



# PINAR SU 2016 ANNUAL REPORT



**Yaşar**

for a better life

**Reporting Period**

01.01.2016 - 31.12.2016

**Commercial Name**

Pınar Su Sanayi ve Ticaret A.Ş.

**Trade Registry & Number**

İzmir Trade Registry Office 45707-K-2016

**Authorized Capital**

TL 50,000,000

**Paid-in Capital**

TL 44,762,708.45

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**Web Site – Social Media**

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[www.facebook.com/yasampinarimsu](https://www.facebook.com/yasampinarimsu)  
Twitter: @yasampinarimsu



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**13.5%**

NET SALES  
GROWTH RATE  
IN 2016

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**65.4**

MILLION TL

GROSS SALES  
PROFIT IN 2016

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**56.9**

MILLION TL

INVESTMENT  
AMOUNT IN 2016

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## Turkey's Hardworking, Productive Leading Group...

"Durmuş Yaşar Enterprise," established in 1927 by Durmuş Yaşar in İzmir, has become one of leading group companies in Turkey. Contributing to the Turkish economy without compromising society, environment, quality of life, human health or ethics, with an ethos of "Constantly working, producing and benefiting the country," Yaşar Holding comprises 21 companies, 24 factories and facilities, two foundations and approximately 7,500 employees.

### FOOD AND BEVERAGE GROUP

#### Food

- Pinar Süt
- Pinar Et
- Yaşar Birleşik Pazarlama
- Pinar Foods GmbH
- HDF FZCO

#### Water

- Pinar Su
- Agriculture, Livestock and Fishery
- Çamlı Yem Besicilik

### COATINGS GROUP

- Dyo Boya Fabrikaları
- Kemipex Joint-Stock Co.
- S.C. Dyo Balkan SRL
- Dyo Africa Paints and Varnishes LLC

### TISSUE PAPER GROUP

- Viking Kağıt

### TRADE AND SERVICE GROUP

- Altın Yunus Çeşme
- Bintur
- Yaşar Dış Ticaret
- Yaşar Bilgi İşlem ve Ticaret
- Yadex International GmbH
- Desa Enerji
- Desa Elektrik
- Arev Gayrimenkul

### FOUNDATIONS

- Yaşar Eğitim ve Kültür Vakfı
- Selçuk Yaşar Spor ve Eğitim Vakfı

### Operations in Various Sectors with Turkey's Most Famous Brands

One of Turkey's most established companies, Yaşar Holding mainly operates in the food, beverage and coatings sectors. Flagship brands Pinar and DYO take their place near the top among the most recognized brands by consumers in Turkey. In addition to food, beverage and paint, Yaşar Holding A.S. operates in tissue, international trade and energy sectors and Pinar Süt, Pinar Et, Pinar Su, Dyo Boya, Viking Kağıt and Altın Yunus Çeşme shares are listed at Borsa İstanbul.

### Established Organization Brought Several "Firsts" to Turkey

Yaşar Holding Broke New Ground in Turkey thanks to its Innovative Approach:

- First paint factory and brand, DYO
- First private dairy factory adherent to international standards, PINAR SÜT
- First first-class holiday village with 1,100 beds, ALTIN YUNUS ÇEŞME
- First private paper factory, VIKING KAĞIT
- First natural spring water in one-way package, PINAR SU
- First private integrated meat processing plant, PINAR ET
- First integrated turkey processing plant
- First culture fishing plant and first culture fish farming, PINAR DENİZ

### Dignifying Environment and Society

Yaşar Holding tracks the impacts of possible effects of manufacturing and commercial activities on the environment and humans, and seeks to minimize them in compliance with all laws and regulations.

Yaşar Group supports education, sports, culture and arts by organizing various corporate social responsibility projects and creates several events and studies via the Yaşar Education and Culture Foundation and Selçuk Yaşar Sports and Education Foundation. Yaşar University works to become one of the leading universities in the country.

Yaşar Group joined the United Nations (UN) Global Compact on November 12th 2007, and within this scope published a Progress Report for 2009 and 2010 and Sustainability Report for 2011, 2012, 2013, 2014 and 2015. Please visit company web site [www.yasar.com.tr](http://www.yasar.com.tr) to see progress and sustainability reports published by the Holding within the scope of Global Compact

The Group signed the UN Women's Empowerment Principles "CEO Support Declaration" in 2012 and made commitments to fair gender policies via the "Equity at Work Declaration."

