3 million TL.

Exports to the Gulf Countries Increased
Pınar Et, which has exported to more than 20 countries, doubled its export revenue especially to the Gulf countries.

In 2017, we conducted important campaigns and promotions in order to increase the recognition of our product groups in Turkey and abroad, to reinforce the brand image, and to introduce our new products. Here, we focused specifically on activities in delicatessen category, share of which increases gradually in the sector revenue, and which witnesses the highest competition.

Operations of Pınar Et, which makes production according to the Turkish Food Codex and EU Standards, successfully passed the inspections by the Turkish Standards Institution and international independent food inspection agency, SAI Global.

In 2018, as a Company our priority is to increase our exports. In all our export markets, especially in the Gulf countries, we will continue to work intensively to increase the sales of our frozen products, which we offer with modern interpretations of the traditional flavors of Turkish culinary culture.

Organic Food Certificate
As Pınar Et, which offers more than 350 products in five categories, we stepped into a niche area in 2017. With the organic food inspection performed by Ecocert Company, our Company received Organic Food Certificate for beef varieties and meatball products. In 2018, we will intensify our work in the field of organic food.

Pınar Et R&D Center Was Established
This year, in line with our goals of integrating innovative project systematics to the Company, and competing in food sector with technologic and innovative approaches, we completed qualification criteria and received R&D Center Certificate. We are gathering our research and development activities together with Pınar Et R&D Center.

With these operations, we launched 7 retail, 9 special customer, 9 export and 15 AFH, amounting to a total of 40 new products in 2017. We also continue our operations regarding smaller products.

In order to present the meat and pastry products of the traditional Turkish cuisine to the consumers with modern interpretations, we also launched "Boyoz" product family in 2017. This year our Company launched new varieties in Turkish meatball category under frozen food group.

20 Projects Focusing on Efficiency
We conducted our activities throughout the year without compromising on our efficiency and sustainability criteria. In 2017, we initiated 20 efficiency-focused projects. Pınar Et continues its activities with the aim of eliminating or minimizing adverse effects on the environment in all processes.

In 2017, our investments were towards renewal and modernization and all of them were realized with equities of our Company.

Less Energy, Less Water and Less Waste
Within the framework of our sustainability studies, measurements and monitoring of water consumption were carried out at our facilities. We have TS EN ISO 14001 Environmental Management System and TSE EN ISO 50001 Energy Management System certificates and in this context, we operate by focusing on our goal to produce with "Less Energy, Less Water and Less Waste". Moreover, with the awareness of protecting the environment, we continue our project of planting trees on behalf of our employees since 2014.

Acting with the principle of giving back what we receive from the society, we carry out social responsibility projects in the fields of arts, education, sports and preservation of cultural assets. In addition to participating in many organizations in the fields of Quality, Food, R&D and Marketing with Pınar brand, we also provide sponsorship support.

I would like to extend my thanks to all of our shareholders, customers, customers, suppliers and employees who contributed to our Company's sustainable success and achievement of its goals.

Best Regards,

Emine Feyhan Yaşar
Chairperson of Board of Directors

Board of Directors

EMİNE FEYHAN YAŞAR
CHAIRPERSON

İDİL YİĞİTBAŞI
VICE CHAIRPERSON

MUSTAFA SELİM YAŞAR
MEMBER

ALİ YİĞİT TAVAS
INDEPENDENT MEMBER

KEMAL SEMERCİLER
INDEPENDENT MEMBER

YILMAZ GÖKOĞLU
MEMBER

CENGİZ EROL
MEMBER

Background information of Board of Directors is given on pages 41 - 42.

Senior Management and Committees

BOARD MEMBERS AND TERMS OF OFFICE

NAME SURNAME	TITLE	TERMS OF OFFICE
EMİNE FEYHAN YAŞAR	CHAIRPERSON	30.03.2017 – 1 YEAR
İDİL YİĞİTBAŞI	VICE CHAIRPERSON	30.03.2017 – 1 YEAR
MUSTAFA SELİM YAŞAR	MEMBER	30.03.2017 – 1 YEAR
ALİ YİĞİT TAVAS	INDEPENDENT MEMBER	30.03.2017 – 1 YEAR
KEMAL SEMERCİLER	INDEPENDENT MEMBER	30.03.2017 – 1 YEAR
YILMAZ GÖKOĞLU	MEMBER	30.03.2017 – 1 YEAR
CENGİZ EROL	MEMBER	30.03.2017 – 1 YEAR

Limits of Authority:
Chairperson of Board of Directors and Board Members have the powers set out in relevant articles of Turkish Commercial Code and Articles 10 and 11 of the Company's Articles of Association.

Corporate Governance Rating:
In 2017, Pınar Et's corporate governance rating was revised upwards to 9.29 out of 10.

SENIOR MANAGEMENT

NAME SURNAME	POSITION
LEVENT RIZA DAĞHAN	DEPUTY CEO - HEAD OF FOOD GROUP*
TUNÇ TUNCER	GENERAL MANAGER
ORKUN NALDELEN	FINANCIAL AFFAIRS AND FINANCE DIRECTOR

AUDIT COMMITTEE

NAME SURNAME	POSITION
ALİ YİĞİT TAVAS	HEAD OF COMMITTEE
KEMAL SEMERCİLER	MEMBER

CORPORATE GOVERNANCE COMMITTEE

NAME SURNAME	POSITION
ALİ YİĞİT TAVAS	HEAD OF COMMITTEE
KEMAL SEMERCİLER	MEMBER
YILMAZ GÖKOĞLU	MEMBER
GÖKHAN KAVUR	MEMBER

EARLY DETECTION OF RISK COMMITTEE

NAME SURNAME	POSITION
ALİ YİĞİT TAVAS	HEAD OF COMMITTEE
YILMAZ GÖKOĞLU	MEMBER
CENGİZ EROL	MEMBER

* Food Group includes Pınar Süt Mamulleri Sanayii A.Ş., Pınar Entegre Et ve Un Sanayii A.Ş., Yaşar Birleşik Pazarlama, Dağıtım, Turizm ve Ticaret A.Ş. companies.

2017 and Pınar Et At a Glance

Pınar Et continues its investments and growth.

First private integrated meat processing plant

Production inline with Turkish Food Codex and EU standards

Partial backward integration

150 thousand
NUMBER OF SALES POINTS

102 thousand bovine
408 thousand ovine
1.8 million turkey
SLAUGHTERING AND PROCESSING CAPACITY

260 thousand m^2 outdoor
47 thousand m^2 indoor
PRODUCTION AREA

PURCHASING SPREADS OVER 6 REGIONS

AVERAGE 350 PRODUCTS IN 5 CATEGORIES

860
average number of employees in 2017

649.6 million TL
NET SALES

63.3 million TL
EBITDA

1.84
billion TL
processed meat
market value

60.4
million
number of animals
in Turkey

34,852 tons
sales volume in 2017

20.5%
Market share of Pınar Et in total processed meat market which is more than 2 fold its closest competitor.

R&D Center was established.

Organic Food Certificate is received.

2017 FINANCIAL PERFORMANCE

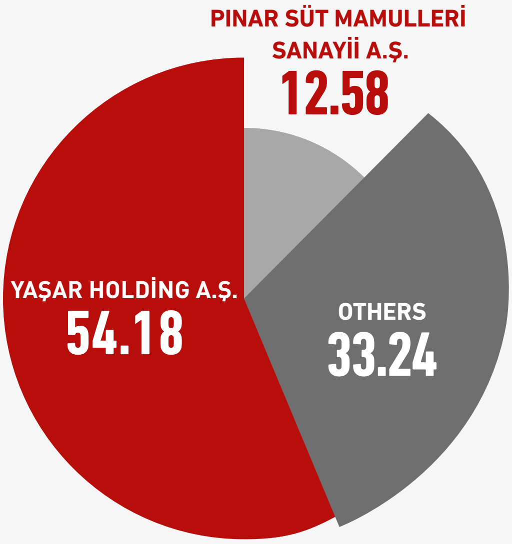
(Million TL)	01.01.2017-31.12.2017	01.01.2016-31.12.2016
Net Sales	649.6	637.5
Gross Profit	97.9	106.2
Gross Profit Margin	15.1%	16.7%
Net Profit	59.3	59.7
Net Profit Margin	9.1%	9.4%

(Million TL)	31.12.2017	31.12.2016
Shareholder's Equity	501.5	418.9
Assets	650.3	547.0
Total Liabilities/Equity Ratio	0.30	0.31

Company Profile

Pınar Et, which has been providing health and taste together to its consumers since 1985, maintained its leading position in frozen meat and frozen seafood and delicatessen markets in 2017 as the first private enterprise meat facility of Turkey.

SHAREHOLDING STRUCTURE OF PINAR ET (%)



Shareholder	Share Rate (%)	Share Amount (TL)
YAŞAR HOLDİNG A.Ş.	54.18	23,476,894.71
PINAR SÜT MAMULLERİ SANAYİİ A.Ş.	12.58	5,451,752.25
Others	33.24	14,406,353.04
Total	**100.00**	**43,335,000.00**

Pınar Et's shares are traded at Borsa İstanbul Star Market under the ticker symbol "PETUN".

Information on privileges related to the Company's shares can be found in the Corporate Governance Principles Compliance Report.

Pınar Et, foundations of which were laid in 1983, improves its product portfolio in the categories of delicatessen, frozen meat products, frozen dough products, frozen seafood, seafood and unprocessed meat products.

Always breaking ground in food sector, Pınar Et aims to meet expectations and demands of various customer groups. Operating with high brand awareness and brand reliability both in the sector and on consumer basis, the Company creates new segments with new products it launches and defines trends in the sector.

Operations of Pınar Et, which makes production according to the Turkish Food Codex and EU Standards, are inspected by the Turkish Standards Institution and international independent food inspection agency, SAI Global, every year.

Continuing its activities as a member of Yaşar Group, one of Turkey's biggest and most highly respected corporate groups, Pınar Et conducts production under safe, healthy and hygienic conditions with its high quality management system in all operating procedures from the farm until the product reaches the consumer.

Pınar Et continues its full service quality and understanding in its distribution activities through its subsidiary Yaşar Birleşik Pazarlama (YBP). Pınar Et's distribution network constitutes the Turkey's largest cold and frozen product distribution chain, which spreads throughout Turkey with state of the art and flexible organization structure.

Acting with the perception that long lasting and profitable performance relies on economic, environmental and social sustainability, Pınar Et also establishes its corporate strategy and its goals around this notion. With this notion, it continues to support art, education, sport, and preservation of cultural properties.

Founder of Modern Meat Industry in Turkey

Pınar Et leads the sector since its establishment. As the pioneer of modern meat industry in Turkey, Pınar Et operates with the objective of efficiency-based sustainable growth.

Competitive Superiorities

With sustainable quality, increasing brand value, and the fact that it responds fully and timely to the expectations and needs of its customers, Pınar Et stands out in competition. Strong R&D experience, widespread distribution and supply network also increase the competitive strength of the Company.

In addition to leading the processed meat sector, Pınar Et also dominates frozen food sector. It contributes to the development of the sector with the new products it launches.

Its vision integrating with long-established experience, responsible and reliable manufacturer identity, its production strength which utilizes the latest technology, and its innovative approach makes Pınar Et stand out in competition.

HIGH BRAND VALUE

- Among Superbrands® Turkey brands
- One of the most innovative brands in Turkey
- Received Social Responsibility Project of the Year in Europe (Stevie Business Awards)

QUALITY FOCUSED PRODUCTION

- Innovative and pioneering identity
- Approximately 350 SKUs
- Strong R&D Center
- Production in EU standards under hygienic conditions
- Technological experience and sectoral knowledge
- Food safety and quality at every stage from supply to final product
- Certified production process

WIDE DISTRIBUTION AND SUPPLIER NETWORK

- Strength of Yaşar Birleşik Pazarlama, Turkey's biggest and most extensive frozen and cold chain distribution network
- 150,000 sales points
- Technical knowledge and experience
- Synergy in distribution of dairy and meat products
- Procurement activities spread across 6 regions
- Strong relations with farmers
- Protection against risks through partial backward integration

Trusted Brand

Food safety and quality at every stage from supply to final product in EU standards and certified hygienic conditions make Pınar Et reliable for consumers. Pınar Et, which does not compromise the quality of its products, reinforces its leading position in the market with well-defined marketing and sales processes by reading its customers' wishes and needs correctly.

As a result of the evaluations of selection committee members of Superbrands, an independent international authority on brand management and marketing, Pınar was chosen as one of the super brands of Turkey 2017.

Pınar Et is one step ahead of its competitors with its widespread distribution network, high quality and continuously expanding product range, and its strength and experience in production processes.

Pınar Et Products

Offering products in five different categories Pınar Et enriches its portfolio in compliance with requirements and expectations of its customers and consumers.

DELICATESSEN

- Soudjouk
- Salami
- Sausages
- Ham
- Smoked Meats
- Kavurma
- Pastrami

FROZEN MEAT PRODUCTS

- Burgers
- Meatballs
- Doner
- Breaded Meat Products

FROZEN DOUGH PRODUCTS

- Pizzas
- Puff Pastry
- Mantı (Turkish Type Ravioli)
- Boreks
- Boyoz

FROZEN SEAFOOD PRODUCTS

- Shrimps
- Sliced Squid
- Anchovy, Sardine and Haddock
- Breaded Seafood Products

FRESH MEAT PRODUCTS

- Unprocessed Turkey Meat
- Unprocessed Beef and Lamb Meat

AVERAGE
350
PRODUCTS IN
5
CATEGORIES

Innovations for Changing Trends

Pınar Et launched 40 new products in 2017 taking into consideration the changing consumer lifestyle and expectations.

Nowadays, fast prepared tasty and nutritious meals are prepared more due to the fact that both healthy life trends becomes increasingly important, and women participate in business life more. For all age groups, the demand for high protein foods is increasing. Taking into consideration these trends, Pınar Et creates new products with its experienced R&D.

On the other hand, the number of small families increase due to urbanization and as living spaces decrease in new living areas, shopping preferences undergo change. Consumers purchase less and in smaller amounts more frequently. This trend also accelerates studies of Pınar Et towards smaller products.

The Company presents the meat and pastry products of the traditional Turkish cuisine to the consumers with modern interpretations. Boyoz product family launched in 2017, which has an important place in cuisine of İzmir, stands out as an example of these activities.

Performing studies for new products with the principle of "presenting new tastes", Pınar Et also continues to improve its current products by adapting them to new technologies. As a result of these studies, the Company launched 7 retail, 9 special customer, 9 export and 15 AFH, amounting to a total of 40 new products in 2017.

In addition, Pınar Et continues to work on a separate line of products which include high levels of protein. This new product line will include meat products that are both appealing for traditional Turkish taste and can beconsumed in modern life.

NEWLY LAUNCHED PRODUCTS

Pınar Et continued to launch new products to the market in 2017. In Retail Products Channel, Boyoz, famous taste of İzmir, was launched as Plain and Labaneh Cheese. Same product was also prepared in packages suitable for Away-From-Home Consumption Channel.

In accordance with the School Canteen Regulation of 2017, poultry delicatessen products were launched to the market with Yörük brand and ready meatball and burger products that are in compliance with the regulation were introduced to the away -from-home channel. The new products launched to the export channel were Üçgen and Kare Yufka (Triangle and Square Filo Pastry).

Production Focused on New Trends

With regard to both packaging and food production, the Company performs its works by taking into consideration the results of analysis and researches on emerging new consumption trends. Pınar Et also conducts production in accordance with the expectations of consumers in different age groups.

*Total Processed Meat Market, 2017, excluded BIM, Nielsen

Sector Overview

Beef and veal production in Turkey was 987,481 tons, while the total number of animals increased by 8.8% in 2017 and reached 60.4 million.

In the last 20 years, role of agriculture in economy evolved drastically in Turkey and worldwide. In the last 40 years, the total global foreign trade volume increased about 60 times and in spite of all restrictions and conserving measures of countries, agricultural foreign trade increased 25 times.

The decline in the share of agriculture in foreign trade is actually caused by the fact that foreign trade and added value shifts from unprocessed agricultural products classified as agricultural export to processed agricultural products.

The issues of family business, which was forgotten in the last 10 years due to the concerns about high efficiency, and sustainability of agriculture are being discussed on the agenda. The issue of agriculture will continue to be on the global agenda in the long run with the demographic changes that may limit food production, water and food safety, and negative changes in the climate.

Affected by all these changes, contribution of agriculture to GDP in Turkey reduced from 30% in early 1970s to 8% in 2014 as expected.

MEAT PRODUCTION

In 2017, beef and veal production in Turkey reduced by 6.8% compared to the previous year and amounted to 987,481 tons, while it was observed that in the final quarter of the year, production increased by 4.5% compared to the same quarter of the previous year. Total small cattle meat production increased by 21.2%. (TSI)

In 2017, customs duties on imports of meat and live animals to Turkey were reduced or cancelled. Actually, this was the result of cost-oriented issues rising to prominence in Turkish agriculture and livestock sector.

Due to the declining supply in red meat production, the prices* which increased by 9.8% in the first half of 2017 compared to end of 2016 decreased in the second half of the year. By the end of 2017, an increase of 5.8% compared to the end of the previous year was recorded. (* beef fat free price, National Red Meat Council)

The number of turkeys slaughtered in 2017 increased by 11.9% to 5.2 million units compared to the previous year while turkey meat production increased by 12.6% to 52,363 tons.

Compared to the past year, the numbers of bovine and ovine increased by 13.2% and 7.2%, respectively. In 2017, the total number of animals increased by 8.8% and reached 60.4 million. 16.1 million total number of animals was bovine and 44.3 million was ovine. (TSI)

In 2017, when the number of animals in all subcategories increased, the number of cattle increased by 13.2% to 15.9 million. (TSI)

CHANGING CONSUMPTION HABITS

In delicatessen market, which is one of the subcategories of meat sector, growth was achieved in terms of both amount and volume in 2017 in Turkey. According to Nielsen data, the "total processed meat market" in Turkey increased by 11% on revenue basis compared to the previous year (BIM excluded) and reached 1.84 billion TL. Tonnage based turnover was 9.2%. When we look at product shares, 50.5% of the market on turnover basis was constituted by soudjouk segment.

According to the Household Consumption Data prepared by IPSOS, in the period between July 2016 and August 2017, the total frozen meat, fish and bakery products market increased by 20% compared to the previous period. Market size in terms of turnover reached 400 million TL. The biggest segment of the market consisted of frozen dough products with a share of 78.2% in terms of turnover.

Many trends were influential on market changes. The change in household habits, the decline in the number of people per household, the increase in healthy eating habits, the preference for smaller portions of food with ease of consumption around the world, has also affected the meat sector as in all food sectors.

As a result of these trends, food manufacturers increased the number of product types presented in smaller portions globally. With the increase in the number of consumers who pay attention to healthy eating, it is becoming increasingly preferable to eat turkey meat as well as red meat in meeting the daily protein requirement. Seafood also became more preferable due to being healthy and being able to turn into different flavor alternatives.

Significant global transformations are also experienced in the away from home eating and drinking sector. Traditional tastes are offered to consumers with different alternatives that can be prepared faster.

The fact that Turkey is a favorable tourism destination among Europe and Gulf countries caused a change in away-from-home catering sector. Introduction of tourists coming from Europe and Gulf countries with Turkish cuisine also points out to a strong potential for Pınar Et to export these products to those markets. The Company is planning to make use of this potential with the new products to be launched in the near future.

Activities in 2017

As it continued to grow in 2017, Pınar Et succeeded in the organic food inspection performed by Ecocert and received Organic Food Certificate.

Pınar Et maintained its leading position in many categories it produced in 2017. Pınar Et aims to maintain its position as an example in its sector with the production understanding in which it uses latest technology and gives great importance to quality control processes.

As one of the most preferred brands by consumers, Pınar Et had a turnover share of 20.5% in the total processed meat market. This ratio is more than twice the share of the Company's competitor (*Nielsen, 2017, BIM excluded).

In 2017, with the upward trend in red meat prices and reflection of this to white meat prices with the increasing demand, there was pressure on processed meat products demand and profitability in the sector. As domestic supply was supported with the measured taken regarding red meat import, the prices decreased in the second half of the year. In 2017, Pınar Et achieved 649.6 million TL turnover. The Company had an EBITDA of 63.3 million TL, while net income for the period was 59.3 million TL. Pınar Et, which has a strong equity structure, has an equity amount of 501.5 million TL as of December 31, 2017.

In 2017, the Company broke another ground and headed for a new field. With the organic food inspection performed by Ecocert Company in 2017, Pınar Et received Organic Food Certificate for beef mince, has fillet, rib steak, sirloin steak and meatball products. The Company aims to intensify its work in the field of organic food in 2018.

In 2017, Pınar Et exported to more than 20 countries and achieved growth in all export markets. Especially in the Gulf countries, there was a growth of export revenue almost doubled. In this region, sale of traditional Turkish cuisine products pastry and meat pasty in frozen form increased in line with the expectations.

Also in 2018, the Company will plan to work in all export markets, especially in the Gulf countries, to increase the sales of modern presentations of traditional products of Turkish cuisine.

Consumers and Customers of Pınar Et

Producing delicious and healthy meat products with the responsibility of being Turkey's first private enterprise integrated meat plant, Pınar Et always gives priority to consumer and customer needs in its business models.

The Company maintained its competitive advantage in frozen meat-dough products-seafood products group with its innovative products. In line with this, it continued its studies for new tastes and forms which will grow and improve the market in all subcategories in delicatessen segment. With the same vision, studies started for new products in traditional Turkish meatball category in frozen food group.

In 2017, delicatessen products received the biggest share in sales for product groups again by 58%. The share of unprocessed meat sales was 14.5%.

Product	Revenue Market Share	Position
Total Processed Meat	20.5%	Leader
Salami	42.7%	Leader
Soudjouk	11.3%	Leader
Sausage	37.3%	Leader

(Sales Value, 2017, BIM excluded, Nielsen)

EXPANDING PRODUCT RANGE

Pınar Et established its marketing strategy on the principle of “delicious and healthy life” in 2017. Pınar Et takes meeting the needs of all the individuals with the delicious and healthy products of the animal protein needs, which is the key to a healthy life cycle, as a mission, and diversified its production by considering different consumer trends and palate.

In addition to the delicatessen products it developed as a result of long research and periodic analyzes, the Company offers its frozen foods category consisting of meat, breaded and seafood products in a wide range of flavors.

Developing new products aimed at the changing needs of different sales channels, Pınar Et increased its strength in trade by positioning the brands it created correctly in accordance with their channels.

In 2017, the following important steps were taken in line with this goal;

- Strong brand value of Pınar was maintained. Communication activities to cultivate positive sentiments in consumers and customers continued.
- Parallel to the expectations of the consumers, tasty new products with high health value were created.
- New products were developed for export markets with Turkish culinary expertise. Famous tastes of Turkish cuisine were transformed into high sales potential with the brand value of Pınar Et in the nearby geography.

Away-From-Home Consumption Channel

- We continued to reach the away-from-home channel, which grows gradually with changing and diversifying consumption habits and consumer expectations, with Pınar brand. Pınar Et continued to provide service to a wide customer portfolio, including hotels, restaurants, catering companies, and schools in this channel.