## Chairperson's Message

We made approximately 80% of our overseas sales to European countries, mainly United Kingdom and Germany while exporting to total 25 countries within 2016.



Dear Shareholders,

Being a member of Yaşar Group, as one of the prestigious groups of Turkey and having pioneered a new industry by producing the first packaged natural spring water of Turkey 33 years ago, Pınar Su is the only company with 100% Turkish capital among big companies selling nationwide. We export to total 25 countries and grow with firm steps forward.

Providing consumers with waters from the springs of Madran, Gökçeağaç, Akçaağaç and Uludağ under the brand "Pınar My Life Spring" at high quality standards, Pınar Su aims to increase its market share with new product development efforts in 2017.

Conducting its activities and prioritizing customer satisfaction with the objective of sustainable growth, Pınar Su leads the sector as the first Turkish beverage brand that registered its quality with the Qualification Certificate of American National Sanitation Board (NSF), and the first packaged water brand with the TSE Certificate in Turkey.

### **Economic evaluation**

The Turkish economy grew at a significant rate in the first half of 2016 thanks to domestic demand. However, due to unusual developments in domestic dynamics, the Turkish economy saw a constriction in the third quarter of the year for the first time in 27 quarters.

In the 2017-2019 Medium-Term Program of the Republic of Turkey Ministry of Development, the target growth rate for 2017 is 4.4%, while it is predicted in the forecasts of IMF that the Turkish and global economy will grow by around 3%. We are hopeful we will see a more stable environment in 2017.

### **Packaged water in the beverage industry**

In the global beverage market, packaged waters constitute the second-largest category after carbonated drinks with a market



size of 200 billion USD. According to research, the annual growth rate between 2016 and 2024 is estimated at 6%. It is forecast that the global market will reach 307 billion USD by 2024. A shrinkage is expected in carbonated drinks between these years, while the growth is estimated to be made in emerging markets such as Asia Pacific, Latin America, the Middle East and African countries.

The packaged water sector continued to grow with the impact of the rise in healthy living and nutritional trends in the world and in Turkey. We saw a similar picture in the domestic soft drink market, which grew by 3% in terms of tonnage in 2016. The single-use packaged water category was one of the fastest-growing segments in the beverage industry, with a growth of 11%. The trend of purity and naturalness, one of the main influences that have been guiding the world beverage market, found its place in the Turkish market as well. In response to this trend, Pinar Su launched its 15L Dispenser Size Glass Bottle in May 2016. We also became a part of homes with large-size bottles beside the glass bottles of Pinar My Life Spring.

Another issue that guides our innovations is the ongoing rise in digitalization. The fast-paced life in metropolitan areas has led to an increase in digitalization, online shopping and eating or drinking outside the home. Therefore, we as Pinar Su, renewed our Pinar Su Mobile Order Application and adopted a more effective, user-friendly and fast online order system to respond to consumer needs better.

#### **We are a “beverage company”**

As management, we aim to become a “beverage company” by carrying out our investments and efforts and moving our company beyond the position and perception of a water company. In doing so, we also want to raise social awareness. Health-driven consumption trends in nutritional habits allow the industry to grow. In many developed countries, packaged water is considered the most important part of healthy life. Beyond being a beverage that satisfies thirst, water is preferred by consumers who want to get away from sugary carbonated drinks that are perceived as harmful to health. In recent years, growing categories include sports drinks, cold tea, packaged water, energy drinks, and aromatic water. Pinar Su aims to be perceived as a “beverage company” that reflects market needs and trends in its portfolio in 2017. While demand for water is growing, the packaged water sector is growing above the population growth. Recycled packaging is replaced by one-way products, and the demand for glass-packaged products continues to rise. As the only local brand that serves the entire national market, we will continue to offer healthy products and maintain our market focus on productivity.