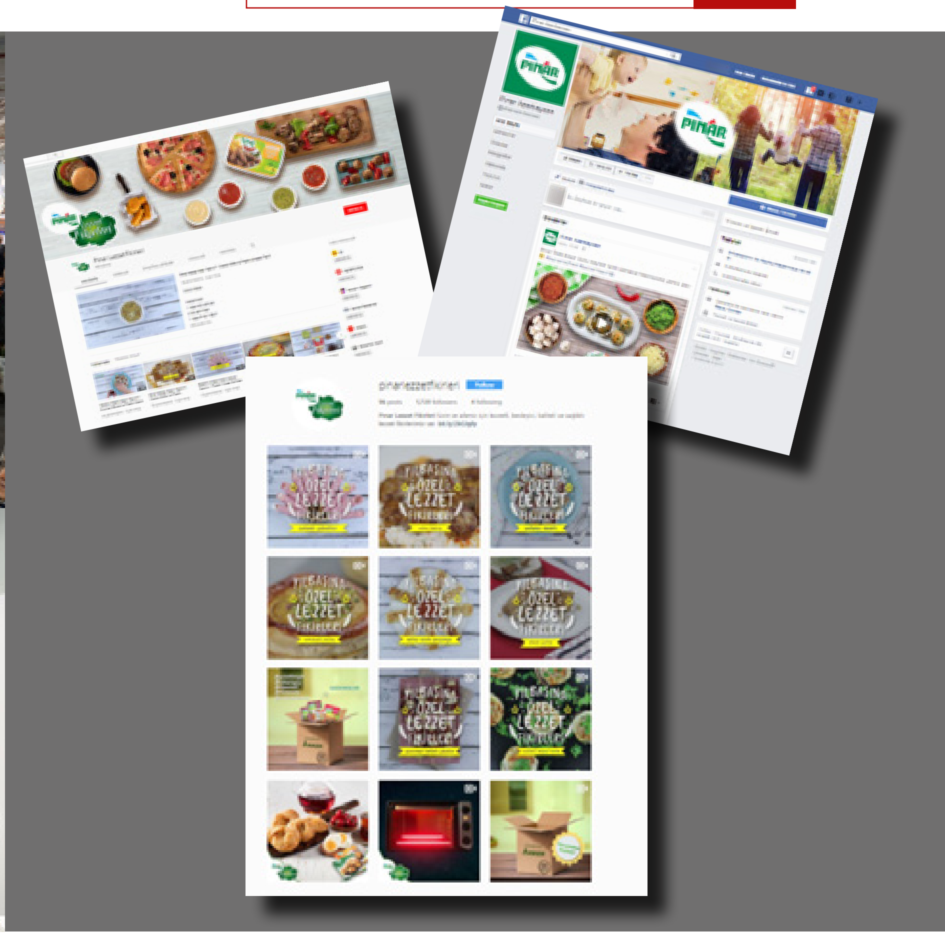
- Pınar Et improved the trust relationship it established with consumers and business enterprises by blending it with gastronomy culture and education. The “Kısık Ateş” (Low Heat) platform, which was established for the purpose of supporting current and prospective chefs who will represent Turkey in the future with the aim of sharing and extending our gastronomy culture, was published as the digital meeting point of the gastronomy word. (www.kisikates.com)

STRONG COMMUNICATION CAMPAIGNS

In 2017, the Company carried out campaigns and promotional activities with the aim of increasing awareness of the product groups, enhancing the brand’s image, and promoting new products.

Pınar Et especially focused on activities in delicatessen category, share of which increases gradually in the sector revenue, and which witnesses the highest competition.

Communication of Pınar Aç Bitir products was focused on with a new commercial movie. The new commercial for Pınar Aç Bitir product family was shown on TV channels in September and October. We got in touch with both the consumers and the



target group by supporting with images outdoors and POPs in the store. In the same period, the impact of the campaign was reinforced with active shares of social media accounts.

In addition to the TV and outdoor channels used, brand communication continued from social media accounts so as to spread throughout the year.

Exhibitions Attended by Pınar Et in 2017

- Dubai GULF FOOD 2017 Fair / 28th February-2nd March 2017
- 7th Gurme İzmir (Olivetech) Fair / 26th-29th April 2017
- Aşomder Ulusal Aşçılık Kampı / 30th April-7th May 2017
- 86th İzmir International Fair / 18th-27th August 2017
- Gastro Entertainment / September 16th-17th, 2017
- Sirha-İstanbul / 16th-18th November 2017

Pınar Communication Center

With Pınar Communication Center (PIM), which can be called from everywhere in Turkey without the region number via **444 76 27**, the Company operates without compromising from the principle "Consumers and Customers First".

Requests and suggestions to the Pınar Communication Center are meticulously examined and taken into consideration within the Company. 88% of customer requests and complaints received by the PIM are answered by the operators within 15 seconds. Pınar Communication Center, which has a customer satisfaction ratio of 92% according to 2017 data, can also be reached via twitter.com/InfoPinar. PIM also responds quickly to consumers by reviewing and resolving requests and suggestions from social media through its official Twitter account. **twitter.com/InfoPinar**

DISTRIBUTION TO 150 THOUSAND LOCATIONS

Pınar branded products are delivered to the consumers in the freshest, healthiest and fastest way by Yaşar Birleşik Pazarlama (YBP), a group Company which has 9 regional offices and more than 100 dealers and reaching 150 sales points in total. YBP, which provides service with its expert, experienced and strong staff, serves with more than 1,200 vehicles.

74% of Pınar Et's sales in 2017 were realized via Yaşar Birleşik Pazarlama channel. Direct sales channel accounted for 22% and exports accounted for 4% in the Company's sales.

Moreover, Yaşar Birleşik Pazarlama establishes all its trade on productivity and reporting and constantly monitors its operations with state of the art software systems. Constantly reporting results, YBP provides regular trainings to all of its team both within itself and at its business partners in order to increase sales skills.

R&D Activities

Pınar Et was entitled to receive the R&D center certificate in 2017. Pınar Et R&D Center, which is a first in meat sector will ensure that the research and development activities of the Company are gathered together in a center.

Pınar Et fulfilled the qualification criteria on October 20, 2017 in line with integrating innovative project systematics to the Company, competing in food sector with technologic and innovative approaches, and increasing know-how of the Company, and was entitled R&D Center Certificate.

On 20th and 21st December 2017 it received R&D Center Certificate at 6th Private Sector Design and R&D Centers Summit.

The R&D team, which contributes to strengthening the Company's position in the market, closely follows scientific and technological developments and innovative approaches. In accordance with these developments, it evaluates the application areas and carries them out effectively.

Some of the studies conducted at the R&D Center:

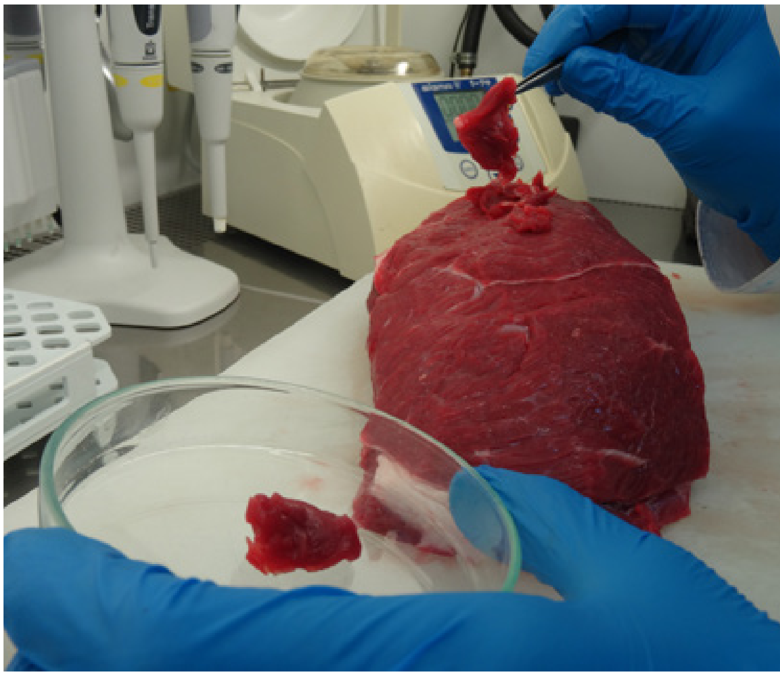
- New product development
- Improving existing product
- Improving product cost
- Alternative raw material
- Accessory food additive material
- Packing material studies
- TÜBİTAK Projects
- Shelf life studies

In addition, joint project works were carried out in 2017 with universities and TÜBİTAK.

Achieving "firsts" and "innovations" in food sector, Pınar Et launched 40 new products in 2017 with its R&D studies.

The Company's innovative activities in 2017 are as follows:

- Boyoz, a taste unique to İzmir, was introduced to the consumers in two different flavors as plain and with labaneh cheese in 200gr and 600gr packages.



- Studies continue for developing methods to turn "mechanically separated meat" which is a by-product and waste of meat process, into a high quality resource of gradable standard continues within the scope of TÜBİTAK projects.

- Studies were conducted for formulation of new products with low fat, low sodium and low additives towards healthy living trend. Studies continue for development of formulations regarding "practical products" which provide saving time and ease of use for the consumers.

- Studies continue for improving shelf life of meat and meat products. In addition, studies were carried out throughout the year regarding the production of organic meat products.

Special Products for Schools

Pınar Et conducted activities to develop new products in accordance with the criteria set forth in the "Food and Beverage Standards for Schools" prepared by the Ministry of Health in 2017, and the "Circular on Foods to be Sold in School Cafeterias" published by the Ministry of National Education of Turkey after this standard. Reformulation of 20 new products which will meet the requirement of the circular was completed successfully and 7 of these products were launched to the market.

High Quality

With the aim of sustainable customer satisfaction, Pınar Et manages all the processes through which its products pass, with the Food Safety and Quality Management System it applies.

Pınar Et is actively implementing its own food safety management system based on internationally recognized systems such as FSSC 22000 Food Safety Management System, BRC and IFS.

All stages of production made in safe, healthy and hygienic conditions and the performance criteria of these processes are determined and monitored within the scope of process management.

With HACCP (Hazard Analysis and Critical Control Points), TACCP (Threat Assessment and Critical Control Points), and VACCP (Vulnerability Assessment and Critical Control Points) systems, which form the basis of food safety management system, all intentional and unintentional risks which may threaten food safety are constantly evaluated and actively managed.

ADVANCED LABORATORY

Pınar Et also demonstrates its quality-oriented approach with the well-equipped laboratory it established. The Company has a laboratory equipped with the ability to perform many different chemical, microbiological, sensory and molecular analyzes beyond the analyzes specified in the regulations and communiqués related to the sector. Having the TSE Experimental Service Laboratory Approval Certificate, Pınar Et has the qualifications for serving to TSE.

This way, the Company confirms the appropriateness of its products in its own laboratory in accordance with the Food Safety Management System, legal requirements, customer demands and specifications. In addition to product analysis, it can closely monitor all factors which may pose risks from raw material to the final product.

AUDITS

Pınar Et successfully completed all inspections required for Turkish and export markets in 2017.

Continuously improving Quality and Food Safety Management Systems as well as Environment, Energy, Occupational Health and Safety and Laboratory Management Systems, Pınar Et successfully completed undergone audits of TSE Integrated Management Systems, TSE and System Patent Halal Food Standard inspections for 2017. Informed and Uninformed SAI Global international quality and food safety standards, BRC and IFS Quality and food standards for Işıkkent Aquaculture Products Facility, and inspections performed by chain stores and special customers were successfully completed.

Moreover, in addition to regular inspections carried out by the GTHB for foreign markets, inspections conducted by the official bodies of the importing countries were also successful completed.

Achieving another first in 2017, with the organic food inspection performed by Ecocert Company, Pınar Et received Organic Food Certificate for beef varieties and meatball products.

SUPPLIER SELECTION

The Company acts with the same sensitivity in the selection processes of its suppliers. Pınar Et selects its suppliers taking into consideration Food Safety, Quality, Environment, Occupational Health and Safety, Energy Management Systems and sustainability understanding of Yaşar Group.

Potential suppliers are inspected on-site within the scope of the Supplier Assessment System, and in case of conformity, a business association is established and cooperation is started.

Business Development

In 2017, Pınar Et initiated 20 efficiency oriented projects. Establishing a fast, effective, and innovative business culture which is based on customer requirements, the Company focused on important projects that are in compliance with these strategies.

9 of the 20 new projects carried out by Pınar Et in 2017 as a part of its business development processes were designed as process design and 6 of them were aimed for cost improvement. The remaining 5 new projects were aimed at operational excellence.

Raw material procurement, procurement, planning and inventory control, business development, B2B and international project sales and direct sales departments are intensively working on these projects within the Company.

With the studies conducted, the Company achieved savings in the use of electricity in 2017 compared to the previous year.

Goal 2018

70% of the efficiency projects initiated are planned to be completed in the first six months of 2018. The remaining 30% are aimed to be implemented by the end of 2018.

During the studies regarding these projects, web based trading systems and advanced modules will be added to the Company's existing IT infrastructure. In line with this, researches for e-tender under the topic of purchasing, e-sales under the topic of sales, and SAP/SNP module under the topic of planning and inventory control were completed and test applications for the new system were started.

Again in 2017, Pınar Et conducted "Project Management" trainings in line with the simple 6 Sigma philosophy in order to prevent wastage and increase operational efficiency awareness among all employees. Under this topic, trainings were organized for all the administrative personnel.

Production Plants

Integrated Read Meat Production Plant:
Fresh/frozen beef and lamb
Delicatessen products groups (soudjouk, salami, sausages, etc.)
Frozen meat products (hamburgers)
Frozen meat products (meatballs)
Convenience foods (doner, precooked tray products)

Integrated Turkey Production Plant:
Fresh/frozen turkey meat
Frozen meat products (turkey and chicken)

Processed Aquaculture Products Plant
Frozen fish balls, natural aquaculture products

By-Products Production Plant
Feed raw materials

Investments

Pınar Et continued its investment projects focused on improving quality, customer satisfaction and productivity in 2017. The Company made a total investment of 17.9 million TL throughout the year.

All of the investments in the form of renovation and modernization were conducted with the equity of the Company. Investments in production facilities were focused on improving efficiency, quality and food safety. In this context, investments in production lines based on robotic automation were completed in 2017.

Major Investments in 2017

- Enlargement of the offal processing area in the red meat slaughterhouse,
- Renewal works for increasing efficiency in packing units,
- Renewal and maintenance investments related to ventilation and cooling systems for food safety,
- Investments in renewal of insulation, water cooling and lighting systems taking into consideration energy efficiency.

In 2017, Pınar Et made investment of 17.9 million TL, including 3,864 thousand TL for buildings, 10,966 thousand TL for machinery, 2,670 thousand TL for fixtures, 26 thousand TL for vehicles, and 320 thousand TL for rights.

2018 Goals

Pınar Et plans to continue automation studies in 2018, and in line with this, projects are conducted within the Company.

Continuing renewal and maintenance works in each term, the Company received the investment incentive certificate of 19.8 million TL valid until November 30, 2020 to be used by modernization investments from to the Ministry of Economy, General Directorate of Incentive Implementation and Foreign Investments. Pınar Et aims to increase plant efficiency with modernization investments to be made.

17.9 million TL

2017 TOTAL INVESTMENT AMOUNT

Strong Cooperation with Suppliers

Continuing to work uninterruptedly to improve service and product quality, Pınar Et also plays an important role in the development of suppliers through supervision and training in supplier selection and management.

Working with hundreds of suppliers from all regions of Turkey, Pınar Et selects the companies it cooperates with meticulously and inspects them continuously with the its criteria improving each year. This way, fulfilling the promise of delicious and healthy product it gives to the consumers, the Company plays an active role in the growth of its suppliers with its expanding business volume.

Pınar Et meets its need of meat with live animals purchased from many domestic breeding farms in different regions throughout Turkey. The Company pursues an effective procurement policy acknowledging the role of its business partners in delivering "safe and hygienic products" to consumers. Pınar Et continues to support livestock breeders with its activities toward expanding procurement territories.

Çamlı Yem Besicilik Cooperation

Pınar Et makes all of the live turkey purchases and some of the bovine purchases from Çamlı Yem Besicilik which is the agricultural production Company of the Yaşar Group.

In addition to the Group Company Çamlı Yem Besicilik, the Company supplies a considerable part of the raw material supply from domestic breeders, and in order to preserve the diversity of the supply chain, it also produces from cattle from its own bovine farm, which are fed meticulously and latest technology feed rations.

Pınar Et, which carries out slaughtering processes with the modern technological methods at its own facilities, supports and nourishes cattle breeding for the supply of bovine animals at the best quality under the control of the active technical staff in the field.

Evaluation System Improving Every Year

In 2016, the Company continued to implement supplier assessment system criteria, which was detailed in 2016.

Pınar Et prefers to work with suppliers which have principles parallel to its Food Safety, Quality, Environment, Occupational Health and Safety, Energy Management Systems understanding and sustainability understanding of Yaşar Group.

Many criteria such as infrastructure, experience, capacity, compliance with Pınar Et supply rules, legal compliance and using legal inputs, and compliance with animal welfare, are assessed while selecting suppliers.

With this understanding, the Company constantly inspects its suppliers according to relevant criteria. When it finds necessary, the Company demands improvements from the suppliers and supports the institutions providing service.

Pınar Et visits approximately 1000-1200 supplier farms annually. The Company conducts field inspections with certain periods starting before procurement process. Thus, by providing the highest quality and most reliable raw material, the Company closely cooperates with its suppliers for safe food supply from the farm to the table.

Pınar Et inspects new and alternative suppliers on site by means of people with sufficient experience and training. In case these companies are approved for compliance with the criteria, the cooperation is initiated. Likewise, risk inspections are performed also for the current suppliers and supplier inspection type and frequencies are planned.

Thanks to its network of information, Pınar Et allows that suppliers who are in constant contact are aware of possible developments and innovations in the sector. Pınar Et, organizing quality and innovation circles and cooperating, and trying to apply the mentioned innovations in priority, contributes to increasing the business volume of its suppliers while it increases its own business volume.

11
HOURS/EMPLOYEE TRAINING

INTERNSHIP OPPORTUNITY FOR
104
STUDENTS

Pınar Et Family

Pınar Et, operating with the principle of "increasing the efficiency of man power by increasing competent and effective human resources", reached to an average of 860 employees in 2017.

Without compromising "People Come First" understanding, Pınar Et continues to integrate the "qualified, creative, innovative workforce with high motivation and performance" in the market to itself with effective human resources strategy.

In line with key business policies and strategies the Company invests in its employees through continuous trainings and motivation programs. With this strategy, Pınar Et gains a human resource consisting of individuals who are educated, experienced, have a strong sense of loyalty and ownership, embrace team-spirit, are open to scientific developments, value sharing information and spirit of unity, adopt a collaborative management approach success oriented working.

Believing that sustainable growth can be achieved with effective and productive human resource, Pınar Et performed activities towards increasing personal, professional and administrative skills of its employees in 2017, as follows:

- In addition to trainings within and outside the Company, Pınar Et provided trainings to its employees on Yaşar Academy Online Training Platform and provided a total of 13,200 hours of training throughout 2017. An average of 11 hours of training was provided per employee. The trainings given by the Company were mainly gathered in three groups as personal development, professional and management skills.

- The Company provided a total of 386 hours of training to its employees under the main topic of sustainability.

- An average of 860 people were employed in 2017.

- Pınar Et provided a total of 104 student internships during the year, 73 of which were university and 31 of which were high school students.

Pınar Et also receives feedback from its human resources with the "Employee Opinion Survey" which it conducts since 1998. Also in 2017 the Company worked to increase employee satisfaction by taking the necessary actions in accordance with the results of the survey.

Believing that workplace peace has an important place on the path of society peace, Pınar Et`s Collective Bargaining Agreement with Tek-Gıda Labor Union covers the dates between January 1, 2016 and December 31, 2017.

Effective Human Resources Policy

- Increasing the number of competent and effective personnel by employing outstanding people through a competency-based selection and placement process,
- Ensuring the unison of Company and individual objectives through performance evaluation to enhance overall corporate performance,
- Evaluating employee performance and individual achievements in line with the level of achieving their goals and rewarding and encouraging a better performance,
- Formulating annual training and development plans by implementing compulsory and optional training components,
- Giving importance to employees' physical and mental well-being and providing them with supportive training on health-related issues.

Sustainable Environment Understanding

Pınar Et's environmental policies are based on efficient use of natural resources and the protection of nature. The Company intends to make a 15% reduction in its carbon emissions by 2020.

Pınar Et continues its activities with the aim of eliminating or minimizing adverse effects on the environment in all processes. The Company considers economic, environmental and social sustainability as the formula of long-term, healthy and profitable performance.

Pınar Et continues all its improvement efforts to increase productivity in production operations and energy consumption in cooperation with a sustainability team that is structured within the Yaşar Group.

Studies towards establishing a "Risk Management System" which is a requirement of ISO 9001 Quality Management System and which aims to assess economic-social risks still continue and the system is aimed to be established in the first half of 2018.

In line with Yaşar Holding's approach, Pınar Et defines its sustainability approach under 5 topics, namely "Energy and Climate Change", "Water Consumption and Waste ", "Material Consumption and Waste Materials", "Health and Safety" and "Social Contribution", and plans its operations under these topics.

WATER AND ENERGY MANAGEMENT

Measurements and monitoring of water consumption in Company plants continued in 2017. Having established TS EN ISO 14001 Environmental Management System and TSE EN ISO 50001 Energy Management System within itself, Pınar Et defines producing with "less energy, less water and less waste" as its main target.

WASTE MANAGEMENT

Pınar Et manages the wastes generated as a result of its production activities through the Waste Management System, in order to keep the Environmental Management System under proper supervision. In this context, it is ensured that the types of waste were determined, collected separately at the source, temporarily stored and transferred to the licensed recycling facilities. Data on waste management are regularly recorded every year in the information system of the Ministry of Environment and Urbanization.

ENVIRONMENTAL POLICY AND IMPLEMENTATION

Pınar Et continues to work also in accordance with the legal obligations in line with the Environmental Policy prepared within the scope of the Environmental Management System, with the principle of protecting the environment and reducing pollution in its activities.

Providing training throughout the year to raise awareness of its employees about energy use and the environment, the Company forms its current processes and new investment projects towards reducing energy use. Audited each year by third party organizations within the scope of documents and certificates it owns, Pınar Et completes all inspections successfully. The Company also evaluates its suppliers with the audits they are subjected to regarding their environmental responsibilities.

CARBON AND WATER FOOTPRINT CALCULATION

With a team formed by Carbon Leader, Yaşar Group defined started measurement operations as of 2010. Within this context, "Corporate Carbon Footprint" calculation was conducted in 2017. Pınar Et aims to reduce its carbon emissions by 15% by 2020.

Following the carbon footprint activities, Yaşar Holding intends to perform water footprint calculation and reporting in specific pilot regions in order to monitor consumption of natural resources and increase its environmental awareness, and thus started to perform for decreasing water consumption. "Water Footprint" calculation of Pınar Et was conducted in 2017.

IMPROVEMENT - ENERGY CONSUMPTION ACTIVITIES

Within TSE EN ISO 14001 Environmental Management System 2015 version, business planning were carried out for revision processes. For an area of about 5,000 m2, the insulation-free roofing material was replaced by an insulated roofing material, and LED fixture lighting were applied in 2017. With these studies, energy density was reduced by 2.5% in 2017 compared to the previous year.

ENVIRONMENTAL RESPONSIBILITY

Within the scope of the sapling planting project which continues since 2014 with the aim of establishing environment protection awareness within the Company, saplings are planted with the help of Forest Regional Directorate on behalf of all employees who brought 10 waste batteries and the employees are given certificates by their own names. Pınar Et also participated in the activities of the Environment and Afforestation Commission established by KOSBI.

OCCUPATIONAL HEALTH AND SAFETY PRACTICES

Pınar Et attaches great importance to occupational health and safety training and continues to raise awareness in order to provide a safe and healthy working environment, as well as legal obligations and to spread security culture.

The Company prepares and implements preventive plans for work accidents and occupational diseases that may occur by carrying out risk analysis on Occupational Health and Safety and these studies are carried out with the participation of employees.

The Company continues to take preventive measures by continually keeping control mechanisms in place to remove or minimize unsafe situations and activities at workplaces to prevent and reduce work accidents. In addition, who frequently reviewing working conditions, Pınar Et takes precautions without losing time when any faulty situation is detected.

Having TSE 18001 Occupational Health and Safety Management System certificate, Pınar Et regularly monitors the Occupational Health and Safety Policy according to changing conditions. Occupational Health and Safety Committee meetings were held in 2017 by taking employee opinions and developing the existing system. The Company also keeps track of the legal compliance of companies that are or will be cooperating by also considering the safety of its corporate structure, external service contractors and suppliers. In addition, it informs the companies it works with regarding the changing legislation.

Pınar Et aims to provide a safe and comfortable working environment for its employees and continues its activities with the goal of "Zero Accident Philosophy". For this purpose, a video was prepared for the training and informing of the employees, visitors, and employees of the companies with which Pınar Et cooperates. This video is watched at the beginning of each work, during the visit and at trainings conducted with regular intervals.

Corporate Social Responsibility

Acting with the principle of becoming a corporate citizen, Yaşar Group performs its operations covering Pınar Su, Pınar Süt and Pınar Et under "Pınar" brand.