#### **Increase in sales by turnover and tonnage**

Changes in lifestyles have a direct impact on consumption trends. The increasing trend of awareness of healthy living emerges as a factor that directly influences consumption of packaged water. We observe that the packaged water sector makes the biggest contribution to the growth of the soft drink market. For this reason, important brands in the global water market have also turned their attention to Turkey. With the sale of rival companies to foreign companies, Pinar Su has been operating as the only company with 100% Turkish capital in Turkey at national level since the end of 2015.

Pinar Su recorded a growth in tonnage by 4.2% in activity period of 2016. Growth was achieved above the market. With a growth rate of 125% in mineral water, the company made progress

towards becoming an important player in the industry. The company achieved a turnover increase by 13.5% compared to 2015. In this period, the share of glass bottles and mineral water sales in total sales increased. While 89% of total sales consisted of domestic sales, gross profit amounted to 65.4 million TL in 2016.

#### **Our export targets**

In 2016, we focused on risk management and paid attention to collecting and securing our receivables. While we exported to 25 countries in 2016, 80% of our overseas sales were to European countries, mainly the UK and Germany. We achieved growth in Europe, especially in the British and Polish markets. The share of overseas sales in total sales was 11%. We earned export revenue of 6 million USD. We maintained our position as one of the leading companies, with a market share of 28% in packaged water exported from Turkey to Europe. Pinar Su is planning to maintain the sustainability of its leading European sales and improve sales by adding new products to its portfolio in the near future. Our company aims to increase its activity by formulating a strategy focusing on its strong distribution network and operations on site in the Gulf Region, where Turkey is the most important supplier of packaged water.

#### **Our investments continue**

We proceeded to make investments regardless of the circumstances last year. In 2016, we started up both phases of our fourth facility in Bursa with carboys and PET production lines. Having a total investment of approximately 70 million TL, the new facility produces carboy bottled and PET bottled products now. With this investment, Pinar Su increased its total production capacity by 45%.

We focus on efficiency in all fields and determine our investment strategies accordingly. Transportation, proximity to the market and resource efficiency are our main areas of concentration. For the purposes of efficiency, we also made investments in our Madran facility. Capacity and efficiency have increased due to a fully automated process as a result of the robot investment on bottling lines.

#### **Our priority is sustainability**

Pinar Su's sustainability efforts continued in 2016 with extensive stakeholder analysis and determination of sustainability priorities. The company's sustainability priorities and strategy were determined in workshops organized with the participation of employees, consumers, non-governmental organizations, customers, public institutions and our managers. Sustainability trainings were held for employees, with broad participation.

Yaşar Holding aims to reduce carbon emissions by 15% per ton of production until 2020. For waste management, Pinar Su uses recyclable packaging with less plastic content. Pinar Su is working to make sustainability a part of its business processes. 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



**Emine Feyhan Yaşar**  
Chairperson



**İdil Yiğitbaşı**  
Vice Chairperson



**Mustafa Selim Yaşar**  
Member



**Ali Yiğit Tavas**  
Independent Member



**Kemal Semerciler**  
Independent Member



**Yılmaz Gökoğlu**  
Member



**Cengiz Erol**  
Member



## Senior Management and Committees

### Board Members and Terms of Office

NAME SURNAME	TITLE	TERMS OF OFFICE
EMİNE FEYHAN YAŞAR	CHAIRPERSON	30.03.2016 - 1 Year
İDİL YİĞİTBAŞI	VICE CHAIRPERSON	30.03.2016 - 1 Year
MUSTAFA SELİM YAŞAR	MEMBER	30.03.2016 - 1 Year
ALİ YİĞİT TAVAS	INDEPENDENT MEMBER	30.03.2016 - 1 Year
KEMAL SEMERCİLER	INDEPENDENT MEMBER	30.03.2016 - 1 Year
YILMAZ GÖKOĞLU	MEMBER	30.03.2016 - 1 Year
CENGİZ EROL	MEMBER	30.03.2016 - 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 12 and 13 of the Company's Articles of Association.

### Corporate Governance Rating:

In 2016, Pınar Su's corporate governance rating was revised upwards to 9.38 out of 10.

### Senior Management

NAME SURNAME	POSITION
HÜSEYİN KARAMEHMETOĞLU	GENERAL MANAGER
ONUR ÖZTÜRK	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
YILMAZ GÖKOĞLU	MEMBER
CENGİZ EROL	MEMBER
ONUR ÖZTÜRK	MEMBER

### Early Detection of Risk Committee

NAME SURNAME	POSITION
KEMAL SEMERCİLER	HEAD OF COMMITTEE
YILMAZ GÖKOĞLU	MEMBER
CENGİZ EROL	MEMBER

\* Background information of Board of Directors and Top Management is given on pages 31-32.

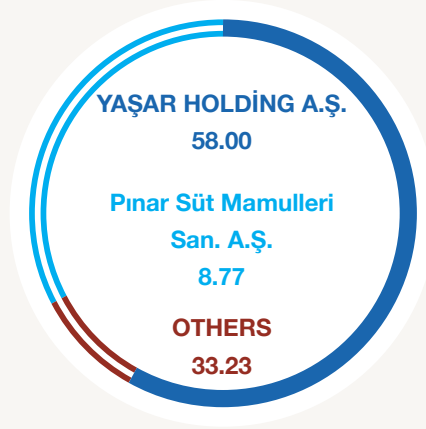
## Company Profile

Pınar Su, which introduced Turkish consumer with bottled natural spring water thanks to the plant established in 1984, **leads the sector as a leading company that achieved high standards in all business processes.**

## Financial Performance in 2016

(Million TL)	01.01.2015 - 31.12.2015	01.01.2016 - 31.12.2016
Net Sales	144.5	164.0
Gross Profit on Sales	68.7	65.4
(Million TL)	31.12.2015	31.12.2016
Shareholder's Equity	53.7	64.0
Assets	149.6	205.9
Debt/Equity Ratio	1.78	2.22

**SHAREHOLDING STRUCTURE OF  
PINAR SU  
(%)**



Shareholder	Share Rate (%)	Share Amount (TL)
Yaşar Holding A.Ş.	58.00	25,961,413.57
Pınar Süt Mamulleri San. A.Ş.	8.77	3,927,525.25
Others	33.23	14,873,769.63
<b>Total</b>	<b>100</b>	<b>44,762,708.45</b>

The company's shares are traded at Borsa İstanbul Main Market under the ticker symbol "PINSU".

The Company's capital is represented entirely by bearer shares, and there is no privilege with regard to the Company's shares.

Having a hygienic environment well above the sector standards, Pınar Su subjects water to physical, chemical and microbiological tests at every stage of production from source to filling and make it ready for consumption accordingly.

As a member of Yaşar Holding, one of the largest and most esteemed groups of Turkey, Pınar Su continues its activities as the only wholly Turkish invested company among the major firms that make sales at national level.

Pınar Su keeps providing consumers in Turkey and 25 foreign countries with the waters from the springs of Madran, Gökçeağaç, Akçaağaç and Uludağ under the brand "My life Spring" at the highest quality standards.

Using the latest technologies in the world, Pınar Su continues its production with high-tech, Class 100 Barrier Isolator and Cleanroom, in its fully-automated filling plant environments, in which a positive interior air pressure is maintained. Pınar Su is an industry leader, conforming to the highest standards in all of its business processes, from its plants to its logistics operations built on a strong infrastructure, and continues to leap forward in domestic and international markets.

Focusing on increasing its market share with new product development efforts, the Company continues its activities with the target to improve its consumer satisfaction and sustainable growth.

#### **Certified Quality**

With the certificates it received, Pınar Su proves the importance it attaches to food safety, cleanliness, hygiene and health standards, quality, environment, occupational health and safety and customer satisfaction. As market leader, Pınar Su was the first Turkish beverage company to achieve quality approval by attaining NSF International Certification from the US-based National Sanitation Foundation in 2007, and was also the first packaged water brand to be approved by the Turkish Standards Institution.

## Competitive Advantages

Combining 33 years of experience and expertise with the principle of “unconditional customer satisfaction”, Pinar Su makes breakthroughs that are focused on sustainable growth.