The social responsibility projects that take place in many areas, from art to health, sports to education and environment to sustainability continue with an increasing rate of success for many years.

The "Pınar" brand produces value for the whole society through its products, the direct and indirect employment opportunities it creates, the investments, the goods and services it performs and the taxes it pays. Working for an informed and healthy society, Pınar cherishes the principle of giving back what it receives from the society. In line with this, Pınar Et carries out social responsibility projects in various fields such as arts, education, sports and preservation of cultural assets.

PINAR CHILDREN'S THEATER

Pınar Children's Theater, which operates with the aim of instilling the love for theater to the children since its establishment in 1987, celebrated its new age with the documentary "Adı Çocuk Kendi Büyük Tiyatro" (A Grand Theatre Named Children) produced by Coşkun Aral. The

documentary also includes interviews with actors and actresses such as Vahide Perçin, Bülent İnal, Yıldırım Beyazıt, Necmi Yapıcı, Melek Şahin and Evrim Alasya in which they narrate their memories in Pınar Children's Theater.

Aiming to contribute to cultural and individual development of children with each play, Pinar Children's Theater reached more than 3 million children around Turkey free of charge. Moreover, Pınar Children's Theater also functioned as an effective school for many famous actors in Turkish theater with numerous plays it performed.

Pınar Children's Theater exhibited its new play titled "Masal Treni" (Fairy Train) in various schools in İstanbul during the education period of 2017-2018. The play performed in Profilo Alışveriş Merkezi (Profilo Shopping Mall) experienced a visual feast for thousands of children. Pınar Children's Theater will continue to be shown in many cities in 2018 as part of the new play touring program.

INTERNATIONAL PINAR CHILDREN PAINTING CONTEST WITH KEEN PARTICIPATION

2017 theme of International Pınar Painting Contest, which has been organized for 36 years with the aim of increasing the

3 million
NUMBER OF PINAR CHILDREN'S THEATRE WATCHERS

16,900
NUMBER OF CHILDREN ATTENDED TO PINAR PAINTING WORKSHOP

interest of children in the elementary school age on painting and fine arts, was determined as "Health and Sports".

A total of 32,206 paintings participated in the competition from TRNC, Germany, Qatar, the United Arab Emirates and social media accounts in addition to the seven regions of Turkey. The award ceremony of the 36th Pınar Painting Contest took place at Art Week organized at Şile Doğa Holiday Camp.

Children participated in the workshop under the supervision of Professor Painter Zahit Büyükişliyen had a week full of art. The talented children, many of whom had the chance to see İstanbul for the first time, left the Art Week with smiling faces.

PINAR CHILDREN'S PAINTING WORKSHOP IN ITS 2ND YEAR

The second Pınar Children Art Workshop was held in 2017. Pınar Children's Painting Workshops were established between March 3rd and April 16th in 6 cities and 7 locations which are Şanlıurfa, Adana, Ankara, İzmir, Samsun and İstanbul. About 16,900 little painters were reached during Pınar Children's Painting Workshop.

SUPPORT FOR SPORTS

Pınar continues to support sports with sponsorships it provides. Pınar sponsors the Karşıyaka Basketball Team. Moreover, it contributes to development of basketball by supplying drinks and taking on name sponsorship.

Pınar KSK

Since 1998, Pınar supports Karşıyaka Basketball Team and thousands of young athletes as the main sponsor. Karşıyaka Sports Club is continued to be supported with the leadership of Mr. Selçuk Yaşar, founder and honorary president of Yaşar Holding, which contributes to education, sports, and conservation of cultural assets with the understanding of "Social citizenship".

Karşıyaka's recent achievements include Turkish Cup Championship, Presidential Cup Championship and Turkish Basketball League Championship. In 2017-18 season, Pınar Karşıyaka competes in Turkish and European leagues with the coaching of Aleksandar Trifunovic with the aim of championship, as it did in the last 4 years. It also represents Turkey successfully in EuroChallenge and Euroleague.

Starting with the goal of making İzmir a city of basketball and integrating the people, youth and children of the province with sports, Pınar provides approximately 25 thousand children with the means to do sports in its infrastructure and sport schools together with KSK basketball branch.

SPONSORSHIPS

In addition to participating in many organizations in the fields of quality, food, R&D and marketing, Pınar also provides sponsorship support. The Company especially supports activities towards improvement of cooking, gastronomy and culinary culture in Turkey. In this type of organization, it creates opportunities to meet the leaders of Turkish food industry and scientists.

In 2017, Pınar became Platinum Sponsor in the Food Conference, where issues such as increasing the number of sustainable food and brands and the growth of institutional leaders for sustainable brands were handled. In the same direction, the Company supported Sustainable Markets Conference as Bronze Sponsor. Within this scope, Pınar Et sponsored 3 congresses/summits/forums, 1 symposium and 20 events in 2017.

PUBLICATIONS

Güzel Yaşa Magazine
Pınar Et carried out Güzel Yaşa magazine and internet platform which introduces "delicious and healthy life" principle to masses. Believing that the secret to good living is correct and healthy eating habits, the Company continues to work towards becoming a reference point with this project, for which social media channels were also established.

Pınar Newspaper
Pınar Newspaper, an important reference source for farmers who are engaged in stockbreeding, milk technologies, stockbreeding animal health etc. is published taking into consideration 4,000 manufacturers.

Awards and Certificates

In 2017, Pınar Et received many awards from respectable organizations of Turkish and international business world. The Company received awards in various areas such as marketing, social responsibility, management and brand communication throughout the year.

Award to Pınar from the Stevie Awards

A pioneer in Turkey, Pınar received "Bronze Stevie" awards in Public Relations Campaign of the Year category in Culture and Art Branch with "International Pınar Children Painting Contest" in Stevie Awards, one of the prestigious awards of business world. Pınar became one of the best in the world in Stevie Awards, one of the most prestigious awards of the world, to which there were more than 3,800 applications from 60 countries.

"Turkey's Best Managed Food Production and Supply Company" Award

In QM Awards 2017, organized by GM Tourism and Management Magazine in order to emphasize the importance of quality in tourism sector, Pınar was selected "Turkey's Best Managed Food Production and Supply Company". In the competition, which was held for the 8th time this year, the best in 10 branches and 45 categories were determined with the votes of approximately 60 thousand tourism professionals, employees, members and investors.

Yaşar Holding and Pınar are among leading companies in the field of "Corporate Social Responsibility"

According to the Corporate Social Responsibility Research conducted by Capital Magazine together with GFK Research Company every year; Honorary President of Yaşar Holding, Selçuk Yaşar, ranked 5th among 15 Most Responsible Leaders. Pınar Children's Theater was also among the Top 10 Corporate Social Responsibility Projects in the business world. According to the same research, Yaşar Holding and Pınar ranked 12th among the 20 most successful companies in the business world and 13th in the eyes of the public.

Super Brand

As a result of the evaluations of selection committee members of Superbrands Turkey, and inspections of Nielsen, Pınar became one of the super brands of Turkey in 2017.

Certificates

- ISO 9001:2008 Quality Management System
- FSSC 22000:2005 Food Safety Management System
- ISO 14001:2004 Environmental Management System
- ISO 50001:2011 Energy Management System
- OHSAS 18001:2007 Occupational Health and Safety
- BRC-Food V.7 (2015) Food Safety Standard
- IFS-Food V.6 (2012) Food Safety Standard
- Approval of Laboratory with ISO 17025:2012 Testing Service
- Halal Food Certificate
- SAI GLOBAL Food Safety
- Ecocert Organic Food Certificate

Milestones

Since its foundation in1985, Pınar Et has broken many grounds in the sector, offering hygienic, delicious and innovative products for its consumers.

One of the Meat Products Sector Leaders

1983 • The foundations of Pınar Et are laid.

1985 • Pınar Et, Turkey's first fully-integrated and privately-owned meat plant, is established.

1987 • The Company introduces Turkey's first hamburger mix specially made for the food trade.

1994 • Pınar Et becomes the first in the industry to receive ISO 9002 Quality Management System certification

1998 • Yaşar Group sets up the country's first fully-integrated turkey plant, introducing the country to turkey meat.

2000 • Pınar Et launches production of sliced delicatessen products for the first time in Turkey, using clean-room technology and under the strictest hygienic conditions.

2001 • Pınar Et launches production and sale of doner for the food trade on an industrial scale but with the same delicious flavor as classical Turkish doner kebab.
• The Company also introduces frozen seafood products.

2003 • Pınar Et moves to TS ISO 9001:2000 Quality Management System certification.

2004 • Pınar Et is awarded ISO 14001 Environmental Management System certification
• The Company launches "Turkey's meatballs": nine different varieties of meatballs are introduced to consumers.

2006 • Pınar Et becomes the first Company in its sector to receive TSE ISO 22000 Food Safety Management System certification.

2007 • Pınar Et becomes the first Company in its sector to receive TSE OHSAS 18001 Occupational Health & Safety Assessment Series certification.
• The Company's success is recognized by an award from the İzmir branch of KalDer, the Turkish Quality Association.

2008 • Pınar Et becomes the first Company in its sector to receive TSE 17025 Food Safety Management System certification.
• It is the first Company in Turkey's food industry to undertake a Lean Six Sigma operational excellence and productivity project.

2009 • Pınar Misket Meatball and Pizzato Alaturka (a thincrust pizza) are introduced.

2010 • The Pınar Et "Aç Bitir" (easy-open, smaller-sized) product line of salami, sausages, and soudjouks is launched.

2011 • Pınar Et Profesyonel is set up to cater for the away-from-home channel.
• Gurme soudjouks and sausages made from top-quality meat are introduced to the market.

2012 • In a survey conducted by GfK Repman Reputation Research Center, Pınar Et is identified as one of Turkey's ten most highly-respected companies.
• BrandSpark International awards Pınar Et "Best New Product" for its "Aç Bitir Salami" and "Gourmet Burger" products.
• According to Nielsen and Superbrands, Pınar Et is one of Turkey's top ten superbrands.

2013 • Borek varieties are introduced to consumers.

2014 • In the charcuterie category, production of "Pınar Gurme" salami, ham and smoked meats begins.
• Pınar's "Aç Bitir" communication campaign receives a Golden Effie, one of the Turkish advertising industry's most respected awards.

2016 • Pınar is elected as the "Most Successful Brand of the Year" in food sector.

2017 • Ecocert Organic food Certificate is received.
• R&D center is established.

CORPORATE GOVERNANCE PRACTICES AND FINANCIAL INFORMATION

BOARD OF DIRECTORS

Emine Feyhan Yaşar - Chairperson

Feyhan Yaşar received a bachelor's degree from Boğaziçi University Administrative Sciences Faculty in 1978 and a post-graduate degree in Department of Economics from Dokuz Eylül University. Feyhan Yaşar started her career in 1978 at DYO as a Human Resources Expert and served as Personnel Affairs Coordinator, Tourism Coordinator and Executive Committee Member, and acted as Vice Chairperson and Board Member. Feyhan Yaşar served as Vice Chairperson of Yaşar Holding Board of Directors (1997 - 2003) and Chairperson of Yaşar Holding Board of Directors (2004 - 2009) and still serves as Vice Chairperson of Yaşar Holding Board of Directors. Feyhan Yaşar holds office as Chairperson of the Board of Directors of Pınar Su, Pınar Et, Altın Yunus, HDF FZCO and as Board Member at other Yaşar Group companies, and is also Board Member of Yaşar Group companies. Feyhan Yaşar, acting as Chairperson of Beverages Industry Commission of Union of Chambers and Commodity Exchanges of Turkey, also serves as Vice Chairperson of Yaşar Education and Culture Foundation, Board Member of Corporate Governance Association of Turkey (TKYD), and member of the Board of Trustees at Yaşar University, Turkish Education Foundation (TEV), Health and Education Foundation (SEV), and Boğaziçi University Foundation (BÜVAK). She is a member of Turkish Industry and Business Association (TÜSİAD), Union of Turkish Dairy, Meat and Food Industrialists and Manufacturers (SETBİR) and Aegean Industrialists and Businessmen Association (ESİAD). Feyhan Yaşar is consular agent of Luxembourg in İzmir.

İdil Yiğitbaşı - Vice Chairperson

Graduated from Boğaziçi University Business Administration Department in 1986 and completing MBA in Indiana University, İdil Yiğitbaşı started her professional life in Yaşar Holding as President Assistant. Yiğitbaşı served as top-level manager and board member for a number of group companies, especially in the food industry, in the areas of strategy and marketing and acted as Vice Chairperson of Yaşar Holding Board of Directors from 2003 to 2009. Yiğitbaşı served as the Chairperson of Yaşar Holding Board of Directors from April 2009 to April 7, 2015 and was appointed on April 2015 as the Vice Chairperson of Yaşar Holding, Chairperson of Pınar Süt and Viking Kağıt companies, Board Member at Yaşar Group companies. İdil Yiğitbaşı is Board Member of İzmir Culture, Arts and Education Foundation (İKSEV), a Board Member of Turkish Industry and Business Association (TÜSİAD) and Member of Union of Turkish Dairy, Meat and Food Industrialists and Manufacturers (SETBİR), Member of Consultancy Board of Aagean Industrialists and Businessman Association (ESİAD) and of Aegean Young Businessmen Association (EGİAD) member of İzmir Economic Development Coordination Committee (İEKK) and Corporate Governance Association of Turkey (TKYD).

Mustafa Selim Yaşar - Member

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

Ali Yiğit Tavas - Independent Member

Ali Yiğit Tavas graduated from Ege University Faculty of Agriculture Department of Agriculture Technology as Certified Agriculture Engineer in 1979 and started his career as Production Engineer in Pınar Süt in the same year. He served as Technical Promotion Expert and Chief of R&D Department and was transferred to Pınar Et in 1984 and worked as Production Manager, R&D Manager, Assistant Technical General Manager, General Manager and Food Group Production Director Assistant. Tavas served as Assistant Director in Yaşar Food Group Meat and Meat Products Assistant Director from 2001 to 2003 and then retired from the group. Serving as Production Coordinator in Abalıoğlu Holding between 2004 and 2006, Ali Yiğit Tavas still acts in the Board of Directors of other companies in Yaşar Group.

BOARD OF DIRECTORS

Kemal Semerciler - Independent Member

Kemal Semerciler was born in 1958. He graduated from Uludağ University Faculty of Economics and Administrative Sciences. Kemal Semerciler started his career at Yapı Kredi Bank as an assistant inspector in 1981 and worked as Manager in departments of Financial Control and Budget, General Accounting and Financial Affairs between 1990 and 2003. He worked as Chairperson of Board of Inspectors between 2004 and 2006. Semerciler served as Assistant General Manager of the Legislation Department from 2006 to 2008 and as the Consultant to the General Manager of Yapı Kredi Bank from 2008 to 2009. Acting as Member of Board of Directors and Inspector in many affiliates of the bank during his term in Yapı Kredi Bank, Semerciler served as Board Member in Abank between March 2010 and March 2016.

Yılmaz Gökoğlu - Member

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

Cengiz Erol - Member

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

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

RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

RISK MANAGEMENT

The scope, working principles and procedures applicable to the Corporate Risk Management activities carried out at Yaşar Group companies were formulated in accordance with the Regulations and the applicable terminology, tasks and responsibilities, processes, reports and safety procedures were created.

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

Risk Management Policy

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

Works of Early Detection of Risk Committee

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

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

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

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

Along the line;

- The Group companies' risk exposure is classified under the headings of strategic, operational, financial, external and compliance risks, and analyzed according to their impact and probability,

- Existing controls for significant risks are reviewed with respect to their design and implementation, and the most appropriate strategies and actions are identified,

- Results of the actions are followed up,

- Findings and likely developments are reported to appropriate units for assessment.

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

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

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

The oversight of the Group companies' accounting systems, of the public disclosure of financial information, of independent auditing and of the operation and effectiveness of the internal control systems are basically fulfilled by the Audit Committee set up by Company's Board of Directors. While carrying out the said function, the Audit Committee benefits from findings of corporations conducting confirmation under Group Audit Directorate, Independent Audit and Certified Public Accountant.

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

Legal Disclosures

Information on the Extraordinary General Assembly Meetings within the Year, If Applicable
Resolutions taken in the Ordinary General Assembly meeting held on 30 March 2017 were applied. No Extraordinary General Assembly Meeting was held in 2017. Further information on the General Assembly meetings can be found in section 2.3. General Assembly Meetings of the Report for Adoption to Corporate Governance Principles.

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

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

Necessary disclosures on the transactions our Company carried out with the associated parties are covered in the present report. In this report prepared by the Company's Board of Directors concluded that in all transactions the Company carried out during 2017 with its controlling Company or with its affiliates, an appropriate counter-performance was provided in each transaction according to the conditions and state known to us at the time the transaction and/or the action was realized or taken or avoided to be taken; that there were no actions taken or avoided which might potentially cause loss to the Company, and that there are no transactions or actions that would require equalization within this scope.

Donations and Grants
The Company may donate to foundations and such other persons and/or institutions established for carious purposes in line with limitations set forth by Capital Markets Board and other relevant regulations.

The Company made total TL 266,670 grant to various institutions and corporations in 2017.

Disclosure on Lawsuits Filed Against the Company with a Potential Impact on the Company's Financial Standing and Activities and Possible Results
Disclosure on the mater is stated in footnote 15 of our financial statements issued for the period of 01.01.2017 - 31.12.2017.

Disclosure of Administrative or Judicial Sanctions Against the Company or the Members of the Governing Body on Account of Practices Violating the Provisions of Legislation
There are no administrative or judicial sanctions imposed against the Company or the members of the governing body on account of any practice violating the provisions of legislation.

Amendments of Articles of Association Made During the Year
The amendment of article 4 titled "Head Office and Branches of the Company" and article 6 titled "Registered Capital" of Company's articles of association was approved with the letter of Turkish Republic Prime Ministry Capital Markets Board dated 13.03.2017 and no: 29833736-100-E.3348 , and preliminary permission letter of Turkish Republic Ministry of Customs and Trade, Internal Trade General Directorate dated 15.03.2017 and no: 50035491-431.02-E-00023386715, and it was accepted, certified unanimously upon submitting for approval of shareholders at the Ordinary General Assembly meeting for 2016 executed on 30.03.2017.

Financial Rights Provided to the Members of the Board of Directors and Senior Executives
Financial rights provided to Chairperson, Board Members and Senior Executives are determined under wages policy stated in our web site. In the twelve months period that ended on 31.12.2017, remuneration and similar payments made to the members of the Board of Directors and senior executives amounted to TL 5,443,274.

Disclosures Concerning Special Audit and Public Audit Conducted During the Fiscal Year
Ordinary audits were conducted by various public institutions during 2017 and there is no significant notice given to us officially.

Disclosure About the Company's Shareholders' Equity
It is seen that existence of issued capital in amount of TL 501,492,181 was protected greatly with an equity level of TL 43,335,000 as of 31 December 2017.

AGENDA

AGENDA OF ORDINARY GENERAL ASSEMBLY FOR THE YEAR 2017 OF PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. HELD ON 30 MARCH 2018

1. Opening and Election of Meeting's Chairman,

2. Authorizing the Chairman to sign the minutes of General Assembly Meeting,

3. Reading, negotiations and approving the Annual Report for 2017 prepared by the Board of Directors

4. Reading and negotiating the Independent Audit Report for 2017 fiscal year,

5. Reading, discussion and approval of 2017 Financial Statements,

6. Acquitting the Company's directors of their fiduciary responsibilities for 2017 operations,

7. Laying down the Independent Audit Firm designated by the Board of Directors for the approval of the General Assembly pursuant to the Turkish Commercial Code and the Capital Markets Board requirements,

8. Determining the number of Board of Directors and their terms of office; making elections in accordance with the number of Board directors so determined; designating independent Board members,

9. Determining the rights provided to the Board directors such as compensation and attendance fees, bonuses and premiums pursuant to Article 408 of the Turkish Commercial Code,

10. Informing shareholders, pursuant to Article 12 of the Corporate Governance Communiqué no. II-17.1 issued by the Capital Markets Board, about guarantees, pledges, mortgages and sureties that have been granted by the Company in favor of third parties and about any income and benefits that may have been derived,

11. Informing shareholders about any donations that were made during the year and laying down the donation limit set under the Capital Market legislation for the approval of the General Assembly,

12. Deliberating and voting on matters pertaining to the year's profits,

13. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,

14. Wishes and opinions.

STATEMENT OF INDEPENDENCE

28/03/2017

As a candidate for independent member for the Board of Director of PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. ("the Company"), I declare that;

- I or my spouse or my up-to-second-degree relatives have not been employed in managing positions involving significant tasks and responsibilities in the last five years by the Company, other companies which are managed or significantly influenced by the Company or shareholders who manage or significantly influence the Company and legal persons managed or significantly influenced by such shareholders and I or my spouse or my up-to-second-degree relatives do not individually or collectively own more than 5% of its capital or voting rights or preferred shares and have not been engaged in major commercial activity with them

- I have not been a shareholder (5% or more), manager with significant tasks and responsibilities or board member of companies which have provided significant services or products for or purchased them from the Company within the scope of agreements in the last five years including auditing (including tax audit, legal audit or internal audit), rating or consultancy services,

- I have the professional education, knowledge and skills required to fulfill the requirements of the tasks which will be assigned to me as an independent board member,

- Except for academicians and provided that it is in accordance with the related legislation, I am not working full-time at public institutions,

- I am resident in Turkey as per the Income Tax Law 193 dated 12/31/1960,

- I possess solid ethical standards, professional reputation and experience which will allow me to make contributions to the Company, maintain its objectivity regarding any conflicts between the Company and its shareholders and make unbiased decisions considering the interests of the beneficiaries,

- I am capable of allocating time for the Company which will allow getting sufficiently engaged in Company business and fulfill the requirements of assigned tasks,

- I have not been a board member for more than six years in the last ten years,

- I do not hold the position of independent board member at more than three companies managed by the Company or the shareholders managing the Company or more than five stock-exchange-quoted companies,

- I am not registered and announced as a board member on behalf of the selected legal person, and therefore I will serve at the board of directors of the Company as an independent member.

Best Regards,

Ali Yiğit TAVAS

STATEMENT OF INDEPENDENCE

28/03/2017

As a candidate for independent member for the Board of Director of PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. ("the Company"), I declare that;

- I or my spouse or my up-to-second-degree relatives have not been employed in managing positions involving significant tasks and responsibilities in the last five years by the Company, other companies which are managed or significantly influenced by the Company or shareholders who manage or significantly influence the Company and legal persons managed or significantly influenced by such shareholders and I or my spouse or my up-to-second-degree relatives do not individually or collectively own more than 5% of its capital or voting rights or preferred shares and have not been engaged in major commercial activity with them

- I have not been a shareholder (5% or more), manager with significant tasks and responsibilities or board member of companies which have provided significant services or products for or purchased them from the Company within the scope of agreements in the last five years including auditing (including tax audit, legal audit or internal audit), rating or consultancy services,

- I have the professional education, knowledge and skills required to fulfill the requirements of the tasks which will be assigned to me as an independent board member,

- Except for academicians and provided that it is in accordance with the related legislation, I am not working full-time at public institutions,

- I am resident in Turkey as per the Income Tax Law 193 dated 12/31/1960,

- I possess solid ethical standards, professional reputation and experience which will allow me to make contributions to the Company, maintain its objectivity regarding any conflicts between the Company and its shareholders and make unbiased decisions considering the interests of the beneficiaries,

- I am capable of allocating time for the Company which will allow getting sufficiently engaged in Company business and fulfill the requirements of assigned tasks,

- I have not been a board member for more than six years in the last ten years,

- I do not hold the position of independent board member at more than three companies managed by the Company or the shareholders managing the Company or more than five stock-exchange-quoted companies,

- I am not registered and announced as a board member on behalf of the selected legal person, and therefore I will serve at the board of directors of the Company as an independent member.

Best Regards,

Kemal SEMERCİLER

PROFIT DISTRIBUTION PROPOSAL

At the Board meeting of our Company dated 05.03.2018;

When the net distributable profit is calculated for 2017; considering Turkish Commercial Code, Capital Markets Regulation, Corporate Tax, Income Tax and other legal regulation provisions, articles of our articles of association regarding profit distribution and our Profit Distribution Policy, according to the financial statements of our Company audited independently and prepared based on Turkish Accounting Standards and in accordance with Communiqué II-14.1 of Capital Markets Board, net distributable period profit is calculated as TL 59,312,096 and no General Legal Reserves were kept as legal limit is reached being TL 59,312,096 which is the net period profit of 2017.

Out of the distributable profit calculated, it is resolved to submit the following matters for the approval of Ordinary General Asembly;
to distribute First Dividend to Shareholders in amount of TL 11,915,753 equal to 20% of distributable profit, considering donations in amount of TL 266,670 made within the year parallel to CMB regulations; to reserve Board Allocation not exceeding 5% stipulated in the articles of incorporation over the remaining amount and to distribute Second Dividend to Shareholders in amount of TL 9,318,397 equal to 41.65% of our nominal issued capital (TL 43,335,000) together with First Dividend amount over the remaining amount (Total net amount of First and Second Dividend is TL 18,049,028); to keep Legal Reserves in amount of TL 2,136,740; and to keep the entire remaining amount as Extraordinary Reserves.

Cash dividend shall be paid in net amount of 0.4165 TL for each share traded in exchange market with a nominal value of 1 TL.

Please kindly be informed.

Sincerely,

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. PROFIT DISTRIBUTION TABLE FOR 2017 (TL)

1.	Paid up/Issued Capital		43,335,000
2.	General Legal Reserves (According to Legal Records)		39,096,815
Information of the privileges if there is any privilege on profit distribution as per articles of incorporation			
		According to CMB	According to Legal Records
3.	Period Profit	63,324,619	55,996,685
4.	Taxes (-)	(4,012,523)	(6,971,852)
5.	Net Period Profit (=)	59,312,096	49,024,833
6.	Accumulated Losses (-)	0	0
7.	General Legal Reserves (-)	0	0
8.	**NET DISTRIBUTABLE PERIOD PROFIT (=)**	**59,312,096**	**49,024,833**
9.	Donations Made within the Year (+)	266,670	
10.	Net Distributable Period Profit after Adding Donations	59,578,766	
11.	First Dividend to Shareholders		
	- Cash	11,915,753	
	- Bonus		
	- Total	11,915,753	
12.	Dividend Distributed to Privileged Shareholders		
13.	Other Dividend Distributed		
	- To Board Members	2,300,000	
	- To Employees		
	- To Persons Other than Shareholders		
14.	Dividend Distributed to Dividend Shareholders		
15.	Second Dividend to Shareholders	9,318,397	
16.	General Legal Reserves	2,136,740	
17.	Statutory Reserves		
18.	Special Reserves		
19.	EXTRAORDINARY RESERVES	33,641,206	23,353,943
20.	Other Resources Estimated to be Distributed		
21	General Legal Reserves Kept for Other Resources Estimated to be Distributed		

TABLE OF DIVIDEND RATES

	GROUP	TOTAL DISTRIBUTED DIVIDEND		TOTAL DISTRIBUTED DIVIDEND/ NET DISTRIBUTABLE PERIOD PROFIT	DIVIDEND EQUAL TO 1 TL NOMINAL VALUE SHARE	
		CASH (TL)	BONUS (TL)	RATE (%)	AMOUNT (TL)	RATE (%)
NET	There is no privileged share group for profits.	18,049,028		30.43%	0.4165	41.65
	TOTAL	**18,049,028**		**30.43%**	**0.4165**	**41.65**

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

PART I - STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

a) During the operating period ended 31 December 2017, PINAR ENTEGRE ET VE UN SANAYİİ A.Ş. ("the Company") achieved compliance with the entirety of the mandatory articles of the Corporate Governance Principles appended to the "Communiqué No: II.17.1 on Corporate Governance (" the Communiqué") issued by the Capital Markets Board of Turkey (CMB).

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

It maintains its position for the principles numbered 1.3.11 as their implementation is non-compulsory.

While the Company intends to achieve full alignment with the principles numbered 2.1.2, the hardships in practice create obstacles against full compliance

Alignment with the principles numbered 1.5.2 and 4.6.5 cannot be realized due to the fact that these principles do not fully coincide with the market and the Company's existing structure.

Under the corporate governance compliance works of our Company in 2017, assessment of Board of Directors regarding committees were Included in annual report of 2016, and the coverage of director's responsibility insurance was expanded to exceed 25% of the Company capital.

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

PART II - SHAREHOLDERS

2.1. Investor Relations Department

The investor relations department handling communication with the investors has been set up at the Company pursuant to Article 11 of the Communiqué. Investor Relations Department reports to the Company's General Manager, Tunç Tuncer.

Contact information for Investor Relations Department is presented below:
Head of the Investor Relations Department: Gökhan Kavur (holds Capital Market Activities Advanced Level License)
Investor Relations Department Officer: Mustafa Durgut (holds Capital Market Activities Advanced Level License)
Phone: 0 232 495 00 00
Fax: 0 232 489 17 89
E-posta: investorrelations@pinaret.com.tr

The Investor Relations Department is mainly charged with the following:

- Ensure that records of correspondence by and between the investors and the Company, and of other information and documents are maintained in a reliable, secure and up-to-date manner,
- Respond to shareholders' written requests for information about the Company,
- Prepare the documents related to the general assembly meetings, which need to be made available for the information of, and review by, shareholders, and take necessary steps to make sure that the general assembly meetings are carried out in accordance with the applicable legislation, the Company's articles of incorporation and other bylaws,
- Supervise and monitor that obligations arising out of the capital market legislation are fulfilled, including all aspects of corporate governance and public disclosure,
- Ensure that investor relations activities are properly conducted.

Having obtained the views of other units when necessary and in coordination with such units, the Investor Relations Department is responsible for providing shareholders and potential investors with information about the Company's activities, financial standing, and strategies, with the stipulations that it may not divulge any information which is confidential and/or in the nature of a trade secret and that it must not do so in any way that might lead to information asymmetry and for managing communication moving on both directions between shareholders and company managers.

During the reporting period, the Unit held one-on-one contacts with nearly 50 investors, and responded to more than 100 queries by phone or e-mail. Shareholders requested information about situation of their dematerialized shares and regarding changes of share values. In addition, two webcast meetings have been organized, which were open to all analysts and addressed the Company's activities and financial results for 2016 and 2017 first half. "Investor Presentations" covering the Company's periodic operating results were published on the Company's website. The website and investor presentations have been updated regularly to make sure that up-to-date information is made available to the investors at all times. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests

2.2. Use of Shareholders' Rights to Obtain Information

The fundamental principle in shareholders exercising their right to obtain information is that there should be no discrimination among shareholders. All information and documents that shareholders may need to exercise their shareholders' rights in a sound manner are made equally available to all shareholders on the Company's corporate website. During 2017, utmost care was paid, under the supervision of the "Investor Relations Department", to respond to requests for information received from shareholders within the framework of the requirements of capital market laws and regulations and without delay.

Such requests for information are generally about such issues as general assembly meeting dates, information on financial statements that are disclosed, developments in the sector and profit distribution. All requests for information, except in the case of information that was in the nature of a trade secret and information that it was deemed to be in the Company's interest to keep confidential, were responded to without making any distinctions among shareholders and in line with any statements that may previously have been made within the framework of capital market laws and regulations. Information and disclosures that might affect the exercise of shareholders' rights are announced in the "Investor Relations" section on the Company website, and there have been no information or disclosures during the reporting period, other than those disclosed under the Capital Market legislation. While the request to have a special auditor appointed is not an individual right provided for under the Company's articles of incorporation, no such request was received during 2017.

2.3. General Assembly Meetings

Pursuant to "Article 18 - Meeting Quorum" of the Company's articles of incorporation, the quorum requirements at annual and extraordinary General Assembly meetings are subject to the provisions of the Capital Market Law and of the Turkish Commercial Code.

Within 2017, on March 30, 2017, 2016 ordinary general assembly meeting took place at Pınar Süt Plant located at Kemalpaşa Asfaltı No: 317 Pınarbaşı/İZMİR. At the 2016 ordinary general assembly meeting, 75.18% of the Company's capital was represented. During the meeting, shareholders electronically or physically attending the meeting or their proxies expressed their comments and wishes. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

Representative of Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. attended the meeting, and no media members attended. In addition to shareholders, representatives of the independent auditors were also sent written invitations to attend the meetings. Invitations to the general assembly meeting were made by the Board of Directors.

The Company's General Assembly meeting announcements were promulgated under "Article 21 - Announcements" of the Company's articles of incorporation, and in accordance with the relevant provisions of the Turkish Commercial Code and with other regulations, communiqués, Capital Markets Board requirements to be published under the said Code, as well as other applicable legislation. The meeting announcement was published in the Turkish Trade Registry Gazette minimum 21 days (excluding the dates of the meeting and announcement) in advance. The meeting announcement was also published on the corporate website, and shareholders whose addresses were on record with the Company were sent letters in which they were informed about the meeting date, location, and agenda. Prior to the general assembly meeting, the meeting date, place and agenda, the information that the Informational Document regarding the agenda is posted on the website, and the profit distribution proposal to be submitted by the Board of Directors to the general assembly were publicly disclosed in material event disclosures. The Informational Document drawn up for 2016 Ordinary General Assembly meeting covered detailed descriptions about each general meeting agenda item, as well as all the explanations, information and documents required by the legislation.

The Company's annual report and the informational document for the general assembly meeting were made available for shareholders' information at the Company headquarters and on its corporate website as of 21 days before the General Assembly Meeting date. To facilitate attendance to the Company's general assembly, shuttle buses were provided for transportation to the address of the General Assembly. During the general assembly meeting, issues on the agenda were explained impartially and in detail so as to be clear and intelligible. Shareholders were given equal opportunities to express their thoughts and to ask questions, and a healthy climate of debate was created.

Minutes of General Assembly meetings are kept available for shareholders at all times at the Company headquarters. In addition, the minutes of the Company's General Assembly meetings for the past 12 years are also accessible in the Investor Relations section of the Company website at (www.pinar.com.tr).

At the Company's General Assembly meetings, information was presented to the shareholders on the amount and recipients of the donations and grants made during the reporting period. This matter was addressed as a separate agenda item. An upper limit was set for the donations to be made during 2017 at the meeting. The Donations Policy was approved by 2015 Ordinary General Assembly.

2.4. Voting Rights and Minority Rights

Article 7 of the Company's articles of incorporation grants the following privilege regarding nominations to the Board of Directors: "Should the Board of Directors consists of 5 members, 3 members shall be elected from among the nominees indicated by Group A shareholders, and the remaining members shall be elected from among the nominees indicated by Group B shareholders. In case the Board consists of 7 or 9 members, then 4 and 5 of them, respectively, shall be elected from among the nominees indicated by Group A shareholders, while the remaining members shall be elected from among the nominees indicated by Group B shareholders.

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The Board of Directors may, upon its sole discretion, elect a managing director. However, the Chairperson of the Board of Directors and the managing director shall be elected from among members representing Group A."

Article 19 of the Company's articles of incorporation grant privilege in voting in ordinary and extraordinary general assembly meetings. Group A shareholders have 3 votes, whereas Group B shareholders have one vote for each share they hold.

With respect to the exercise of voting rights, the Company's articles of incorporation contain no provisions preventing nonshareholders to vote by proxy as an appointed representative. Article 22 of the Company's articles of incorporation, which governs the exercise of voting rights, reads as follows:

"Save for the votes to be cast in the Electronic General Meeting System, voting is conducted through open ballot and by raising hands during a General Assembly meeting. However, upon demand by those possessing at least one-tenth of the capital which shareholders present at a meeting represent, recourse must be had to secret ballot. CMB rules pertaining to proxy voting are reserved."

There are no other companies in which the Company has a cross-ownership. Minority rights are not represented on the Board of Directors. The articles of incorporation do not set minority rights to be less than one twentieth of the capital

2.5. Dividend Rights
There are no privileges with respect to participating in the Company's profit. The Company's annually reviewed policy for profit distribution is to pay out cash dividends and/or bonus shares corresponding to minimum 20% of the distributable profit for the period, which is calculated in accordance with the capital market regulations and other applicable legislation, taking into consideration the economic conjuncture, market projections, the Company's long-term strategies and long-term investment and financing policies, the Company's financial position, profitability and cash position, to the extent allowed by relevant regulations and finances. Unless otherwise decided in the relevant general assembly meeting, the profit distribution is intended to be realized in May, the latest, and the date of profit distribution is decided by the General Assembly. The General Assembly or the Company's Board of Directors, if authorized, may decide to pay out the dividends in installments. The Company's articles of incorporation permit distribution of advances on dividends, and the Board of Directors may decide to distribute advances on dividends restricted to the relevant fiscal year, provided that it is authorized by the General Assembly of Shareholders.

The Company's Dividend Policy for 2013 and thereafter, which was formulated in line with the capital market legislation, has been laid down for approval at the 2013 Annual General Assembly Meeting and publicly disclosed. Our Dividend Policy is publicly disclosed also via our website.

Distribution of the Company's profit for 2016 has been completed on 31 May 2017.

2.6. Transfer of Shares
Transfer of shares is subject to the relevant provision of the Turkish Commercial Code (TCC).

PART III - PUBLIC DISCLOSURES AND TRANSPARENCY

3.1. Corporate Web Site and Its Content
The Company's corporate website (www.pinar.com.tr) contains all the matters as required by Corporate Governance Principles. The Company's website is available in both Turkish and English. The Company continuously improves and upgrades the services provided by its website, which is actively used.

3.2. Annual Report
The Company's annual reports contain all the information specified in the Corporate Governance Principles; however, remuneration of the board of directors and senior executives and other benefits provided to them individually are disclosed not individually but as a cumulative amount.

PART IV - STAKEHOLDERS

4.1. Informing Stakeholders
Stakeholders are kept informed about all matters concerning the Company other than those which are considered a trade secret through CMB material disclosures within the framework of CMB regulations, Turkish Commercial Code, Competition Law, Tax Laws, and Turkish Code of Obligations.

Stakeholders are able to convey any transaction they consider to be illegitimate or unethical to the Corporate Governance Committee or the Audit Committee via Yaşar Group Ethics Committee. The Audit Committee reviews the complains received regarding the Company's accounting and internal control system and independent audit, and handles the notifications of Company employees in relation to the

Company's accounting and independent audit, observing the confidentiality principle.

Furthermore, the communication mechanism is established with the Corporate Governance Committee and the Audit Committee also via the processes that provide stakeholder participation in management as discussed under Article 4.2 herein below.

4.2. Stakeholders' Participation in the Company's Management
Committed to its social responsibility in addition to its quality-control and food safety management systems, Pınar Et also actively implements and constantly improves its environment, energy, and occupational health & safety management systems. The Company works on reducing its carbon footprint and water footprint.

Customer demands and complaints can be communicated via our toll-free 444 76 27 customer line which can be reached from any part of Turkey without dialing a city code, upon which the demands and complaints received are handled and resolved. To ensure customer satisfaction, various research studies and surveys are continually conducted by our Company and by independent firms. Efforts are taken on to improve the product and service quality based on the research outcomes and customer demands.

Pınar Communication Center Twitter account serves to review the requests and suggestions received via the social media, upon which the team gets back to the consumers.

Dealer meetings organized by the Company serve as a tool to convey the opinions and feedback of dealers that have a direct business relationship with the Company to the senior management.

Employee opinion surveys serve to gather the employees' views about changes in implementations which will be made in relation to working conditions, working environment, and rights provided to employees. The action committee formed of employee representatives carries out its activities during the year for conducting the improvement works in relation to the said processes.

Moreover, Pınar Et takes parts in career days organized at universities, reaching potential employees and offering internship opportunity to students.

4.3. Human Resources Policy
The fundamental mission of the Company's human resources policy is to ensure the management of human resources who are innovative, who are committed to the principle of total quality, and who contribute towards the Company's competitive advantage by easily adapting to change and development at the Company. The Company did not receive any complaints about discrimination as of 2017.

The Company's basic human resources policies are set forth clearly in the Company's Personnel Regulations, which are issued to all noncontract employees against their individual signature. In addition to basic policies, these regulations also contain information about working hours, hiring principles and processes, termination, and discipline. Human resources policies and practices pertaining to employees who are covered by collective bargaining agreements are spelled out in such agreements. Job descriptions are devised for all of the Company employees. Performance and rewarding criteria for the white-collar employees are disclosed in the White Collar Employee Regulation, while the rewarding criteria for our blue-collar workers are described in the Collective Bargaining Agreement.

Basic policies:
a) Staffing at the Company is determined according to the criteria of business economics. All employees agree that honorable employment is only possible through productive work.
b) The Company conducts intramural and extramural training programs within the framework of plans that are devised for each level in order to ensure the progression of its employees.
c) The Company is mindful of equality of opportunity in all promotions and appointments throughout its organization. As a matter of principle, appointments are made from among the Company's own personnel.
d) By means of a career planning system in which progression plans are implemented, employees who have potential are provided with the broadest possible opportunities for advancement.
e) Employees' performance is evaluated on the basis of their fulfillment of targets and their competencies.
f) Job descriptions and performance standards are documented for positions at every level from the highest to the lowest and these serve as the basis for employee evaluations.
g) Employee Opinion Surveys are conducted once in two years, seeking employees' views about the working environment, development and career, salaries and fringe benefits, job satisfaction, managers, engagement, corporate reputation, corporate structure and management policies. Improvements are made in line with the feedback that is received in this way.
h) A safe workplace and safe working conditions are a matter to which the Company gives great importance. Under the Company's occupational health and safety regulations, all legally mandated measures are taken to prevent occupational risks, ensure health and safety, and eliminate risk and accident factors. An ongoing effort to make improvements is carried out through regularly conducted safety meetings.
i) Our management style is ".... [to] maintain our existence as a Company that acts fully respectful of the laws and ethical rules, and embrace total quality philosophy and participatory management."
j) An essential principle at the Company is that all employees will be treated equally and without making any discrimination among them with respect to language, race, color, sex, political beliefs or philosophy, creed, religion, sect, or similar reasons. Due measures have been taken to protect this fundamental constitutional right of employees.
The Company has 4 workplace representatives in Kemalpaşa Factory. These individuals are named below:
- Turgay Metin : Production Foreman
- Zekai Zıbak : Ancillary Facilities Foreman
- Umut Bayram Taşkaya : Dough Preparation Operator
- Sebahattin Demir : Fresh Meat Production Worker

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The duties of these representatives are to,
a) Hear workers' wishes and resolve their complaints exclusively with respect to matters at the workplace,
b) Ensure continued labor peace through worker-employer cooperation and labor fairness,
c) Are mindful of workers' rights and interests; assist in the implementation of the working conditions which are provided for in labor laws and in collective bargaining agreements.

All employees are kept informed about Company procedures, organizational changes, changes in rights and benefits, and other practices and decisions that may affect them by means of regulations and announcements prepared within the framework of the Company's prescribed announcement regulations as well as via the Company intranet and bulletin boards.

4.4. Rules of Ethics and Social Responsibility
Pınar Et seeks to comply with current environmental laws applicable to its business activities and with local regulations concerning environmental matters to which it is subject, to make productive use of natural resources, to control and reduce waste that causes environmental harm or else render it harmless, and to take other measures necessary to prevent pollution. In line with these goals, Pınar Et undertakes improvements to its production technologies in an effort to increase efficiency in its production operations and energy consumption. These efforts are carried out by a sustainability team organized under Yaşar Holding, which also covers Pınar Et.

"Carbon Footprint" and "Water Footprint" of our Company were calculated for 2017 under measurement works pioneered by Yaşar Group, Carbon Leadership. It is aimed to decrease the carbon emission value and water consumption of Pınar Et in line with such calculations. Within the scope of sapling planting project conducted with the aim of awareness-raising about environmental protection, saplings are planted via Regional Directorate of Forestry in the name of each employee who brings 10 waste batteries.

Pınar Et gives great importance to occupational health and safety to spread the culture of safety in addition to legal obligations with the aim to provide the safest and the most healthy occupational environment, and continues works to raise awareness uninterruptedly.

At the social responsibility projects conducted oriented to children, Pınar Children's Theatre, Pınar Children Painting Contest and Pınar Children Painting Workshop are conducted. In the event of Pınar Children Painting Workshop conducted for the second time in 2017, total 16,900 children were reached since the starting of the project.

In order to contribute to healthy development of the society, Pınar Et supports the Pınar Institute which is founded to carry out research, support researches and educations, publish results and conduct activities in this regard.

Pınar Et continues its contribution to sports with the support given to Pınar Karşıyaka Basketball Team.

It is aimed to provide contribution to employees and society with Pınar Newspaper and Yaşam Pınarım magazine in the fields of culture, art, sports and education.

It also supports education by collaborating with corporations such as Yaşar University and Yaşar Education and Culture Foundation.

The Company conducts its activities within the framework of values which are adhered to by Yaşar Group companies and whose approach to the production of goods and services involves compliance with laws and the rules of ethics, concerns itself with national problems without becoming involved in politics, and values the environment and nature. These values are known to all Company employees. A summary version of Yaşar Group Rules of Ethics is posted on the Company's website.

PART V – BOARD OF DIRECTORS

5.1. Structure and Formation of the Board of Directors

Members of the Company's Board of Directors:

Name Surname	Title	Whether or Not Independent Member	Whether or Not Executive Member	Term
Emine Feyhan Yaşar	Chairperson	Not Independent Member	Not Executive	1 year
İdil Yiğitbaşı	Vice Chairperson	Not Independent Member	Not Executive	1 year
Mustafa Selim Yaşar	Member	Not Independent Member	Not Executive	1 year
Ali Yiğit Tavas	Independent Member	Independent Member	Not Executive	1 year
Kemal Semerciler	Independent Member	Independent Member	Not Executive	1 year
Yılmaz Gökoğlu	Member	Not Independent Member	Not Executive	1 year
Cengiz Erol	Member	Not Independent Member	Not Executive	1 year

The office of General Manager of the Company is held by Tunç Tuncer. The engagement of Company directors in the activities set forth in Articles 395 and 396 of the Turkish Commercial Code is subject to the approval of the General Assembly of shareholders. With the exception of those activities, there are no other limitations imposed on what Board directors may do and external positions held, if any, are stated in their résumés covered in annual reports. Members of the Board of Directors of our Company, which is affiliated to Yaşar Group, may hold seats on the Boards of Directors of other Group companies, and there may be various transactions by and between these companies that may be considered under the scope of Article 395/1 of the Turkish Commercial Code. However, the parties to such transactions are Group companies only, and necessary permissions are obtained at the General Assembly Meeting of each relevant Company.

The General Manager's resume is provided in the Company's annual report, and the resumes of Board of Directors members are given both in the Company's annual report and also on the corporate website. In accordance with the Capital Market legislation, independent Board directors have submitted their declarations of independence to the Corporate Governance Committee that acts as the Nomination Committee and the declarations were published in the annual report.

Two independent member candidates were presented for 2017 to the Corporate Governance Committee that acts as the Nomination Committee. The declarations of independence and resumes of these individuals have been discussed in the Corporate Governance Committee meeting of March 28, 2017 and in the meetings of the Board of Directors, and it has been decided to nominate all of them as independent members. No situations arose that prejudiced independence as of 2017 operating period. There are 2 women members on the Board of Directors. Hence, the Company has secured a ratio of not less than 25% with respect to the number of women members on the Board of Directors.

5.2. Operating Principles of Activity of the Board of Directors
The operating principles of the Board of Directors are regulated as follows in Article 9 of the Company's articles of incorporation:

"The Board of Directors shall convene as the Company's affairs and operations may require. However, the Board must meet at least monthly.

Board of Directors meetings are convened with a majority of its full membership and decisions are passed with a majority of those present in the meeting." The agenda for the Board of Directors meetings are set by the Chairperson of the Board, in consultation with the other Board directors and the General Manager.

The details of the 2017 activities and operating principles of the Board of Directors are provided below:

During the reporting period, the Board of Directors convened 37 times. The Board of Directors shall convene upon a summons in the form of a written request made by its chairperson or by any director. Before a meeting, the meeting agenda is sent to the members and meeting invitation is made. Usually, all members attend the meetings. In 2017 operating period, all decisions were passed with the unanimous vote of the members present in the meeting. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights.

5.3. Number, Structure and Independence of the Committees Established under the Board of Directors
The Audit Committee, the Corporate Governance Committee and the Early Detection of Risk Committee have been set up at the Company.

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

The Audit Committee is headed by Ali Yiğit Tavas and its other member is Kemal Semerciler.