### DISTRIBUTION AND SERVICE NETWORK

- Sales and distribution network of vendors located all over Turkey
- Order hotline
- Online ordering system
- Mobile order application

### PRODUCTION

- Mineral water supplied to consumer under natural and hygienic conditions
- Logistical advantages thanks to four production facilities close to target markets
- Capability to supply product in any form of packaging that may be preferred by consumers (PET, polycarbonate carboy, glass carboy and glass)
- Strong know-how
- Cleanroom technology
- Sound and sustainable collaborations with suppliers nourished by scale size and brand value

### PRODUCT PORTFOLIO

- Production from Madran, Gökçeağaç, Akçaağaç and Uludağ natural water sources in all packaging formats and volumes of SKUs based on different needs of consumers
- Plain and fruit-flavored mineral water portfolio

### BRAND AWARENESS

- Sectoral knowledge and experience
- High brand reliability
- High customer satisfaction

## Pinar Su Products

### MADRAN

- 0.33L PET bottle
- 0.5L PET bottle
- 0.5L PET bottle easy cap
- 1.5L PET bottle
- 5L PET bottle
- 10L PET bottle
- 0.33L glass bottle
- 0.75L glass bottle
- 5L glass carboy
- 19L carboy

### GÖKÇEAĞAÇ

- 0.33L PET bottle
- 0.5L PET bottle
- 0.5L PET bottle easy cap
- 1.5L PET bottle
- 3.25L PET bottle
- 5L PET bottle
- 10L PET bottle
- 19L carboy

### AKÇAAĞAÇ

- 0.20L cup
- 0.25L cup
- 0.33L PET bottle
- 0.5L PET bottle
- 1L PET bottle
- 1.5L PET bottle
- 19L carboy

### ULUDAĞ

- 0.5L PET bottle
- 15L glass bottle
- 19L carboy

### PINAR MINERAL WATER

- Plain mineral water
- Fruit-flavored mineral water
- Health from the Top Quality Sources

## Health from the Top Quality Sources

#### Pinar Madran

Fluoride	0.05 mg/L
Magnesium	1.11 mg/L
Calcium	3.14 mg/L
Sodium	4.85 mg/L
Chloride	3.80 mg/L
Nitrite	0
Ph	7.04

#### Pinar Akçaağaç

Sulfate	2.2 mg/L
Sodium	1.5 mg/L
Chloride	2.0 mg/L
Nitrite	0
Ph	8.01

#### Pinar Gökçeağaç

Sulfate	7.7 mg/L
Sodium	5.6 mg/L
Chloride	1 mg/L
Nitrite	0
Ph	8.2

#### Pinar Uludağ

Sulfate	3.69 mg/L
Sodium	2.66 mg/L
Chloride	0.80 mg/L
Nitrite	0
Ph	7.76



## Investments to Increase Capacity

In 2016, Pınar Su put its 4th facility in İnegöl, Bursa, into use under the name of “Uludağ Spring”. In the new facility, there are lines of production with carboy and pet bottle packaging. With this investment, Pınar Su increased its production capacity by 29%.



# 29%

RATE OF INCREASE IN  
PRODUCTION CAPACITY

# 1,988,000

TONS OF PRODUCTION  
CAPACITY

The total amount of other investment expenditures made by Pınar Su in 2016 amounted to TL 56,929,489 7 million 551 thousand 350 TL of the total investments were made in land, buildings, underground and aboveground structures, 7 million 931 thousand 732 TL in machinery, facilities and vehicles, and 3 million 84 thousand 870 TL in the fixtures. Pınar Su carefully invests in springs located at places far away from habitation and where flow rates and chemical properties do not vary during the year due to rainfall or drought.

The Company's high-quality water springs and modern production plants, with a total production capacity of 1,988,000 tons, are located in Aydın/Bozdoğan, Isparta/Eğirdir, Sakarya/Hendek and Bursa/İnegöl.



## Innovations for Needs of Consumers

Following both international and domestic markets and consumer trends, Pinar Su introduced innovations for its consumers in 2016.



# 13

NUMBER OF WATER  
PRODUCT VARIETIES

# 4

NUMBER OF MINERAL  
WATER PRODUCT  
VARIETIES

Pinar Su manages its production, packaging, quality control, dispatch and order processes with 100% customer satisfaction in mind and offers new products and services based on changes in consumer trends.