Both members are non-executive and independent Board directors. The Audit Committee meets at least on a quarterly basis and holds at least four meetings in one year. Within the scope of the Committee's activities, information has been obtained on operations and internal control systems from Company executives and findings related to the audit from independent auditors. The Committee supervises the accounting system of the partnership, public disclosure of financial data, independent audit and operation and effectiveness of internal control system; oversees the selection of the independent audit provider, start of independent audit process and works of the independent audit provider; notifies the Board of Directors on integrity and accuracy of the annual and interim financial tables which will be publicly disclosed.

Corporate Governance Committee Chairperson is non-executive Independent Board Member Ali Yiğit Tavas, Committee Members are independent Board Member Kemal Semerciler and nonexecutive Board Member Yılmaz Gökoğlu and Investor Relations Department Manager is Gökhan Kavur.

Corporate Governance Committee meets at least four times a year, held at least on a quarterly basis. The Corporate Governance Committee establishes whether the Corporate Governance Principles are implemented at the Company, the grounds for non-implementation, if applicable, and the conflicts of interest arising from failure to fully comply with these principles. The Committee proposes improvement actions to the Board of Directors. Corporate Governance Committee oversees the activities of the Investor Relations Department.

Within the scope of the duties of the Nomination Committee, the Corporate Governance Committee works to create a transparent system to deal with the matters of identifying, evaluating, training, and rewarding candidates suitable for board membership and to establish policies and strategies applicable to that system. In addition, the Committee evaluates the nominations for independent Board membership including the management and shareholders, taking into consideration whether the candidate bears the independence criteria or not, and presents its relevant assessment to the Board of Directors for approval in a report.

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Within the scope of the duties of the Compensation Committee, the Corporate Governance Committee determines the offers of Board Members and senior executives considering long term targets of the Company.

The Early Detection of Risk Committee is responsible for early detecting the risks that may endanger the existence, development and survival of the Company, implementing necessary measures for the identified risks, and managing the risks. The Committee is headed by Ali Yiğit Tavas, a non-executive Independent Board Member, and its members are Yılmaz Gökoğlu, non-executive Independent Board Member, and Cengiz Erol, non-executive Board Member.

According to the Corporate Governance Principles, two members of the Audit Committee and the Early Detection of Risk Committee and the head of Corporate Governance Committee should be independent board members. Also, the Manager of the Investor Relations Department was assigned as a member to the Corporate Governance Committee by the Board of Directors. Since there are two independent members on the Company's Board of Directors, the same member serves on more than one committee under the Board of Directors.

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

5.4. Risk Management and Internal Control Mechanism
The Board of Directors essentially supervises risk management and internal control activities through the Early Detection of Risk Committee. In its fulfillment of these functions, the Early Detection of Risk Committee makes use of the findings of the bodies performing certification under the Group Audit and Risk Management Coordinator, independent audit and certified accountancy.

5.5. Strategic Targets of the Company
The Board of Directors sets the Corporate Strategy and Goals in line with the Company's vision and growth and profitability expectations. The principles that will steer these strategies are determined by the senior management and the extent at which the goals are achieved are assessed in the monthly meetings, along with the activities and past performance.

5.6. Financial Benefits
The rights provided to the Board directors are decided at the General Assembly meetings and are publicly disclosed through the minutes of the meetings issued. The Remuneration Policy that describes the remuneration system and implementations for the Company's Board Members and executives with administrative responsibility is available on our website. The Company's annual reports do not present the rights provided to senior executives on an individual basis, but state a cumulative amount. The Company does not lend money, extend credit, or make available loans under the name personal loans via a third party to any of its directors or executives, nor does it provide guarantee in their favor.

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY PREPARED IN ACCORDANCE WITH ARTICLE 9 OF THE PRINCIPLES NOTICE RELATING FINANCIAL REPORTING IN CAPITAL MARKET NO II-14.1 OF CAPITAL MARKETS BOARD

The financial statement and financial report for the 12 months period ending on 31.12.2017 issued in accordance with Capital Markets Board-Communiqué on Principals on Financial Statements numbered II-14.1 and approved by the Board of Directors of our Company is attached.

We hereby declare that

a) regarding the period of 01.01.2017 – 31.12.2017, the balance sheet, income statement, equity change statement, cash flow statement and financial statements' footnotes as well as activity report of the board of directors which were audited independently and accepted by the Resolution of the Board dated 01 March 2018 and no: 208/9 of Pınar Entegre Et ve Un Sanayii A.Ş. were examined by us,

b) that our financial statements and activity report does not include any declaration contrary to truth in important matters or any deficiency which may arise any misleading information as of the date of explanation in line with the information we have in the area of our duty and responsibility within the Company,

c) that assets, liabilities, financial status and losses and profits of the Company are honestly reflected on the financial statements issued in accordance with financial reporting standards in force and that our activity report honestly reflects the development and performance of business, financial status of the enterprise, important risks it faces and ambiguities in line with the information we have in the area of our duty and responsibility within the Company.

Best Regards,
PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

Orkun NALDELEN	Tunç TUNCER	Kemal SEMERCİLER	Ali Yiğit TAVAS
Financial Affairs and Finance Director	General Manager	Member of Audit Committee	Head of Audit Committee

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 Pınar Entegre Et ve Un Sanayii A.Ş.

1. Opinion

We have audited the annual report of Pınar Entegre Et ve Un Sanayii A.Ş. (the "Company") for the 1 January - 31 December 2017 period.

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

2. Basis for Opinion

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

3. Our Audit Opinion on the Full Set Financial Statements

We expressed an unqualified opinion in the auditor's report dated 1 March 2018 on the full set financial statements for the 1 January - 31 December 2017 period.

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

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 Customs and Trade and other relevant institutions.

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

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

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

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

Mehmet Karakurt, SMMM
Partner

İstanbul, 1 March 2018

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

INDEPENDENT AUDITOR'S REPORT

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Pınar Entegre Et ve Un Sanayii A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements 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 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

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

3. Key Audit Matters

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

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Key audit matter	How our audit adressed the key audit matter
Fair value measurements of land, land improvements, buildings and machinery and equipment: **(Refer to the Notes 2.7.4 and 11)** In accordance with TAS 16, "Property, Plant and Equipment", land and land improvements, buildings and machinery and equipment are carried at fair value on the financial statements. The revaluation gain on property, plant and equipment amounting to TL74.374.870 before tax, was appraised by independent professional valuers at 31 December 2017. The related revaluation gains accounted in the statement of financial position as other comprehensive income under revaluation fund of equity after the deferred tax impact deducted. This was a key audit matter since the total amount of land, land improvements, buildings and machinery and equipment as of 31 December 2017 represents a significant share of the total assets of the Company, and these valuations include estimations and assumptions that are sensitive to the location and zoning status, benchmark prices per m2, and the construction costs per m2.	The following audit procedures were addressed in our audit work on the fair value measurement of land, land improvements, buildings and machinery and equipment: •We assessed the competency, capability and objectivity of the independent professional valuers who were appointed by Company management, in accordance with relevant audit standards. • We checked and confirmed completeness, and reconciled the input data on a sample basis, in terms of m2, location and zoning status of the properties used by the independent professional valuers with the Company's records. •In accordance with the provisions of "SIA 620: Use of Work of Expert", we involved our expert to evaluate the assumptions and methods used by Company management on a sample basis, as an addition to the evaluations performed by the independent professional valuers who were appointed by Company management. •We evaluated the compliance of the disclosures on the fair value determination of land and land improvements, buildings machinery and equipment in the financial statements in accordance with the relevant accounting standards.

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 TAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

5. Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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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 2017 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 2018.

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

Mehmet Karakurt, SMMM
Partner

İstanbul, 1 March 2018

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

FINANCIAL STATEMENTS AT 1 JANUARY - 31 DECEMBER 2017 TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

CONTENTS

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEET) FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

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

	Note Reference	31 December 2017	31 December 2016
ASSETS			
Current Assets			
Cash and cash equivalents	4	2.253.131	1.247.276
Trade receivables		95.912.444	100.975.081
- Trade receivables from related parties	5	80.942.438	80.267.399
- Trade receivables from third parties	6	14.970.006	20.707.682
Other receivables		13.942.558	197.587
- Other receivables from related parties	5	13.925.195	22.705
- Other receivables from third parties		17.363	174.882
Biological assets	9	14.116.600	13.005.644
Inventories	8	45.279.850	46.709.150
Current income tax assets	27	571.093	-
Prepaid expenses		1.911.389	2.297.885
- Prepaid expenses to third parties	10	1.911.389	2.297.885
Other current assets		298.055	227.560
- Other current assets from third parties	18	298.055	227.560
TOTAL CURRENT ASSETS		**174.285.120**	**164.660.183**
Non-Current Assets			
Financial Investments		726.611	676.977
- Available- for-sale financial investments	31	726.611	676.977
Investments in associates accounted for using equity method	3	173.905.352	159.359.258
Property, plant and equipment	11	300.622.470	221.779.692
- Land		144.800.000	85.109.400
- Land improvements		7.862.670	8.434.076
- Buildings		55.487.835	53.408.782
- Machinery and equipments		79.157.317	63.081.514
- Vehicles		671.401	852.936
- Furniture and fixtures		10.790.031	10.892.984
- Construction-in-progress		1.853.216	-
Intangible assets		487.666	339.524
- Other intangible assets	12	487.666	339.524
Prepaid expenses		298.129	147.738
- Prepaid expenses to third parties	10	298.129	147.738
TOTAL NON-CURRENT ASSETS		**476.040.228**	**382.303.189**
TOTAL ASSETS		**650.325.348**	**546.963.372**

These financial statements at 1 January - 31 December 2017 and for the year then ended were approved for issue by the Board of Directors of Pınar Entegre Et ve Un Sanayii A.Ş. on 1 March 2018. General Assembly and specified regulatory bodies have the right to make amendments after statutory consolidated financial statements issued.

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEET) FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

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

	Note Reference	31 December 2017	31 December 2016
LIABILITIES			
Short-Term Liabilities			
Short-term borrowings		5.123.333	-
- Short-term borrowings to third parties		5.123.333	-
- Bank borrowings	14	5.123.333	-
Other financial liabilities	14	522.480	3.994.144
- Other miscellaneous financial liabilities		522.480	3.994.144
Trade payables		92.842.603	84.441.575
- Trade payables due to related parties	5	19.654.576	14.842.553
- Trade payables due to third parties	6	73.188.027	69.599.022
Payables Related to Employee Benefits	16	2.277.583	1.855.086
Other payables		6.726.728	5.660.179
- Other payables due to related parties	5	5.157.011	3.053.000
- Other payables due to third parties	7	1.569.717	2.607.179
Deferred income		178.224	23.691
- Deferred income from third parties	10	178.224	23.691
Current income tax liability	27	-	2.363.485
Short term provisions		512.143	413.059
- Provision for employee benefits	16	458.943	359.859
- Other short term provisions	15	53.200	53.200
Other current liabilities		16.538	20.959
- Other current liabilities due to third parties	18	16.538	20.959
TOTAL SHORT-TERM LIABILITIES		**108.199.632**	**98.772.178**
Long-Term Liabilities			
Long term provisions		20.647.112	18.486.015
- Long term provisions for employee termination benefits	16	20.647.112	18.486.015
Deferred income tax liabilities	27	19.986.423	10.772.244
TOTAL LONG-TERM LIABILITIES		**40.633.535**	**29.258.259**
TOTAL LIABILITIES		**148.833.167**	**128.030.437**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEET) FOR THE YEAR ENDED 31 DECEMBER 2017 AND 2016

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

	Note Reference	31 December 2017	31 December 2016
EQUITY			
Equity attributable to owners of the parent company		**501.492.181**	**418.932.935**
Share capital	19	43.335.000	43.335.000
Adjustment to share capital	19	37.059.553	37.059.553
Other accumulated comprehensive income / (loss) that will not be reclassified to profit or loss		165.183.644	101.087.243
- Gains (losses) on revaluation and remeasurement		154.410.948	95.763.492
- Increases (decreases) on revaluation of property, plant and equipment	11	162.465.937	102.954.215
- Actuarial loss arising from defined benefit plans		(8.054.989)	(7.190.723)
- Share of other comprehensive income of investments in associates accounted for using equity method that will not be reclassified to profit or loss		10.772.696	5.323.751
Other accumulated comprehensive income (loss) that will be reclassified to profit or loss		14.746.364	12.496.195
- Gains (losses) on revaluation and reclassification		63.171	106.316
- Gains (losses) on remeasuring and/or reclassification of available-for-sale financial assets	31	63.171	106.316
- Share of other comprehensive income of investments in associates accounted for using equity method that will be reclassified to profit or loss		14.683.193	12.389.879
Restricted reserves		39.192.295	34.802.135
- Legal reserves	19	39.192.295	34.802.135
Retained earnings		142.663.229	130.463.628
Net profit for the year		59.312.096	59.689.181
TOTAL EQUITY		**501.492.181**	**418.932.935**
TOTAL EQUITY AND LIABILITIES		**650.325.348**	**546.963.372**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED AT 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Note Reference	1 January - 31 December 2017	1 January - 31 December 2016
PROFIT OR LOSS			
Revenue	20	649.566.141	637.519.970
Cost of sales (-)	20	(551.456.702)	(531.979.552)
Gross profit from trading operations		**98.109.439**	**105.540.418**
Change in fair value of biological assets	9	(235.497)	677.221
Gross Profit		**97.873.942**	**106.217.639**
General administrative expenses (-)	21	(20.960.608)	(21.886.172)
Marketing expenses (-)	21	(28.332.441)	(30.640.069)
Research and development expenses (-)	21	(2.210.980)	(1.675.215)
Other income from operating activities	22	2.380.887	2.227.702
Other expense from operating activities (-)	22	(1.296.280)	(2.041.011)
OPERATING PROFIT		**47.454.520**	**52.202.874**
Income from investment activities	23	365.218	1.006.733
Expense from investment activities (-)	23	(533)	(498.253)
Share of results of investment-in-associates	3	12.587.520	14.348.562
OPERATING PROFIT BEFORE FINANCE INCOME (EXPENSE)		**60.406.725**	**67.059.916**
Financial income	25	3.372.512	2.279.937
Financial expense (-)	25	(454.618)	(393.792)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**63.324.619**	**68.946.061**
Tax expense of continuing operations		(4.012.523)	(9.256.880)
- Current period tax expense	27	(6.971.852)	(8.731.395)
- Deferred tax income / (expense)	27	2.959.329	(525.485)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**59.312.096**	**59.689.181**
PROFIT FOR THE YEAR		**59.312.096**	**59.689.181**
Earnings per Share		**1,3687**	**1,3774**
- Earnings per 1 Kr number of 100 shares from continuing operations	28	1,3687	1,3774

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS ENDED AT 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Note Reference	1 January - 31 December 2017	1 January - 31 December 2016
OTHER COMPREHENSIVE INCOME/ (LOSS)			
Other Comprehensive Income/ Expense that will not be reclassified to Profit or Loss:		**67.065.323**	**(2.586.463)**
Gains (losses) on revaluation of property, plant and equipment	11	74.374.870	-
Changes in tax rates	11	(3.390.880)	-
Gains (losses) on remeasurements of defined benefit plans	16	(1.080.332)	(2.727.198)
Share of other comprehensive income of associates accounted for using equity method that will not be reclassified to profit or loss		5.851.512	(404.705)
- Revaluation increases (decreases) of property, plant and equipments of associates accounted for using equity method	3	6.389.089	-
- Gains (losses) on remeasurements of defined benefit plans of associates accounted for using equity method	3	(537.577)	(404.705)
Taxes relating to other comprehensive income that will not be reclassified to profit or loss		(8.689.847)	545.440
- Gains (losses) on revaluation of property, plant and equipment, tax effect		(8.905.914)	-
- Gains (losses) on remeasurements of defined benefit plans, tax effect	27	216.067	545.440
Other Comprehensive Income that will be reclassified to Profit or Loss:		**2.250.169**	**234.036**
Gains (losses) on remeasuring and/or reclassification on available-for-sale financial assets		49.635	(5.840)
- Gains (losses) on revaluation of available-for-sale financial assets	31	49.635	(5.840)
Share of Other comprehensive income of associates accounted for using equity method that will be reclassified to profit or loss		2.293.314	238.709
- Gains (losses) on revaluation and/or reclassification of available-for-sale financial assets accounted for using equity method	3	528.100	(882.330)
- Gains (losses) on cash flow hedges of associates accounted for using equity method	3	-	19.853
- Gains (losses) on foreign currency translation differences of associates accounted for using equity method	3	1.765.214	1.101.186
Taxes relating to other comprehensive income that will be reclassified to profit or loss		(92.780)	1.167
- Gains (losses) on revaluation and/or reclassification of available-for-sale financial assets, tax effect	27	(92.780)	1.167
OTHER COMPREHENSIVE INCOME/ (EXPENSE)		**69.315.492**	**(2.352.427)**
TOTAL COMPREHENSIVE INCOME		**128.627.588**	**57.336.754**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2017 AND 2016

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

				Other Comprehensive Income/ (Expense) not to be Reclassified in Profit or Loss			Other Comprehensive Income/ (Expense) to be Reclassified in Profit or Loss				
	Share Capital	Adjustment to Share Capital	Gains (Losses) on Revaluation of Property, Plant and Equipments	Gains (Losses) on Remeasurements of Defined Benefit Plans	Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will not be Reclassified to Profit or Loss	Gains (Losses) on Revaluation and/or Reclassification Adjustments of Available-for-Sale Financial Assets	Share of Other Comprehensive Income of Associates Accounted for Using Equity Method that will be Reclassified to Profit or Loss	Restricted Reserves	Retained Earnings	Profit for the year	Total Equity
1 January 2016	**43.335.000**	**37.059.553**	**106.242.496**	**(5.008.965)**	**6.478.470**	**110.989**	**12.151.170**	**30.555.315**	**108.801.205**	**66.505.898**	**406.231.131**
Transfers	-	-	(3.288.281)	-	(750.014)	-	-	-	70.544.193	(66.505.898)	-
Dividend (Note 5.ii.m)	-	-	-	-	-	-	-	4.246.820	(48.881.770)	-	(44.634.950)
Total comprehensive income	-	-	-	(2.181.758)	(404.705)	(4.673)	238.709	-	-	59.689.181	57.336.754
- Profit for the year	-	-	-	-	-	-	-	-	-	59.689.181	59.689.181
- Other comprehensive income / (expense)	-	-	-	(2.181.758)	(404.705)	(4.673)	238.709	-	-	-	(2.352.427)
31 December 2016	**43.335.000**	**37.059.553**	**102.954.215**	**(7.190.723)**	**5.323.751**	**106.316**	**12.389.879**	**34.802.135**	**130.463.628**	**59.689.181**	**418.932.935**
1 January 2017	**43.335.000**	**37.059.553**	**102.954.215**	**(7.190.723)**	**5.323.751**	**106.316**	**12.389.879**	**34.802.135**	**130.463.628**	**59.689.181**	**418.932.935**
Transfers	-	-	(2.566.355)	-	(402.567)	-	-	-	62.658.103	(59.689.181)	-
Dividend (Note 5.ii.m)	-	-	-	-	-	-	-	4.390.160	(50.458.502)	-	(46.068.342)
Total comprehensive income	-	-	62.078.077	(864.266)	5.851.512	(43.145)	2.293.314	-	-	59.312.096	128.627.588
- Profit for the year	-	-	-	-	-	-	-	-	-	59.312.096	59.312.096
- Other comprehensive income / (expense)	-	-	62.078.077	(864.266)	5.851.512	(43.145)	2.293.314	-	-	-	69.315.492
31 December 2017	**43.335.000**	**37.059.553**	**162.465.937**	**(8.054.989)**	**10.772.696**	**63.171**	**14.683.193**	**39.192.295**	**142.663.229**	**59.312.096**	**501.492.181**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF CASH FLOWS
FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Note Reference	1 January - 31 December 2017	1 January - 31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES:		**66.952.471**	**36.400.710**
Profit (Loss) for the year		**59.312.096**	**59.689.181**
Profit (Loss) from Continuing Operations		**59.312.096**	**59.689.181**
Adjustments Related to Reconciliation of Net Profit for The Year:		**7.756.333**	**9.848.000**
Adjustments for tax expense	27	4.012.523	9.256.880
Adjustments for depreciation and amortisation expense	11,12	13.020.831	12.219.883
Adjustments for interest expense and interest gain		(1.240.529)	(404.187)
Adjustments for interest gain	22,23,25	(1.440.683)	(1.308.544)
Adjustments for interest expense	22,25	200.154	904.357
Adjustments for provisions		4.075.659	3.735.751
Adjustments for provisions related with employee benefits	21	3.920.615	3.735.751
Adjustments for other provisions		155.044	-
Adjustments for dividend (income) expense		(12.719)	(11.738)
Adjustments for undistributed profits of investments accounted for using equity method		(12.587.520)	(14.348.562)
Adjustments for undistributed profits of associates	3	(12.587.520)	(14.348.562)
Adjustments for fair value losses (gains)		912.718	(677.221)
Adjustments for fair value losses (gains) of biological assests or agricultural products	9	912.718	(677.221)
Adjustments for fair value loss (reversal)		(72.989)	36.874
Adjustments for decrease in fair value of inventories	3	(72.989)	36.874
Adjustments for fair value decrease (reversal) in receivables		-	-
Adjustments for losses (gains) arised from sale of fixed assets		(300.808)	337.652
Adjustments for losses (gains) arised from sale of tangible assets		(300.808)	337.652
Adjustments for unrealized foreign currency translation differences		(50.833)	(297.332)
Changes in Working Capital:		**12.763.097**	**(19.736.398)**
Adjustments related to (increase)/ decrease in trade receivables		5.473.452	(27.406.667)
Decrease (increase) in trade receivables from related parties	5	(604.243)	(27.854.568)
Decrease (increase) in trade receivables from non-related parties		6.077.695	447.901
Adjustments related to (increase)/ decrease in inventories		1.429.300	2.711.733
Adjustments related to (decrease)/increase in other receivables		157.519	(147.911)
Decrease (increase) in other receivables related with operations from non-related parties		157.519	(147.911)
Decrease (increase) in biological assets		(2.023.674)	(5.617.066)
Decrease (increase) in prepaid expenses		236.105	(56.423)
Adjustments for increase (decrease) in trade payable		8.025.743	9.443.468
Increase in trade payables to related parties	5	4.667.146	1.195.709
Increase (decrease) in trade payables to non-related parties		3.358.597	8.247.759
Increase (decrease) in payables related to employee benefits		422.497	852.340
Increase (decrease) in deferred income		154.533	(72.672)
Other adjustments for other increase (decrease) in working capital		(1.112.378)	556.800
Decrease (increase) in other assets related with operations		(70.495)	(79.219)
Increase (decrease) in other payables related with operations		(1.041.883)	636.019
Cash Flows from Operations		**79.831.526**	**49.800.783**
Payments related with provisions for employee benefits		(2.895.810)	(4.260.562)
Interest paid		(76.821)	(743.941)
Income taxes refund (paid)		(9.906.424)	(8.395.570)

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

STATEMENTS OF CASH FLOWS

FOR THE PERIODS BETWEEN 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Note Reference	1 January - 31 December 2017	1 January - 31 December 2016
CASH FLOWS FROM INVESTMENT ACTIVITIES		**(23.525.919)**	**5.482.632**
Interest received		1.440.683	1.308.544
Dividends received	5	6.271.960	10.367.358
Cash advances and loans made		(13.902.490)	-
Cash advances and loans made to related parties		(13.902.490)	-
Paybacks from cash advances and loans made		-	9.504.389
Paybacks from cash advances and loans made to related parties		-	9.504.389
Cash outflows due to purchase of fixed assets		(17.876.346)	(15.952.523)
Cash outflows due to purchase of tangible assets		(17.555.878)	(15.664.170)
Cash outflows due to purchase of intangible assets		(320.468)	(288.353)
Cash inflows from sales of fixed assets		540.274	254.864
Cash inflows from sales of tangible assets		540.274	254.864
CASH FLOWS FROM FINANCING ACTIVITIES		**(42.435.995)**	**(45.470.423)**
Cash inflows from financial borrowings		10.322.079	5.524.525
Cash inflows from loans		13.793.743	2.675.898
Cash inflows from other financial liabilities		(3.471.664)	2.848.627
Cash outflows from financial liabilities		(8.793.743)	(7.674.366)
Paybacks of borrowings		(8.793.743)	(7.674.366)
Dividends paid		(43.964.331)	(43.105.450)
Interest paid		-	(215.132)
Net Increase (Decrease) In Cash and Cash Equivalents Before Effect of Foreign Currency Translation Differences		**990.557**	**(3.587.081)**
EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		**15.298**	**25.487**
Net increase (decrease) in cash and cash equivalents		**1.005.855**	**(3.561.594)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**1.247.276**	**4.808.870**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**2.253.131**	**1.247.276**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2017

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Pınar Entegre Et ve Un Sanayii A.Ş. (the "Company") was established in 1985 and is engaged in production of meat and by-products of cattle, sheep, poultry and fish, frozen dough and packaged food. The Company sells its products under "Pınar" brand, which is one of the leading brands in food and beverages business in Turkey.

The Company is a member of Yaşar Group. Majority of the Company's sales in the domestic market amounting appoximately 74% (2016: 75%) are made to its investment-in-associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), and majority of the exports are made to Yaşar Dış Ticaret A.Ş. ("YDT"), which are both Yaşar Group companies (Note 5).

The Company is subject to the regulations of the Capital Market Board ("CMB") and 33% (31 December 2016: 33%) of its shares are quoted on the Borsa Istanbul ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 54% shares of the Company (31 December 2016: 54%) (Note 19).

The average number of personnel is 860 as of 31 December 2017 (31 December 2016: 908 personnel).

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

Akdeniz Mah. Şehit Fethi Bey Caddesi No: 120/101
Konak/ İzmir

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

The accompanying financial statements are prepared in accordance with Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to Article 5 of the Communiqué, financial statements are prepared in accordance with the Turkish Accounting Standards ("TAS") and its addendum and interpretations issued by Public Oversight Accounting and Auditing Standards Authority ("POAASA"). TAS contains Turkish Accounting Standards, Turkish Financial Reporting Standards ("TFRS") and its addendum and interpretations ("IFRIC").

The financial statements are presented in accordance with the "Announcement on TAS Taxonomy" issued by the POAASA on 2 June 2016 and the formats specified in the Financial Statement Examples and Usage Guidelines issued by CMB.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the Company have been prepared accordingly.

The Company maintains its books of accounts and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation, the Uniform Chart of Accounts issued by the Ministry of Finance and principles issued by CMB. Subsidiaries operating in foreign countries have prepared their financial statements in accordance with the laws and regulations of the countries in which they operate. These financial statements have been prepared under historical cost conventions except for financial assets, financial liabilities, land, buildings and land improvements, machinery and equipments which are carried at fair value. The financial statements are based on the statutory records, which are maintained under historical cost conventions, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with TAS/TFRS. The Company's functional and reporting currency is Turkish Lira ("TL").

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

2.2 Amendments in International Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2017 and are adopted by the Company:

- Amendments to TAS 7 "Statement of cash flows" on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments TAS 12, "Income Taxes"; effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- Annual improvements 2014-2016, effective from annual periods beginning on or after1 January 2017:

- TFRS 12, "Disclosure of interests in other entities"; regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017. This amendment clarifies that the disclosures requirement of TFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

b) Standards, amendments and interpretations applicable from 31 December 2017 are not listed as they are not related to the operations of the Company or do not have a material effect on the financial statements.

c) Standards, amendments and interpretations effective after 1 January 2018:

- TFRS 9 "Financial instruments", effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. TFRS 15, "Revenue from contracts with customers" is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to TFRS 15, "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH
PINAR ENTEGRE ET VE UN SANAYİİ A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2017

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

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

- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
    - TFRS 1,' First-time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
    - TAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- TFRSI 22,' Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This TFRSI addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
- Amendment to TFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39.
- Amendment to TAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using TFRS 9.

d) New and revised standards and interpretations issued by the IASB but not published by the POAASA:

- IFRS 10 and IAS 28 "Asset Sales or Contributions of Investor Entity to Associate or Joint Venture - Amendment"; The IASB has deferred the effective date of the amendments made in IFRS 10 and UIAS 28 in December 2015 for an indefinite period of time to be amended in accordance with the ongoing research project outputs on the equity method. However, it still permits early application.
- Annual Improvements - Period 2010-2012;
    - IFRS 13, "Fair Value Measurement"; Short-term trade receivables and payables with no interest rate on them, as explained in the Decision Reasons, can be shown in the invoice amount if the discount effect is insignificant. Changes will be applied immediately.

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

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

- IFRIC 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 37, not IAS 12 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority.

The company will determine the effects of these amendments above on the financial statements and will apply after effective date. The amendments do not have significant impact on the Company's financial statements. New standards, amendments and interpretations issued and effective as of 31 December 2017 have not been presented since they are not relevant to the operations of the company or have insignificant impact on the financial statements.

2.3 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 recognised 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.

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

2.4 Basis of Consolidation

The Company does not have any subsidiary to be consolidated in the financial statements. The investments-in-associates are accounted for using the equity method and are initially recognised at cost. 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 which not control. Unrealised gains on transactions between the Company has significant influence, but which not control. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Company's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves, such as fair value changes in available-for-sale financial assets, revaluation of property, plant and equipments, depreciation transfer and derecognition of such reserves, is recognised in statement of changes in equity and statement in comprehensive income. Dividends to be received or receivable from associates are accounted for as a reduction of the carrying amount of the investment.

Changes in ownership interests in subsidiaries without change of control or significant influence

Acquisitions of subsidiary acquisitions that do not result in the loss of significant activity or control gain are accounted for as goodwill in the value of the associate as the difference between the fair value of the associate's identifiable net assets and the fair value of the consideration paid for the asset as of the acquisition date.

The accounting policies of the investing entity accounted for using the equity method of accounting have been amended accordingly to ensure consistency with the accounting policies applied by the Company.

The equity method is not continued on the basis of the fact that the registered value of the investment in the associate is zero or the significant effect of the Group is terminated as long as the Group 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 2.7.6.

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

The table below sets out the associates and the proportion of ownership interest as of 31 December 2017 and 2016 (Note 3):

	Shareholding (%)	
	2017	**2016**
Investments-in-associates		
YBP	42,78	42,78
Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş. ("Çamlı Yem")	23,38	23,38
Pınar Foods GmbH ("Pınar Foods")	44,94	44,94
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	26,41	26,41

Foreign currency translation

i) Functional and reporting currency

The financial statements of the Company and each subsidiary are measured in terms of the currency in which the entity is located and the main currency in which the operations are carried out ("functional currency"). The financial statements have been prepared in Turkish Lira ("TL"), which is the functional currency of the Company.

ii) 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 recognised in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

iii) Translation of financial statements of foreign associate

Financial statements of Pınar Foods operating in Germany are prepared according to the legislation of the country in which it operates, and adjusted to the financial reporting standards issued by the TAS/TFRS. The assets and liabilities of foreign associate are translated into TL from the foreign exchange rates at the balance sheet date, and the statement of comprehensive income items of foreign associate are translated into TRY at the average foreign exchange rates in the period. As of 31 December 2017, the equivalent of EUR1 is TL4,5155 (31 December 2016: TL3,7099) and for the year then ended, the average equivalent of EUR1 is TL4,1180 (31 December 2016: TL3,3413). 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 seperate component.

2.5 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented seperately 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.

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

2.6 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 2017 on a comparative basis with balance sheet at 31 December 2016; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2017 on a comparative basis with financial statements for the period of 1 January - 31 December 2016.

2.7 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of the financial statements are summarised below:

2.7.1 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after elimination sales within the Company. At each balance sheet date any expenditure incurred but not yet invoiced is estimated and accrued.

The Company recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement (Note 20).

Revenue is recognized as follows:

Sales of goods:

Sales of goods are recognized when the Company delivers or sells products to the customer, the customer accepts the products and collectability of the related receivables is reasonably assured. It is the Company's policy to sell its products to the customers with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Sales of services:

Sales of services are recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest Income:

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

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

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

Rental income- recognized evenly on an accrual basis.

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

2.7.2 Inventories

Raw materials of the Company mainly consist of meat and turkey meat as well as spices and animal fats, which are used in production of meat. Work in progress stocks mainly consists of processed turkey, cattle and sheep meat, finished goods consist of delicatessen, frozen and fresh meat product, other stocks mainly consists of spare parts.

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 purchase of material and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the monhtly weighted average basis (Note 8).

2.7.3 Biological Assets

Biological assets are livestock stocks made up of fattening dentists for the purpose of slaughtering (Note 9).

Biological assets are reflected in the financial statements taking into consideration the principles of TAS 41 "Agricultural Activities" standard. TAS 41 presents a hierarchical method of prioritizing measurement methods for the measurement of living entities. The basic principle used in the measurement of biological assets is the reflection of such assets to the financial statements over the fair values determined using unit price included in live animal purchase offers.

Changes in the fair value of biological assets are reflected in the income statement as "changes in fair value of biological assets".

2.7.4 Property, plant and equipment

Property, plant and equipment except for land, land improvements and buildings and machinery and equipment acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any. Land, land improvements and buildings and machinery and equipment are stated at fair value less accumulated depreciation, based on valuations by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş. as of 31 December 2017 (Note 11). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount s the revalued amount of the asset.

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

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

Property, plant 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. Residual values of property, plant and equipment are deemed as negligible.

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

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 11). Land is not depreciated as it is deemed to have an indefinite life.

Approximate useful lives of property, plant and equipment are as follows:

	Years
Buildings and land improvements	5-30
Machinery and equipments	5-20
Furniture and fixtures	5-10
Motor vehicles	5

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying value recognised as seperate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, plant and equipment are reviewed for impairment losses, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, property plant and equipment assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use. If the property, plant and equipments that are impaired, are revalued, the impairment is charged to the revaluation reserves to the extent that the amount offsetting previous increases of the same asset charged in the revaluation reserves and all other decreases are recognised in the statement of comprehensive income.

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.The Company derecognizes the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Major overhauls are depreciated over shorter of their useful lives or the remaining useful life of the related assets. Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and 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.

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

2.7.5 Intangible assets

Intangible assets have finite useful lives and mainly comprise acquired rights and information processing software. Intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition (Note 12). Costs associated with maintaining computer software programs are recognized as an expense when incurred. Gain or losses on disposals or on impairments of intangible assets with respect to their amounts are included in the related income and expense accounts. Residual values of intangible assets are deemed as negligible. Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

2.7.6 Impairment of assets

Impairment of financial assets:

- Assets carried at amortized cost

The Company assesses at the end of each reporting period whether there is objective evidence that a 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 other 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.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (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 a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the statement of comprehensive income.

- Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the statement of comprehensive income. On the other hand, if there is not a fair value change fund accounted for under equity, in order to change the fair value of available-for-sale financial assets, the permanent negative differences are related to the direct income statement. Impairment losses on equity instruments classified as available-for-sale financial assets reflected in the comprehensive income statement can not be reversed over the comprehensive 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 masured annually. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In the case of impairment according to TAS 39 'Financial instruments: Recognition and measurement', test with comparing recoverable and carrying amount of impaired assets if there is and impairment according to TAS 36. Goodwill, accounted in investment in associates, does not recognized separately on the financial statements, so is not necessary to perform "Impairment of Assets" according to TAS 36. In accordance with TAS 39 "Financial Instruments: Recognition and Measurement", if there is an indication of impairment in investment in associates, the carrying amount of the investments is tested in accordance with TAS 36, by comparing its recoverable amount (higher of value-in-use and fair value less cost to sell) with its carrying amount and any additional impairment loss is recognised, if any.

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

2.7.7 Borrowing and borrowing cost

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 25). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 14).

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2.7.8 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 masured annually. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.The Company does not have any financial asset - held to maturity or fair value changes accounted through statements of income or expenses.

i. Classification

- *Loans and receivables*

  Loans and receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. If the maturity of these instruments are less than 12 months, these loans and receivables are classified in current assets and if more than 12 months, classified in non-current assets. The loans and receivables consist of trade receivables, due from receivables and cash and cash equivalents in the balance sheet.

- *Available-for-sale investments*

  Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets, unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The company management classifies these financial assets properly with acquisition date and reviews regularly.

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

ii. Recognition and measurement

All financial assets other than those at fair value through profit or loss are initially recognized at fair value, including acquisition costs (transaction costs), and subsequently measured at fair value. Financial assets classified as available-for-sale financial assets with a controlling interest of less than 20% of the Company's share capital are accounted for at market prices in the financial statements if they are traded in the stock exchange and in the absence of an active market, by using generally accepted valuation methods. Available-for-sale financial assets that are not traded on a stock exchange and whose fair value can not be measured reliably because other methods used in the calculation of fair value are not feasible or feasible, and where the fair value can not be measured reliably are those items acquired before 1 January 2005 For the items acquired after 1 January 2005, at the acquisition cost, which is expressed in terms of the purchasing power of TL at 31 December 2004, less any impairment, if any. The Company recognizes the gains and losses on its available-for-sale financial assets that are not permanent (significant long-term and not significant), directly in equity until they are derecognized from the financial statements.

Fair value changes of securities classified as available-for-sale are calculated as the difference between the fair value at the balance sheet date and the amortized cost of those financial assets. When the Company is entitled to receive dividends from available-for-sale financial assets, dividend income from available-for-sale financial assets is recognized in the statement of comprehensive income by being accounted for under income from investment activities.

When available-for-sale financial assets are derecognised from the financial statements, the related gains or losses that are reported in equity are transferred to the statement of comprehensive income. Loans and receivables are accounted for at their discounted values using the effective interest rate method.

2.7.9 Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 28).

Companies can increase their share capital by making a pro-rata distribution of shares (“Bonus Shares”) to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

2.7.10 Subsequent events

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

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

2.7.11 Provisions, contingent liabilities and contingent assets

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities (Note 15). The Company does not recognize contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable.

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

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

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

2.7.12 Accounting policies, errors and change in accounting estimates

Material changes in accounting policies and accounting errors are applied on a retrospective basis as if a prior period error had never occurred or the policy had always been applied. The effect of changes in accounting estimate shall be recognised 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.

2.7.13 Related parties

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

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

2.7.14 Segment reporting

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

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

2.7.15 Leases

(1) The Company as the lessee

Finance Leases

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property net off any tax incentives received, if any, or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the lower of useful life or the lease period of the asset (Note 11).

Operating Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

2.7.16 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.The adjustments related to prior period tax liabilities are recognised in other operating expenses.

Deferred income tax income or expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised 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.

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

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 and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled as of the balance sheet date.

Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly (Note 27).

2.7.17 Statement of cash flow

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

2.7.18 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.

2.7.19 Government grants and incentives

Government incentives and grants are recognized at fair value if the Company has a reasonable assurance that the incentives will be received and the Company meets minimum requirements.

The Company provides government incentive in scope of Turquality Project to support brandization of products made in Turkey in foreign markets and to settle the image of Turkish goods and the incentive amount is presented in other income (Note 22).

2.7.20 Critical accounting estimates and judgements

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

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

a) Income taxes

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 records the tax liabilities incurred by the supplemental tax that is estimated to be paid as a result of tax events. The tax deductions that arise from the investment incentives the Company has and are likely to benefit in the coming periods are reflected in the financial statements as it is highly probable that such incentives will be utilized in the future. Where the ultimate tax consequences arising from these items differ from those initially recorded, these differences could affect income tax provision and deferred tax liabilities in the periods in which they are set (Note 27).

b) Fair value determination of available-for-sale financial assets

The generally accepted valuation techniques used in fair value determination of available-for-sale investments for which there is no quoted market price exists, consist of several assumptions, which are based on the management's best estimates and fair value available-for-sale investments could be different when the purchase/ sales of the transactions incurred (Note 31). If generally adopted valuation techniques are not used, it is assumed that fair value of the asset approximates the carrying value.

c) Fair value determination of biological assets

Biological assets consist of cattle held for slaughtering and such biological assets are reflected to the financial statements using the fair values determined by using certain assumptions, especially the live animal purchase offers, of the values carried in the financial statements.

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

Revaluations are performed with the sufficient regularity to ensure that the carrying amounts of the revalued property, plant and equipment do not differ materially from that which would be determined using fair value at the end of the reporting periods. The frequency of the revaluation depends upon the changes in the fair values of the items of property, plant and equipment. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required and revaluation is performed for entire class of revalued item simultaneously. Besides, for items of property, plant and equipment with only insignificant changes in fair value frequent revaluations and fair value measurements are considered unnecessary. Land, land improvements and buildings and machinery and equipment are stated at fair value less accumulated depreciation, based on valuations by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş. as of 31 December 2017 (Note 11).

As there were no recent similar buying/ selling transactions nearby, revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements and machinery and equipment were based on the method of cost approach and details of assumptions as summarized below;

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings, land improvements and machinery and equipment were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.

- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m^2 sale value was determined for lands subject to the valuation. The similar pieces of land found were compared in terms of location, accessibility, size, settlement status, changes in settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.

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

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

- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation (adding if there is any gain or loss eliminating depreciation). In the cost approach method, method of reference was used for determination of fair value of land which is component of buildings.

- Whenever a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment. Such machinery and equipment were reviewed and assessed by their line.

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

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

2.8 Compliance declaration to resolutions published by POAASA and TAS/TFRS

The Company's Management is responsible for the preparation and fair presentation of these financial statements in accordance with the TAS/TFRS published by the POAASA 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 TAS/TFRS published by the POAASA.

NOTE 3 - INTEREST IN OTHER ENTITIES

Investments-in-associates:

	31 December 2017		**31 December 2016**	
	TL	**(%)**	**TL**	**(%)**
YBP	112.476.294	42,78	110.524.681	42,78
Çamlı Yem	39.330.138	23,38	29.404.184	23,38
Desa Enerji	12.126.273	26,41	11.476.564	26,41
Pınar Foods	9.972.647	44,94	7.953.829	44,94
	173.905.352		**159.359.258**	

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NOTE 3 - INTEREST IN OTHER ENTITIES (Continued)

Movement in investments-in-associates during the years 2017 and 2016 are as follows:

	2017	2016
1 January	**159.359.258**	**155.569.186**
(Decrease) / increase in fair value reserves of investments-in-associates - net	528.100	(882.330)
Share of profit before taxation of investments-in-associates - net	12.587.520	14.348.562
Increase in revaluation reserve of investments-in-associates	6.389.089	-
Changes in cash flow hedge	-	19.853
Actuarial loss arising from defined benefit plans of investments-in associates-net	(537.577)	(404.705)
Dividend income from investments-in-associates (Note 5.ii.e)	(6.259.241)	(10.355.620)
Currency translation reserve	1.765.214	1.101.186
Elimination of net effect of unrealized profits on inventory	72.989	(36.874)
31 December	**173.905.352**	**159.359.258**

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

	Assets	Liabilities	Net profit	Net sales	Other Comprehensive Income/ (Expense)
31 December 2017					
- YBP	519.969.805	365.990.246	11.861.282	1.805.583.299	4.231.228
- Çamlı Yem	432.380.177	264.156.219	27.781.347	449.694.831	13.965.455
- Desa Enerji	54.259.637	8.346.540	2.894.294	53.102.539	4.272.192
- Pınar Foods	22.536.552	345.526	564.317	63.683.911	3.927.631
31 December 2016					
- YBP	454.542.466	304.953.442	17.817.119	1.633.551.020	(2.595.831)
- Çamlı Yem	341.885.833	216.117.043	18.229.852	405.531.331	(653.745)
- Desa Enerji	50.694.926	7.241.666	6.240.801	50.217.035	-
- Pınar Foods	18.540.603	841.827	1.815.896	55.556.297	2.450.156

Details of significant investment-in-associates of the Company as of 31 December 2017 and 2016 are as follows:

Associates	Nature of business	Business location
- YBP	Marketing and distribution	Turkey
- Çamlı Yem	Livestock and feed production	Turkey
- Desa Enerji	Energy production	Turkey
- Pınar Foods	Marketing and distribution	Germany

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

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash in hand	20.428	31.729
Banks	1.062.149	405.172
- Demand deposits	447.149	155.172
- Time deposits	615.000	250.000
Other	1.170.554	810.375
	2.253.131	**1.247.276**

As of 31 December 2017 time deposits amounting to TL615.000 (31 December 2016: TL250.000) mature less than one month and bear the effective weighted average interest rates of 14,40% per annum ("p.a.") (31 December 2016: 7,25% p.a.).

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.

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 2017 and 2016 are as follows:

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

a) **Trade receivables from related parties-current:**

	31 December 2017	31 December 2016
YBP	78.315.988	76.513.164
YDT	3.417.407	4.368.081
Other	51.775	27
	81.785.170	**80.881.272**
Less: Unearned finance income	(842.732)	(613.873)
	80.942.438	**80.267.399**

The effective weighted average interest rate on short-term trade receivable from related parties is 13,78% p.a. as of 31 December 2017, (31 December 2016: 9,02%) and mature within two months (31 December 2016: two months).

As of 31 December 2017, total of overdue trade receivables from related parties over which no provision for impairment is provided is amounting to TL651.658 (31 December 2016: TL1.986.507) and aging is shown in Note 32.a.

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

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

b) Non-trade receivables from related parties - current:

	31 December 2017	31 December 2016
Yaşar Holding	13.903.911	-
Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("Dyo Boya")	21.284	22.705
	13.925.195	**22.705**

As of 31 December 2017, the Company has non-trade receivables amounting to TL13.903.911 from Yaşar Holding with an effective interest rate of 15% and 3,90% for TL and USD denominated receivables, respectively.

c) Trade payables to related parties - current:

Çamlı Yem	16.601.203	12.057.751
Yaşar Holding	1.700.556	1.721.244
Yadex Export-Import und Spedition GmbH ("Yadex")	836.496	647.103
Hedef Ziraat Tic. ve San. A.Ş. ("Hedef Ziraat")	244.522	391.642
Other	424.499	111.563
	19.807.276	**14.929.303**
Less: Unincurred finance cost	(152.700)	(86.750)
	19.654.576	**14.842.553**

Trade payables to Çamlı Yem mainly consist of purchases turkey and fresh fish.

As of 31 December 2017, the effective weighted average interest rate applied to those payables is 14,75% (31 December 2016: 9,02%) and mature within 2 months (31 December 2016: 2 months).

d) Other short-term payables to related parties:

Other short-term payables to related parties consist of the Board of Directors' appropriation amounting to TL 2.300.000, TL 2.600.000 and TL 257.011, respectively, to be paid in respect of the decision taken at the Ordinary General Assembly Meetings held on 30 March 2017, 29 March 2016 and 25 March 2015 (31 December 2016: Other short-term payables to related parties consist of the Board of Directors' appropriation amounting to TL 2.600.000 and TL 453.000, respectively, to be paid in respect of the decision taken at the Ordinary General Assembly Meetings held on 29 March 2016 and 25 March 2015).

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

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

ii) ***Transactions with related parties:***

a) Product sales:

	1 January - 31 December 2017	1 January - 31 December 2016
YBP	482.176.254	480.253.917
YDT	25.281.524	20.917.632
Çamlı Yem	2.774.563	4.968.025
Other	71.805	9.194
	510.304.146	**506.148.768**

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

b) Service sales:

YDT	959.577	673.694
Çamlı Yem	378.016	329.482
YBP	258.192	91.534
Pınar Süt	169.555	157.631
Other	59.586	135.950
	1.824.926	**1.388.291**

c) Income from financing activities:

Yaşar Holding	1.808.713	1.530.263
Other	15.697	66.228
	1.824.410	**1.596.491**

The majority of finance income consists of bail commission charges amounting to TL 1.824.410 (31 December 2016: TL 1.596.491), for the borrowings obtained by Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company (Note 25.i). The commission rates of bail and financing used in the associated intercompany charges is 0,50% p.a. (31 December 2016: 0,50 % p.a.).

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

d) Income from investment activities:

	1 January - 31 December 2017	1 January - 31 December 2016
Dyo Boya	24.095	28.973
Pınar Süt	-	804.581
Other	-	840
	24.095	**834.394**

Income from investment activites consist of interest and delay interest income that are related to non-trade receivables of the Company.

e) Dividends received:

YBP (*)	5.015.920	10.355.620
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")(*)	1.243.321	-
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	12.719	11.738
	6.271.960	**10.367.358**

(*) Subsidiary (Note 3).

f) Other incomes from related parties:

YDT	786.546	709.892
YBP	590.259	542.600
Çamlı Yem	195.351	164.695
Other	30.752	4.252
	1.602.908	**1.421.439**

Other incomes are related to foreign exchange gain from YDT, rent income of cars and building from YBP and Çamlı Yem.

g) Product purchases:

Çamlı Yem	106.105.141	90.746.237
Hedef Ziraat	4.900.558	2.599.685
Yadex	4.691.408	3.075.259
Pınar Süt	702.596	669.498
Other	54.715	36.943
	116.454.418	**97.127.622**

The product purchases performed from Çamlı Yem are mainly related to turkey and fish.