In 2016, Pinar Su further strengthened its position in the market with new products and renewed packages in its portfolio including 15L glass carboys from Uludağ spring and 200ml and 250ml cups from Akçaağaç spring. The existing 0.33L and 0.75L glass bottle designs from Madran springs were renewed with the double-sided label technology

applied for the first time in the Turkish water category. Pinar Su will continue to expand its portfolio with innovations that will be realized in the category of mineral water next year, with the awareness that the category has a rapid growth potential. The Company aims to focus on projects that will increase consumer satisfaction both in current and new categories by strengthening its technological infrastructure in 2017.

## Non-Compromising Quality Approach

Carrying on its production in facilities with effective infrastructure and modern technology, Pinar Su considers quality at international standards as an integral part of all business strategies.



Proving the importance it attaches to food safety, cleanliness and hygiene-health standards, quality and environmental awareness with its certificates, Pinar Su, the first TSE-certified bottled water brand of Turkey, is the first Turkish beverage that registered its quality with the NSF Qualification Certificate of American National Sanitation Board (NSF).

### “CLEAN ROOM” TECHNOLOGY

At all its production plants, Pinar Su makes use of efficient infrastructure and modern technologies, carrying out a fully-automated filling process by means of Class 100 Barrier Isolator and “Cleanroom” technologies, in which a positive interior air pressure is maintained while ambient air is continuously filtered.

Thanks to its extensive laboratory facilities, Pinar Su subjects its spring waters to physical, chemical and microbiological tests at every stage of its production, from source to filling, and adopts globally preferred quality systems and international standards.

### High-Quality Approach in Procurement

Working as a team with its collaborating firms in production operations, Pinar Su continuously audits its suppliers to develop their performances. The company evaluates its suppliers within the scope of ISO 9000 Quality System Certificate.

With this practice, Pinar Su contributes to business structure of suppliers in term of organization, scores them every month in terms of price, quality and delivery, and conducts improvement works for those which fail to get satisfactory results.

Procuring all packaging materials, especially pet preform, from specialized producers, Pinar Su increases the number of its active suppliers systematically.

While choosing its suppliers, Pinar Su prefers businesses that fulfill their corporate values and their responsibilities towards public health and nature.

## Productivity Activities

In 2016, Pınar Su carried on its efforts to increase productivity by making automation investments for production activities.

For the purposes of productivity, we especially made investment in Madran Facility. The palletizing work, which is partly manual, is now fully automated with the robotic investment in bottling lines, and capacities and productivity of the lines were increased accordingly.

Similarly, the manually operated bottle feeding process was automated by integrating the depaletizer into the 0.33L and 0.75L glass line. Thus, the line is now more efficient as a result of capacity increase.



Pinar Su, which closely follows consumption trends in the sector and integrates the outputs obtained into its production activities, aims to become one of the leading beverage companies of the sector in 2017 as well.





## Pinar Su in 2016

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Proving its overseas success in bottled water industry by making export to 25 countries, Pinar Su exported 44 thousand tons in 2016.

Maintaining its growth in parallel with changing consumption habits, the packaged water sector is among the sectors with the fastest growth in the world.

In many developed countries, packaged water is considered as one most important parts of healthy life and preferred by consumers who want to get away from sugary-fizzy drinks that are perceived as harmful to health. With the increasing healthy life trend in recent years, growing categories include sports drinks, cold tea, packaged water, energy drink, and aromatic water. Following the developments in the market, Pinar Su aims to take necessary steps to become one of the leading beverage firms of the industry in 2017 as well.

### PACKAGED WATER SECTOR IN TURKEY

In addition to these global developments, the bottled water industry in Turkey is also growing every year due to health awareness, developing retail channels and the increasing pace of urbanization rate. The biggest contribution to the 5.4% growth in the non-alcoholic beverages industry in 2016, compared to 2015, came from the bottled water segment. (Nielsen)

Within this scope, global investors turned their attention to the bottled water market in Turkey, resulting in foreign acquisitions of competing companies. As a result of competitors being sold to foreign companies, Pinar Su, as of the end of 2015, is the only company nationwide with 100% Turkish capital operating in Turkey's packaged water industry.

It is estimated that the bottled water market in Turkey reached 11.3 billion liters in volume and TL 5.0 billion in revenue in 2016 (SUDER), and current utilization of industrial capacity is estimated to be 40%.