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

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

h) Service purchases:

	1 January - 31 December 2017	1 January - 31 December 2016
Yaşar Holding	8.414.751	8.165.941
YDT	2.272.778	924.969
YBP	2.039.495	1.833.249
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yabim")	1.016.879	950.162
Bintur	239.751	198.735
Other	1.889.310	1.016.625
	15.872.964	**13.089.681**

Service purchases from YBP are related to promotion and advertisement. Service purchases from Yaşar Holding are related to sundry and consultancy services. Service purchases from Yabim are related to IT services. Service purchases from YDT include expenses for export costs and commission services.

i) Purchases of property, plant and equipment and intangible assets:

YBP	241.930	134.554
Yaşar Holding	22.275	169.538
Pınar Süt	19.269	-
Çamlı Yem	10.016	56.587
	293.490	**360.679**

j) Other operating expenses:

Yadex	69.354	-
Yaşar Holding	39.982	48.267
Çamlı Yem	-	676.870
Other	13.114	18.805
	122.450	**743.942**

Other operating expenses of the Company consist of interest expense on term sales and interest expense related with operating activities.

k) Financial expenses from related parties

YBP	1.875	7.500
	1.875	**7.500**

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

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

l) Other expenses from related parties:

	1 January - 31 December 2017	1 January - 31 December 2016
Çamlı Yem	221.000	122.784
YDT	199.328	60.216
YBP	116.650	172.500
Other	98.040	99.817
	635.018	**455.317**

m) Dividends to related parties (*):

Yaşar Holding	23.711.664	22.772.588
Pınar Süt	5.506.270	5.288.200
Other	2.300.000	2.600.000
	31.517.934	**30.660.788**

(*) In the Ordinary General Assembly Meeting for the year 2017 as of 30 March 2017, it has been decided to distribute dividend amounting to TL 46.068.342 (31 December 2016: TL 44.634.950). TL 14.550.408 portion of this dividend (31 December 2016: TL 13.974.162) was paid to other shareholders.

n) Donations:

Yaşar Eğitim Vakfı	261.350	581.575
Yaşar Üniversitesi	-	200.000
	261.350	**781.575**

o) Key management compensation:

Key management includes, members of board of directors, general manager and directors. The compensation paid or payable to key management are shown below:

Total short-term employee benefits	5.226.621	6.125.241
Post-employment benefits	144.891	126.489
Other long-term benefits	71.762	88.166
	5.443.274	**6.339.896**

The portion of total short-term benefits amounting to TL 2.300.000 (31 December 2016: TL 2.600.000) consists of Board of Directors appropriation according to the decision taken at the Ordinary General Assembly.

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

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

p) Bails given to related parties:

As of 31 December 2017 Pınar Et, Pınar Süt, YBP, Çamlı Yem and DYO Boya have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets at 6 November 2014, amounting to USD250.000.000 equivalent of TL942.975.000 (31 December 2016: USD250.000.000 equivalent of TL879.800.000) due on 6 May 2020. An "Indemnity Agreement" was signed between Yaşar Holding and the abovementioned guarantors on 3 November 2014, which states that in an occurrence of an event where a guarantor makes a payment related with the guarantee provided; Yaşar Holding will indemnify the paying guarantor. If Yaşar Holding fails to indemnify the paying guarantor, each of the guarantors will indemnify the paying guarantor by 1/5 of the payment amount.

As of 31 December 2016, the Company jointly guarantees the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR11.111.111, equivalent of TL41.221.111 (Note 15). As of 31 December 2017 there is no guarantee amount for the Company.

NOTE 6 - TRADE RECEIVABLES AND PAYABLES

a) Short-term trade receivables:

	31 December 2017	31 December 2016
Customer current accounts	13.460.570	17.726.458
Cheques and notes receivable	2.004.079	3.433.908
	15.464.649	**21.160.366**
Less: Provision for impairment of receivables	(339.779)	(339.779)
Unearned finance income	(154.864)	(112.905)
	14.970.006	**20.707.682**

The effective weighted average interest rate on TL denominated trade receivable is 12.27% as of 31 December 2017 (31 December 2016: 9,24%) maturing within two months (31 December 2016: within two months).

The agings of trade receivables as of 31 December 2017 and 2016 are as follows:

Overdue	1.414.022	2.349.838
0 - 30 days	4.948.971	10.663.610
31 - 60 days	6.921.337	6.549.737
61 - 90 days	1.552.242	1.044.497
91 days and over	133.434	100.000
	14.970.006	**20.707.682**

As of 31 December 2017, trade receivables of TL 1.414.022 (31 December 2016: TL 2.349.838), over which no provision for impairment is provided, were past due. The Company Management does not expect any collection risk regarding those receivables based on its past experience (Note 32.a).

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

NOTE 6 - TRADE RECEIVABLES AND PAYABLES (Continued)

The aging of overdue receivables as of 31 December 2017 and 2016 are as follows:

	31 December 2017	31 December 2016
0 - 30 days	1.396.759	2.338.041
30 days and over	17.263	11.797
	1.414.022	**2.349.838**

b) Short-term trade payables:

Supplier current accounts	73.776.476	68.974.335
Cheques	-	1.035.180
	73.776.476	**70.009.515**
Less: Unincurred finance cost	(588.449)	(410.493)
	73.188.027	**69.599.022**

As of 31 December 2017, the effective weighted average interest rate on TL denominated trade payable is 9,75% p.a. (31 December 2016: 9,30% p.a). Trade payables mature within one month (31 December 2016: one month).

NOTE 7 - OTHER RECEIVABLES AND PAYABLES

a) Short-term other payables:

	31 December 2017	31 December 2016
Taxes and funds payable	1.517.836	2.461.349
Other	51.881	145.830
	1.569.717	**2.607.179**

NOTE 8 - INVENTORIES

	31 December 2017	31 December 2016
Raw materials	9.607.122	9.897.424
Raw materials in transit	2.381.119	2.079.849
Work in progress	13.667.826	16.691.467
Finished goods	15.274.563	12.007.068
Spare parts	3.561.129	5.325.000
Other	788.091	708.342
	45.279.850	**46.709.150**

The costs of inventories recognised as expense and included in cost of sales amounted to TL 466.020.603 (31 December 2016: TL453.071.052) (Note 17). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell.

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

NOTE 9 - BIOLOGICAL ASSETS

	31 December 2017	31 December 2016
Cattle	14.116.600	13.005.644
	14.116.600	**13.005.644**

The Company raises of livestock comprising calf for slaughter. As of 31 December 2017, there are total of 2.303 units (31 December 2016: 2.479 units).

The movement of biological assets during the year is as follows:

	2017	2016
Beginning of the period (1 January)	**13.005.644**	**6.711.357**
Increase due to production and purchases	34.012.573	17.903.983
Sales and mortality during the year	(31.988.899)	(12.286.917)
Gain arising from changes in fair value less estimated point-of-sale costs-net	(235.497)	677.221
Current year realization of previous year fair value differences through current year sales	(677.221)	-
Period end (31 December)	**14.116.600**	**13.005.644**

NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

a) Short-term prepaid expenses

	31 December 2017	31 December 2016
Prepaid expenses	1.491.689	1.266.893
Advances given	419.700	1.030.992
	1.911.389	**2.297.885**

b) Long-term prepaid expenses

Advances given	298.129	147.738
	298.129	**147.738**

c) Deferred income

Advances received	178.224	23.691
	178.224	**23.691**

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment and accumulated depreciation between 1 January and 31 December 2017 were as follows:

	1 January 2017	Additions	Disposals	Transfers	Net off Accumulated Depreciation Before Revaluation	Increase in Revaluation	31 December 2017
Cost/ revaluation:							
Land	85.109.400	-	-	-	-	59.690.600	144.800.000
Buildings and land improvements	63.703.887	1.239.166	(212.047)	789.858	(3.817.099)	1.646.740	63.350.505
Machinery and equipment	68.518.635	10.996.207	(171.171)	-	(13.223.884)	13.037.530	79.157.317
Furniture and fixtures	40.516.880	1.987.527	(736.491)	663.518	-	-	42.431.434
Motor vehicles	2.960.628	26.386	(559.702)	-	-	-	2.427.312
Construction in progress	-	3.306.592	-	(1.453.376)	-	-	1.853.216
	260.809.430	**17.555.878**	**(1.679.411)**	**-**	**(17.040.983)**	**74.374.870**	**334.019.784**
Accumulated depreciation:							
Buildings and land improvements	(1.861.029)	(1.992.234)	36.164	-	3.817.099	-	-
Machinery and equipment	(5.437.121)	(7.922.134)	135.371	-	13.223.884	-	-
Furniture and fixtures	(29.623.896)	(2.752.615)	735.108	-	-	-	(31.641.403)
Motor vehicles	(2.107.692)	(181.521)	533.302	-	-	-	(1.755.911)
	(39.029.738)	**(12.848.504)**	**1.439.945**	**-**	**17.040.983**	**-**	**(33.397.314)**
Net book value	**221.779.692**						**300.622.470**

As of 31 December 2017, additions to land, buildings and land improvements and machinery and equipment mainly consist of plant investments and machineries purchased for modernization.

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

DİPNOT 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment and accumulated depreciation between 1 January and 31 December 2016 were as follows:

	1 January 2016	**Additions**	**Disposals**	**Transfers**	**31 December 2016**
Cost or valuation:					
Land	85.109.400	-	-	-	85.109.400
Buildings and land improvements	60.116.734	2.665.066	-	922.087	63.703.887
Machinery and equipment	61.992.519	9.054.867	(2.560.082)	31.331	68.518.635
Furniture and fixtures	39.674.604	2.440.884	(1.669.608)	71.000	40.516.880
Motor vehicles	2.385.171	575.457	-	-	2.960.628
Construction in progress	96.522	927.896	-	(1.024.418)	-
	249.374.950	**15.664.170**	**(4.229.690)**	**-**	**260.809.430**
Accumulated depreciation:					
Buildings and land improvements	-	(1.861.029)	-	-	(1.861.029)
Machinery and equipment	-	(7.412.853)	1.975.732	-	(5.437.121)
Furniture and fixtures	(28.648.973)	(2.636.365)	1.661.442	-	(29.623.896)
Motor vehicles	(2.009.621)	(98.071)	-	-	(2.107.692)
	(30.658.594)	**(12.008.318)**	**3.637.174**	**-**	**(39.029.738)**
Net book value	**218.716.356**			**-**	**221.779.692**

As of 31 December 2016, additions to land, buildings and land improvements and machinery and equipment mainly consist of warehouse investments and machineries purchased for modernization.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current year's depreciation and amortisation charges were allocated to cost of goods sold by TL9.212.725 (2016: TL8.279.094), to the cost of inventories by TL619.075 (2016: TL508.137), to general administrative expenses by TL943.001 (2016: TL1.020.676) (Note 21.b), to selling and marketing expenses by TL2.195.792 (2016: TL2.287.703) (Note 21.a), to research and development expenses by TL50.238 (2016: TL124.273) (Note 21.c).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipments as of 31 December 2017 and 2016 were as follows:

1 January 2016	**106.242.496**
Depreciation transfer due to revaluation increase classified in retained earnings	(3.727.015)
Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings	745.398
Revaluation fund decrease due to sale of property, plant and equipment - net	(306.664)
31 December 2016	**102.954.215**
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements, machinery and equipments - net	65.468.956
Change in tax rates	(3.390.880)
Depreciation transfer due to revaluation increase classified in retained earnings	(3.146.064)
Deferred tax calculated on the depreciation of the revaluation fund classified in retained earnings	629.213
Revaluation fund decrease due to sale of property, plant and equipment - net	(49.503)
31 December 2017	**162.465.937**

The carrying amounts of each class of property, plant and equipments that would have been recognised if the assets have been carried under the cost model at 31 December 2017 and 2016, are as follows:

31 December 2017:	**Land**	**Land improvements and buildings**	**Machinery and equipment**
Cost	16.926.447	49.274.142	148.412.722
Less: Accumulated depreciation	-	(17.719.902)	(97.725.987)
Net book value	**16.926.447**	**31.554.240**	**50.686.735**
31 December 2016:			
Cost	16.926.447	47.457.165	137.587.684
Less: Accumulated depreciation	-	(16.635.747)	(92.213.373)
Net book value	**16.926.447**	**30.821.418**	**45.374.311**

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

NOTE 12 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the years ended 31 December 2017 and 2016 were as follows:

	1 January 2017 Opening	Additions	31 December 2017 Closing
Costs:			
Rights	18.263.590	320.468	18.584.058
Accumualated amortisation	(17.924.066)	(172.326)	(18.096.392)
Net book value	**339.524**		**487.666**

	1 January 2016 Opening	Additions	31 December 2016 Closing
Costs:			
Rights	17.975.237	288.353	18.263.590
Accumualated amortisation	(17.712.501)	(211.565)	(17.924.066)
Net book value	**262.736**		**339.524**

NOTE 13 - GOVERNMENT GRANTS AND INCENTIVES

There are government incentives provided by Undersecretariat of Foreign Trade to the Company in the scope of Turquality project applied for support brandization of products made in Turkey in foreign markets and settle the image of Turkish goods. In the respect of the World Trade Organization Agriculture Agreement, incentive which is related with agricultural products are sold in foreign markets was given with the Minister of Council decision. In 2017, the Company recognized the government grant amounting to TL161.998 (31 December 2016: TL185.202) which was presented in other income.

The Company has various investment incentive certificates obtained in different dates and the Company utilizes these investment incentive certificates according to current legislation (Note 27).

NOTE 14 - BORROWINGS AND BORROWING COSTS

Short-term Borrowings From Third Parties:

a) Borrowings:

	31 December 2017	31 December 2016
Short-term borrowings		
- TL borrowings (*)	5.123.333	-
	5.123.333	**-**

(*) As of 31 December 2017, short-term borrowings consist of agricultural credits with an annual average interest rate of 4% (31 December 2016: None).

As of 31 December 2017, fair value of borrowings approximates to carrying amount.

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

NOTE 14 - BORROWINGS AND BORROWING COSTS (Continued)

b) Other financial liabilities:

	31 December 2017	31 December 2016
Other financial liabilities	522.480	3.994.144
	522.480	**3.994.144**

As of 31 December 2017 and 2016, other financial liabilities consist of credit card debt.

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

a) Short-term provisions:

	31 December 2017	31 December 2016
Provision for litigations	53.200	53.200
	53.200	**53.200**

b) Guarantees given:

Bails	942.975.000	921.021.111
Letters of guarantee	4.987.884	2.450.750
	947.962.884	**923.471.861**

As of 31 December 2017 Pınar Et, Pınar Süt, YBP, Çamlı Yem and DYO Boya have provided joint and several guarantee to Yaşar Holding; for its Eurobond issued in international markets at 6 November 2014, amounting to USD250.000.000 equivalent of TL942.975.000 (31 December 2016: USD250,000,000 equivalent of TL879.800.000) due on 6 May 2020. An "Indemnity Agreement" was signed between Yaşar Holding and the abovementioned guarantors on 3 November 2014, which states that in an occurrence of an event where a guarantor makes a payment related with the guarantee provided; Yaşar Holding will indemnify the paying guarantor. If Yaşar Holding fails to indemnify the paying guarantor, each of the guarantors will indemnify the paying guarantor by 1/5 of the payment amount.

As of 31 December 2016, the Company jointly guarantees the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR11.111.111, equivalent of TL41.221.111. As of 31 December 2017 there is no given guarantee amount.

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

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2017 and 2016 were as follows:

	31 December 2017			**31 December 2016**		
	Currency	**Amount**	**TL Equivalent**	**Currency**	**Amount**	**TL Equivalent**
CPM provided by the Company:						
A. Total amount of CPM given for the Company's own legal personality	TL	4.987.884	4.987.884	TL	2.450.750	2.450.750
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			**942.975.000**			**921.021.111**
i. Total amount of CPM given to on behalf of the majority shareholder			**942.975.000**			**879.800.000**
	USD	250.000.000	942.975.000	*USD*	*250.000.000*	879.800.000
ii. Total amount of CPM given to on behalf of other Group companies which are not in scope of B and C			-			**41.221.111**
		-	-	*EUR*	*11.111.111*	*41.221.111*
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
TOTAL			**947.962.884**			**923.471.861**
The ratio of total amount of other CPM to Equity			188%			220%

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NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

c) Guarantees received

	31 December 2017			31 December 2016		
	Currency	**Amount**	**TL Equivalent**	**Currency**	**Amount**	**TL Equivalent**
Mortgages	TL	20.000	20.000	TL	20.000	20.000
Letters of guarantee	TL	11.530.250	11.530.250	TL	6.642.000	6.642.000
	EUR	163.150	736.704	EUR	264.250	980.341
	USD	-	-	USD	12.650	44.518
Guarantee notes and cheques	TL	190.000	190.000	TL	315.000	315.000
	USD	50.000	188.595	USD	53.000	186.518
			12.665.549			**8.188.377**

The Company does not have any guarantees received from related parties as of 31 December 2017 (31 Aralık 2016: None).

d) Contingent liabilities:

- As per the meetings with Kemalpaşa Municipality Development Directorate and Technical Works, the parcels with carrying value of TL97.492.946 in the financial statements dated 31 December 2017 are located where land, land improvements and buildings have been detected to be within the Organised Industrial Zone in the construction plan with a scale of 1/1000 dated 27 February 2008. The 1st Stage Construction Plan, prepared in compliance with the construction plans finalized on 7 July 2015, was announced between 8 September 2016 and 7 October 2016 with the Turkish Republic Izmir Governorship Board of Governors' decision no. 2016/32 dated 7 September 2016. After evaluating the requests and objections, the 1st stage construction plan application was re-announced between 30 December 2016 and 30 January 2017 with decision no. 2016/48 dated 28 December 2016. It was approved by the Turkish Republic Ministry of Science, Industry and Technology on 8 March 2016 and registered by the Kemalpaşa Deeds Registration office on 19 July 2017. The fair value of land, land improvements and buildings in Kemalpaşa increased by TL52.265.091 (Note 11).

NOTE 16 - EMPLOYMENT TERMINATION BENEFITS

a) Payable due to employee benefits

	31 December 2017	**31 December 2016**
Social security premiums payable	2.245.995	1.817.059
Payables to personel	31.588	38.027
	2.277.583	**1.855.086**

b) Short-term provisions due to employee benefits

Provision for seniority incentive bonus	458.943	351.848
Bonus provisions to top management	-	8.011
	458.943	**359.859**

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

NOTE 16 - EMPLOYMENT TERMINATION BENEFITS (Continued)

The movement of bonus provision to top management is as follows:

	2017	2016
1 January	**8.011**	**628.011**
Bonus payment	(8.011)	(620.000)
31 December	**-**	**8.011**

c) Long-term provisions due to employee benefits

Provision for employment termination benefits	19.998.855	17.885.707
Provision for seniority incentive bonus	648.257	600.308
	20.647.112	**18.486.015**

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 TL4.732,48 for each year of service as of 31 December 2017 (31 December 2016: TL4.297,21).

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 TL5.001,76 which is effective from 1 January 2018 (1 January 2017: TL4.426,16) 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:

	31 December 2017	31 December 2016
Discount rate (%)	4,50	3,95
Probability of retirement (%)	98,35	98,35

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

NOTE 16 - EMPLOYMENT TERMINATION BENEFITS (Continued)

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

	2017	2016
1 January	**17.885.707**	**15.226.680**
Interest costs	2.299.868	2.008.565
Actuarial losses	1.080.332	2.727.198
Paid during the year	(2.887.799)	(3.640.562)
Current service cost	1.620.747	1.563.826
31 December	**19.998.855**	**17.885.707**

The total of interest costs, actuarial losses and current service cost for the year is TL5.000.947 (31 December 2016: TL6.299.589). TL3.920.615 portion (31 December 2016: TL3.572.391) of this amount was included in general administrative expenses and TL1.080.332 (31 December 2016: TL2.727.198) portion was included in other comprehensive income.

NOTE 17 - EXPENSES BY NATURE

	1 January - 31 December 2017	1 January - 31 December 2016
Direct material costs	466.020.603	453.071.052
Staff costs	55.751.505	52.002.217
Outsourced services	18.061.885	16.109.420
Depreciation and amortisation	12.909.893	12.076.113
Utilities	11.665.231	11.276.582
Repair and maintenance	10.681.968	9.798.301
Advertisement	10.175.584	13.657.064
Consultancy charges	8.653.444	8.386.988
Employment termination benefits	3.920.615	3.572.391
Rent	1.666.809	1.674.163
Other	3.453.194	4.556.717
	602.960.731	**586.181.008**

NOTE 18 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2017	31 December 2016
Income accrual	280.288	227.560
Deferred VAT	17.767	-
	298.055	**227.560**

b) Other current liabilities:

Expense accrual	16.538	20.959
	16.538	**20.959**

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

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 authorised registered capital at 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Registered share capital (historical values)	100.000.000	100.000.000
Authorised registered share capital with a nominal value	43.335.000	43.335.000

The compositions of the Company's share capital at 31 December 2017 and 2016 were as follows:

	31 December 2017		31 December 2016	
Shareholders	**Share Amount (TL)**	**Share (%)**	**Share Amount (TL)**	**Share (%)**
Yaşar Holding (A,B)	23.476.895	54	23.476.895	54
Pınar Süt (A,B)	5.451.752	13	5.451.752	13
Public quotation (A,B)	14.406.353	33	14.406.353	33
Share Capital	**43.335.000**	**100**	**43.335.000**	**100**
Adjustment to share capital	37.059.553		37.059.553	
Total share capital	**80.394.553**		**80.394.553**	

Adjustment to share capital amounting to TL37.059.553 (31 December 2016: TL37.059.553) 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).

The companies registered in Turkey can exceed authorized registered share capital by way of increasing bonus shares from capital reserves, except for by cash, at once. However, capital increase by cash shall not exceed authorized registered share capital.

As at 31 December 2017, there are 4.333.500.000 (31 December 2016: 4.333.500.000) shares with 1 Kr each.

The Company's capital is composed of 1.500.000 units of A type bearer share and 4.332.000.000 units of B type bearer share, and the B type bearer shares are traded on ISE. The business and administration of the Company shall be carried out by a Board of Directors consisting of 5, 7 and 9 members to be elected by the General Assembly under the provisions of the Turkish Commercial Code and Capital Markets Board regulations. If the Board of Directors consists of 5 members, if it consists of 3 or 7 members, if it consists of 4 or 9 members, 5 members will be selected among the candidates to be shown by the shareholders of group "A" and among the candidates to be shown by shareholders "B" group. If the Board of Directors decides, the Managing Director / Members may be elected. However, the Chairman of the Board of Directors and the Managing Director / Members are selected among the members representing group "A".

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

The Board of Directors is authorized to issue shares above or below the privileged and nominal value to restrict new capital requirements in separate groups in accordance with the provisions of the Capital Markets Law and to restrict shareholders' rights to acquire new shares or to restrict the rights of privileged shareholders. At the end of the capital increases to be made from internal sources, bonus shares are given to existing shareholders in proportion to their shares.

Retained earnings and certain reserves according to the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below:

Under the Turkish Commercial Code, Turkish companies are required to set aside first and second level legal reserves out of their profits. According to the Turkish Commercial Code, the first legal reserve is appropriated as 5% of the statutory net profit up to 20% of the paid-up capital of the company. The second legal reserve is 10% of the distributed profit exceeding 5% of the paid-up capital. According to the Turkish Commercial Code, the legal reserves can only be used to offset losses, unless they exceed 50% of the paid capital, and it is not possible to use them any other way.

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with Turkish Financial Reporting Standards ("TFRS"). At 31 December 2017, the restricted reserves of the Company amount to TL39.192.295 (2016: TL34.802.135). The unrestricted reserves of the Company, amounting to TL90.277.810 (2016: TL81.047.137), is classified in the "Retained Earnings".

In accordance with the announcements of CMB "Share Capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences (e.g. the differences raises from 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 "Inflation 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".

Capital adjustments differences have no other use other than being transferred to share capital.

Companies distribute dividends in accordance with their dividend payment policies numbered II-19.1 settled by CMB on 1 February 2014.

Based on CMB Communiqué, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations. Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of their articles of association and their previously publicly declared profit distribution policies.

In line with Article 26 of the Company's Articles of Association, previous year losses, if any, are deducted from the net period profit and then overall legal reserve and the first dividend are allocated according to the Capital Markets Board legislation. Of the remaining portion, an amount up to 5% can be set aside as allocation provision for the members of board of directors and for other items which the board of directors will determine and deem necessary in line with the decision made by the General Assembly.

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

Unless allocation of legal reserves per TCC and dividends defined in the dividend policy of companies, it cannot be decided to allocate other reserves, to transfer the profit to the retained earnings, and to distribute dividend to members of board of directors, employees, redeemed shareholders and parties other than shareholders. Furthermore, payment of dividend in cash is another requirement for distributing dividend to members of board of directors, employees, redeemed shareholders and parties other than shareholders.

Dividend is distributed for shares available as of accounting period of all of them equally without regarding to the dates of issue and acquisition.

In accordance with the decision taken at the Ordinary General Assembly held on 30 March 2017, the Company has decided to distribute the distributable profit amounting to TL46.068.342 as dividend and board of directors' It was decided to pay the payments on 29 May 2017 in order to distribute dividends. In consideration of this profit distribution decision, the Company has allocated "Restricted Reserves" which is amounting to TL4.390.160 from the profit of year 2016. Since the general assembly for 2017 has not been made yet, no profit distribution decision has been taken.

NOTE 20 - REVENUE AND COST OF SALES

	1 January - 31 December 2017	1 January - 31 December 2016
Domestic sales	766.749.876	751.180.136
Export sales	25.281.524	20.294.350
Gross Sales	**792.031.400**	**771.474.486**
Less: Discounts	(128.147.723)	(121.422.021)
Returns	(14.317.536)	(12.532.495)
Net Sales	**649.566.141**	**637.519.970**
Change in fair value of biological assets	(235.497)	677.221
Cost of Sales	**(551.456.702)**	**(531.979.552)**
Gross Profit	**97.873.942**	**106.217.639**

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

a) Marketing expenses:

	1 January - 31 December 2017	1 January - 31 December 2016
Advertisement	10.175.584	13.657.064
Staff costs	4.492.575	4.187.538
Consultancy charges	3.366.995	3.310.837
Depreciation and amortisation	2.195.792	2.287.703
Outsourced services	1.975.471	2.118.378
Repair and maintenance	1.739.618	1.527.403
Utilities	1.500.165	1.445.715
Rent	502.150	424.780
Other	2.384.091	1.680.651
	28.332.441	**30.640.069**

b) General administrative expenses:

Staff costs	5.906.539	6.857.722
Consultancy charges	5.106.326	5.006.842
Employment termination benefits	3.920.615	3.572.391
Outsourced services	2.985.066	2.719.804
Depreciation and amortisation	943.001	1.020.676
Utilities	368.981	392.655
Taxes (except for corporate tax)	318.439	440.915
Repair and maintenance	84.328	151.246
Other	1.327.313	1.723.921
	20.960.608	**21.886.172**

c) Research and development expenses:

Staff costs	1.134.112	951.567
Outsourced services	191.522	124.705
Depreciation and amortisation	50.238	124.273
Other	835.108	474.670
	2.210.980	**1.675.215**

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NOTE 22 - OTHER OPERATING INCOME AND EXPENSE

a) Other operating income:

	1 January - 31 December 2017	1 January - 31 December 2016
Rent income	749.668	688.742
Foreign exchange gain	483.195	544.682
Income from sales of scrap	431.355	544.979
Unearned financial income	243.905	200.817
Other	472.764	248.482
	2.380.887	**2.227.702**

b) Other operating expense:

Foreign exchange loss	(490.518)	(12.166)
Unincurred financial expense	(270.818)	(134.252)
Donations	(266.670)	(803.265)
Interest expense on term purchases	(76.821)	(743.942)
Other	(191.453)	(347.386)
	(1.296.280)	**(2.041.011)**

NOTE 23 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

a) Income from investment activities:

	1 January - 31 December 2017	1 January - 31 December 2016
Income from sales of property, plant and equipment	301.341	160.601
Interest income calculated on other receivables from related parties	24.095	834.394
Other	39.782	11.738
	365.218	**1.006.733**

b) Expense from investment activities:

Loss from sales of property, plant and equipment	(533)	(498.253)
	(533)	**(498.253)**

NOTE 24 - EXPENSES CLASSIFIED

Please refer to Note 17.

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NOTE 25 - FINANCIAL INCOME AND EXPENSES

i. Financial Income:

	1 January - 31 December 2017	1 January - 31 December 2016
Bail income from related parties (Note 5.ii.c)	1.824.410	1.596.491
Interest income	1.360.231	443.926
Foreign exchange gain	187.871	239.520
	3.372.512	**2.279.937**

ii. Financial Expense:

Foreign exchange loss	(233.528)	(161.842)
Interest expense	(123.333)	(160.415)
Bank commission expense	(95.882)	(64.035)
Bail expense from related parties	(1.875)	(7.500)
	(454.618)	**(393.792)**

NOTE 26 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please refer to Comprehensive Income.

NOTE 27 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

As of 31 December 2017 and 2016, corporation taxes currently payable are as follows:

	31 December 2017	31 December 2016
Corporation taxes currently payable	6.971.852	8.731.395
Less: Prepaid corporate tax	(7.542.945)	(6.367.910)
Current income tax (assets)/ liabilities	**(571.093)**	**2.363.485**

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

Corporation tax is payable at a rate of 20% for 2017. (2016: 20%) 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.

NOTE 27 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Dividends paid ton on-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to witholding tax. Otherwise, dividends paid are subject to witholding tax at the rate of 15% (2016: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur witholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2016: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2016: 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 offseting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within 25 th of fourth month following the close of the financial year to which they relate.

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

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

Dividend income from shares in the capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) is 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 2018, 2019 and 2020 shall be 22% of the remaining 50%, and for 2021 and after 20% of the remaining 50%.

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

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

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

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NOTE 27 - 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 lenght 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 lenght 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 lenght principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised in a disguised manner through transfer pricing completely or partially, will be assessed as 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 taxplayer who distributes disguised profit. In order to make adjustments in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalised and paid.

The amount of disguised earnings will be will be finalized as the payment amount.

Taxation on income in the statement of comprehensive income for the years ended 31 December 2017 and 2016 are as follows:

	1 January - 31 December 2017	**1 January - 31 December 2016**
Current corporation tax expense	(6.971.852)	(8.731.395)
Deferred tax income/ (expense)	2.959.329	(525.485)
Total taxation on income	**(4.012.523)**	**(9.256.880)**

The reconciliation of tax expense is as follows:

Profit before tax	**63.324.619**	**68.946.061**
Tax calculated at tax rates applicable to the profit	(12.664.924)	(13.789.212)
Expenses not deductible for tax purpose	(412.693)	(222.774)
Income not subject to tax	88.834	157.335
Tax effect upon the results of investments-in-associates	2.517.504	2.869.712
Deferred tax assets are capitalized and used during the period	3.894.435	1.763.848
Additional deferred tax asset calculated on investment incentive	2.291.035	-
Other	273.286	(35.789)
Total taxation on income	**(4.012.523)**	**(9.256.880)**

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NOTE 27 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

Deferred income taxes

The company recognises 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.

Within the scope of the "Law on Amendments to Certain Tax Laws and Some Other Laws" numbered 7061, which was published in the Official Gazette dated 5 December 2017, the corporate tax rate for the years 2018, 2019 and 2020 was increased from 20% to 22%. In accordance with this Act entering into force, deferred tax assets and liabilities are calculated with a tax rate of 22% for those periods when assets are realized or liabilities are fulfilled. Realisations of temporary differences for 2021 and subsequent periods will be calculated at 20%.

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2017 and 2016 using the enacted tax rates at the balance sheet dates are as follows:

	Taxable cumulative temporary differences		Deferred income tax assets/ (liabilities)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Revaluation of property, plant and equipment	187.082.651	115.915.724	(24.633.046)	(12.961.509)
Difference between carrying values (excluding revaluation reserve) and tax bases of tangible and and intangible assets	17.381.028	14.737.860	(3.152.377)	(2.510.825)
Provision for employment termination benefits	(19.998.855)	(17.885.707)	3.999.771	3.577.141
Difference between carrying value and tax bases of avaliable-for-sale investments	(1.473.768)	(1.761.518)	294.754	352.304
Investment incentives (*)	(13.816.397)	(3.742.864)	3.039.607	748.573
Other	(2.113.039)	(110.359)	464.868	22.072
Deferred income tax assets			7.799.000	4.700.090
Deferred income tax liabilities			(27.785.423)	(15.472.334)
Deferred income tax liabilities-net			**(19.986.423)**	**(10.772.244)**

(*) The Company has investment incentive certificate relating with production line investment. As of 31 December 2017, based on the best estimate of the Company management, it is highly probable to utilize investment incentive amounted to TL3.039.607 (31 December 2016: TL748.573).

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NOTE 27 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

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

1 January 2016	**(10.793.366)**
Credited to statement of comprehensive income	(525.485)
Charged to actuarial loss arising from defined benefit plans	545.440
Charged to fair value reserve of avaliable for sale investments	1.167
31 December 2016	**(10.772.244)**
Credited to statement of comprehensive income	2.959.329
Charged to actuarial loss arising from defined benefit plans	216.067
Charged to fair value reserve of available for sale investments	(92.780)
Calculated on revaluation fund	(8.905.915)
Change in tax rates	(3.390.880)
31 December 2017	**(19.986.423)**

NOTE 28 - EARNINGS PER SHARE

		1 January - 31 December 2017	**1 January - 31 December 2016**
Profit for the period	A	59.312.096	59.689.181
Weighted number of 100 shares with a Kr1 face value (Note 19)	B	4.333.500.000	4.333.500.000
Earnings per share with a Kr1 face value	**A/B**	**1,3687**	**1,3774**

There are no differences between basic and diluted earnings per share. Since the General Assembly meeting of the year 2017 has not been performed yet, dividend distribution decision has not been taken.

NOTE 29 - EFFECTS OF CHANGES IN FOREIGN CURRENCY RATES

The foreign currency exposure of the Company is presented in Note 32.c.i.

NOTE 30 - REPORTING IN HYPERINFLATIONARY ECONOMIES

Please refer to Note 2.

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NOTE 31 - FINANCIAL INSTRUMENTS

Available for sale-investments:

	31 December 2017		**31 December 2016**	
	TL	**(%)**	**TL**	**(%)**
YDT	590.111	1,76	580.036	1,76
Bintur	136.500	1,33	96.941	1,33
	726.611		**676.977**	

YDT and Bintur were stated at their fair values which were determined based on one of the generally accepted valuation methods, based on discounted cash flows. As of 31 December 2017, nominal discounts and growth rates are used in the fair value calculations.

As of 31 December 2017 and 2016, the discount and growth rates used in discounted cash flow models are as follows:

	Discount Rate		**Growth Rate**	
	2017	**2016**	**2017**	**2016**
Bintur	%19,50	%19,00	%1	%1
YDT	%18,30	%17,80	%1	%1

Movements of available for sale investments in 2017 and 2016 are as follows:

	2017	**2016**
1 January	**676.977**	**682.817**
Fair value change- YDT	10.075	(1.003)
Fair value change- Bintur	39.559	(4.837)
31 December	**726.611**	**676.977**

Movements of fair value reserve of available-for-sale investments in 2017 and 2016 are as follows:

1 January	**106.316**	**110.989**
Change in fair value	49.635	(5.840)
Deferrred income tax effect on fair value reserve of avaliable for sale investments (Note 27)	(92.780)	1.167
31 December	**63.171**	**106.316**

NOTE 32 - 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, fair value interest rate risk), capital risk, credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredicatiblity 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 (especially arising from meat price fluctuations).

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 instutions, 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 neccessary provisions for impairment is recognised. 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 anaysis of the Company as of 31 December 2017 and 2016 are as follows:

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NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2017	**Receivables**				
	Trade Receivables (1)		**Other Receivables**		
	Related Parties	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**80.942.438**	**14.970.006**	**13.925.195**	**17.363**	**1.062.149**
- The part of maximum credit risk covered with guarantees	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	80.290.780	13.555.984	13.925.195	17.363	1.062.149
B. Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired	-	-	-	-	-
C. Net book value of assets past due but not impaired (3)	651.658	1.414.022	-	-	-
- The part covered by guarantees	-	-	-	-	-
D. Net book value of assets impaired					
- Past due amount (gross book value)	-	339.779	-	-	-
- Impairement amount (-)	-	(339.779)	-	-	-
- Colleteral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Colleteral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) The Company's receivables are mainly stemming from meat and by-products, frozen dough products and packaged food.

(2) In determining the related amounts, factors that increase the credit reliability such as the collateral received are not considered.

(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

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NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016	**Receivables**				
	Trade Receivables (1)		**Other Receivables**		
	Related Parties	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**80.267.399**	**20.707.682**	**22.705**	**174.882**	**405.172**
- The part of maximum credit risk covered with guarantees	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	78.280.892	18.357.844	22.705	174.882	405.172
B. Net book value of financial assets whose conditions are renegotiated , otherwise will be classified as past due or impaired	-	-	-	-	-
C. Net book value of assets past due but not impaired (3)	1.986.507	2.349.838	-	-	-
- The part covered by guarantees	-	-	-	-	-
D. Net book value of assets impaired					
- Past due amount (gross book value)	-	339.779	-	-	-
- Impairement amount (-)	-	(339.779)	-	-	-
- Colleteral held as security and guarantees received	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-
- Colleteral held as security and guarantees received	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-

(1) The Company's receivables are mainly stemming from meat and by-products, frozen dough products and packaged food.

(2) In determining the related amounts, factors that increase the credit reliability such as the collateral received are not considered.

(3) The Company management anticipates that it will not encounter any problems in the collection of related amounts, considering its past experience.

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NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2017	Receivables		
	Related Parties	Third Parties	Total
1 - 30 days overdue	432.689	1.396.759	1.829.448
1 - 3 months overdue	25.455	9.045	34.500
3 - 6 months overdue	149.244	8.218	157.462
6 - 12 months overdue	44.270	-	44.270
The part of credit risk covered with guarantees	-	-	-
	651.658	**1.414.022**	**2.065.680**

31 December 2016	Receivables		
	Related Parties	Third Parties	Total
1 - 30 days overdue	1.751.488	2.338.041	4.089.529
1 - 3 months overdue	230.275	11.797	242.072
3 - 6 months overdue	4.744	-	4.744
The part of credit risk covered with guarantees	-	-	-
	1.986.507	**2.349.838**	**4.336.345**

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, take actions to minimise the effect of delay in collections and arranges cash and non-cash credit lines from financial institutions in case of requirement.

The liquidity risk analysis of financial liability types as of 31 December 2017 and 2016 is as follows:

	31 December 2017				
	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					
Bank borrowing	5.123.333	5.218.795	-	5.218.795	-
Trade payables	92.842.603	93.583.752	91.282.203	2.301.549	-
Other payables and other financial liabilities	7.249.208	7.249.208	7.249.208	-	-
	105.215.144	**106.051.755**	**98.531.411**	**7.520.344**	**-**

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

NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2016				
	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					
Trade payables	84.441.575	84.938.818	84.938.818	-	-
Other payables and other financial liabilities	7.770.019	7.770.019	7.770.019	-	-
	92.211.594	**92.708.837**	**92.708.837**	**-**	**-**

c) Market risk:

i) Foreign exchange risk

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

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NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	Foreign Currency Position							
	31 December 2017				31 December 2016			
	TL Equivalent	USD	EUR	Other (TL Equivalent)	TL Equivalent	USD	EUR	Other (TL Equivalent)
1. Trade Recievables	2.900.101	666.463	85.543	-	3.740.998	346.524	616.602	233.979
2a. Monetary Financial Assets (Cash, Bank Accounts included)	401.953	104.979	1.325	-	21.675	3.318	2.695	-
2b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	104.140	9.074	15.483	-	93.482	13.307	12.575	-
4. Current Assets (1+2+3)	**3.406.194**	**780.516**	**102.351**	**-**	**3.856.155**	**363.149**	**631.872**	**233.979**
5. Trade Recievables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non- Current Assets (5+6+7)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**3.406.194**	**780.516**	**102.351**	**-**	**3.856.155**	**363.149**	**631.872**	**233.979**
10. Trade Payables	3.377.782	1.489	746.798	-	684.202	-	184.426	-
11. Financial Liabilities	-	-	-	-	-	-	-	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**3.377.782**	**1.489**	**746.798**	**-**	**684.202**	**-**	**184.426**	**-**
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (15+16)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
18. Total Liabilities (13+17)	**3.377.782**	**1.489**	**746.798**	**-**	**684.202**	**-**	**184.426**	**-**
19. Net Asset/ Liability Position of Off-Balance Sheet Derrivative Instruments (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19a. Amount of Hedged Aasset	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19b. Amount of Hedged Liability	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
20. Net Foreign Currency Asset (Liability)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Position (9-18+19)	**28.412**	**779.027**	**(644.447)**	**-**	**3.171.953**	**363.149**	**447.446**	**233.979**
21. Net Foreign Currency Asset (Liability) Position of Monetory Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(75.728)**	**769.953**	**(659.930)**	**-**	**3.078.471**	**349.842**	**434.871**	**233.979**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
23. Amount of Foreign Currency Denominated Assets Hedged	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
24. Amount of Foreign Currency Denominated Liabilities Hedged	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
25. Export	**25.281.524**	**4.417.610**	**1.289.560**	**4.764.231**	**20.294.350**	**2.447.266**	**2.847.157**	**4.065.911**
26. Import	**20.233.346**	**992.732**	**3.991.785**	**-**	**18.003.473**	**2.292.480**	**3.169.516**	**683.353**

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NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2017	Sensitivity Analysis for Foreign Currency Risk			
	Profit/ (Loss)		Equity	
	Appreciation of Foreign currency	Depreciation of Foreign currency	Appreciation of Foreign currency	Depreciation of Foreign currency
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	293.841	(293.841)	293.841	(293.841)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect Net (1+2)	**293.841**	**(293.841)**	**293.841**	**(293.841)**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	(291.000)	291.000	(291.000)	291.000
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect Net (4+5)	**(291.000)**	**291.000**	**(291.000)**	**291.000**
Change of other currencies by average 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	-	-	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**-**	**-**	**-**	**-**
TOTAL (3+6+9)	**2.841**	**(2.841)**	**2.841**	**(2.841)**

NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016	**Sensitivity Analysis for Foreign Currency Risk**			
	Profit/ (Loss)		**Equity**	
	Appreciation of Foreign currency	**Depreciation of Foreign currency**	**Appreciation of Foreign currency**	**Depreciation of Foreign currency**
Change of USD by 10% against TL:				
1- Asset/ Liability denominated in USD - net	127.799	(127.799)	127.799	(127.799)
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect Net (1+2)	**127.799**	**(127.799)**	**127.799**	**(127.799)**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR - net	165.998	(165.998)	165.998	(165.998)
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect Net (4+5)	**165.998**	**(165.998)**	**165.998**	**(165.998)**
Change of other currencies by average 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies - net	23.398	(23.398)	23.398	(23.398)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**23.398**	**(23.398)**	**23.398**	**(23.398)**
TOTAL (3+6+9)	**317.195**	**(317.195)**	**317.195**	**(317.195)**

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

NOTE 32 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

ii) Interest rate risk

The Company does not have financial instrument with variable interest rate as of 31 December 2017 and 2016.

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 unprocessed meat 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 unprocessed meat 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 are to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

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

	31 December 2017	31 December 2016
Financial liabilities (Note 14)	5.645.813	3.994.144
Less: Cash and cash equivalents (Note 4)	(2.253.131)	(1.247.276)
Net debt	**3.392.682**	**2.746.868**
Total equity	**501.492.181**	**418.932.935**
Net debt / equity ratio	**0,7%**	**0,7%**

The Company management regularly monitors the debt/ equity ratio. The Company Management regularly monitors the debt / equity ratio.

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Classification of financial assets

The Company's financial assets and liabilities classified as available-for-sale investments and loans and receivables. Cash and cash equivalents (Note 4), trade receivables (Note 6) and other receivables (Note 7) of the Company are classified as loans and receivables and measured at amortised cost using effective interest method. Available-for-sale investments are disclosed in Note 31. The Company's financial liabilities, classified as financial liabilities (Note 14), other financial liabilities and trade payables (Note 6) 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 aquoted 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, judgement is neccessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not neccessarily indicative of the amounts the Company could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments:

Financial assets

The fair value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value. The fair values of certain financial assets carried at costs, including cash and due from banks, receivables and other financial assets are considered to approximate their respective carrying values due to their short-term nature. Available-for-sale investments are carried at their fair values. The fair values of available-for-sale investments which do not have quoted market prices in active markets, are determined by using general accepted valuation techniques or stated at cost, less a provision for impairment, if any, by assuming the carrying values do not differ materially from their fair values.

Financial liabilities

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 carried at fair value, by valuation method. The different levels have been defined as follows:

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

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2017 and 2016.

31 December 2017

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	-	-	726.611	726.611
Total assets	**-**	**-**	**726.611**	**726.611**

31 December 2016

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	-	-	676.977	676.977
Total assets	**-**	**-**	**676.977**	**676.977**

(*) No transfers between Levels 1 and 2 during the years ended 31 December 2017 and 2016. For Level 3 Financial Instruments, please refer to Note 31.

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

NOTE 33 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

The following table presents the Company's non-financial assets that are measured fair value at 31 December 2017 and 2016;

31 December 2017

	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
Land	-	144.800.000	-	144.800.000
Buildings and land improvements	-	63.350.505	-	63.350.505
Machinery and equipment	-	79.157.317	-	79.157.317
Biological Assets:				
Biological Assets	-	14.116.600	-	14.116.600
Total Assets	**-**	**301.424.422**	**-**	**301.424.422**

31 December 2016

	Level 1	Level 2	Level 3	Total
Property, plant and equipment:				
Land	-	85.109.400	-	85.109.400
Buildings and land improvements	-	61.842.858	-	61.842.858
Machinery and equipment	-	63.081.514	-	63.081.514
Biological Assets:				
Biological Assets	-	13.005.644	-	13.005.644
Total Assets	**-**	**223.039.416**	**-**	**223.039.416**

NOTE 34 - SUBSEQUENT EVENTS

None (31 December 2016: None).

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INFORMATION FOR INVESTORS

Stock Exchange
Pınar Entegre Et ve Un Sanayii A.Ş. shares are traded at Borsa İstanbul Star Market under the ticker symbol PETUN.

Initial Public Offering Date: 03.02.1986

Ordinary General Assembly Meeting
As per the resolution by the Board of Directors of Pınar Entegre Et ve Un Sanayii A.Ş., the Company's Ordinary General Assembly Meeting will be held on March 30, 2018, Friday at 14:30 at Kemalpaşa Caddesi No: 317 Pınarbaşı/İzmir.

Profit Distribution Policy
The general profit distribution policy of Pınar Entegre Et ve Un Sanayii A.Ş. is publicly disclosed available at the investor relations page of the Company's corporate web site (www.pinar.com.tr) in Turkish and English.

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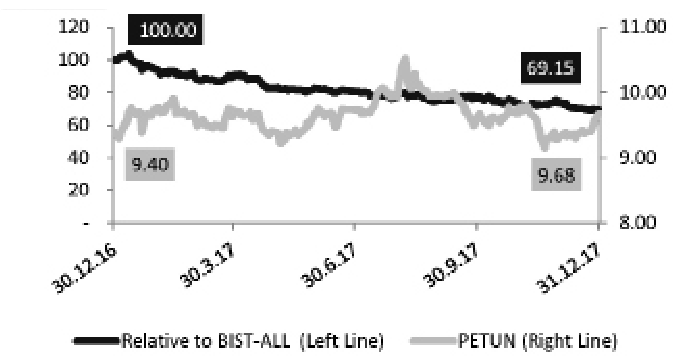
Pınar Et Share Performance (Compared to BIST ALL Index)



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