In 2016, packaged water consumption per capita is estimated to be 145 liters, 65 liters in PET containers and 80 liters in carboys. (SUDER). In an industry in which there are about 300 companies that have been licensed by the Ministry of Health, consumption is divided into 55% home-delivered carboy containers and 45% PET and glass bottles (SUDER).

In 2016, the retail market for PET grew by 12.2% in tonnage and 19% in revenue, compared to 2015 (Nielsen). 19L carboy remained stable on tonnage basis at the market, and grew by 11% on turnover basis. (SUDER).

### DIVERSIFIED GLASS BOTTLES

Among others, disinformation about health issues arising from the use of polycarbonate carboys shifted the demand to glass bottles.

This resulted in many companies launching glass-bottled products. Together with new brands entering the market in different bottle sizes, this product group that used to be consumed almost exclusively at restaurants, hotels, cafes and similar away-from-home venues, began to be offered on the retail market and served at home. Pinar Su adapted itself to changing sector conditions and renewed the 0.33L and 0.75L glass bottle designs offered to the retail market as well as the 15L glass carboy product offered for at-home market.

## Pinar Su in the Industry

In 2016, Pinar Su achieved a growth of 13.5% in revenue and 4.2% in volume, compared to 2015. In this period, the share of glass bottles and mineral water sales in total sales also increased.

# 25

NUMBER OF  
COUNTRIES PINAR SU  
MADE EXPORTS IN 2016

# 62%

SHARE OF PET BOTTLE  
PRODUCTS IN SALES

By the end of 2016, Pinar Su was ranked fourth in the Turkish packaged-water industry. The product portfolio consisted of 35% carboy, 62% PET bottles and 3% glass bottled water and mineral water. Despite the 1% shrinkage of the national carboy segment in 2016, the share of this segment within the total water products sold by Pinar Su increased by 1%.

In 2016, Pinar Su sales amounted to 558,214 tons in volume, with revenue of TL 163.9 million. Based on these figures, in comparison to 2015, the Company grew by 13.5% in revenues and 4.2% in volume.

By the end of 2016, the Company's gross profit margin was 39.9% and its gross profit amounted to TL 65.4 million. Pinar Su's shareholder's equity was 64.0 million TL and total assets amounted to 205.9 million TL by the end of the year.

Considering the effects of political and economic developments last year, Pinar Su performed the following in 2016:

- Establishment of new facility with Uludağ spring to increase production capacity,
- New product releases with innovation activities to respond

to consumer demands,

- Communication activities on TV and digital media to increase trial rates in water category,
- Relaunch activity to increase brand recognition in mineral water category.

### EXPORT ACTIVITIES

Pinar Su has been active in a wide range of international markets for 33 years, keeping closely focused on global developments and identifying customer needs in existing and potential foreign markets. The company aims to increase profitability and long-term sustainability of existing sales in Europe, while it aims to increase its market share in the Gulf Region with new sales channels and continues its branding efforts in these markets.

In 2016, Pinar Su exported to 25 different countries, 80% of which were made to Germany, England and various other European countries. 10% of sales were through international channels and export revenues totaled USD 6.12 million. Pinar Su maintains its position of being one of leading companies with a market share of 28% in water brands exported from Turkey to Germany, European countries





and England. In 2016, Pinar Su exported its products to Germany, UK, Poland, Ireland, Belgium, Netherlands, Austria, Switzerland, France, Kosovo, Czech Republic, Malta, Northern Cyprus, Kuwait, Qatar, Israel, Bahrain, Saudi Arabia, United Arab Emirates, Iraq, Singapore, Australia, USA, Azerbaijan and Romania.

#### 2016 in Figures Pinar Su

- The total packaged PET water segment grew 12.2% in tonnage and 19% in revenues. Pinar Su was ranked fourth in the sector with a market share of 6%. (Nielsen)
- Advertising costs increased by 24% as compared to 2015, amounting to TL 7.5 million.
- Exports accounted for 11% of net sales and TL denominated export turnover increased by 20%, compared to 2015.
- Pinar Su made 71% of its sales through vendors and sold also to markets and chain stores.
- Most of the TL 56.9 million investments went into new plant activities in İnegöl, Bursa.

#### Foreign Markets

While Pinar Su continues to add new markets and products to its portfolio, it also aims to increase activity in foreign markets.

Reviewing collateral amounts of customers with high volume sales and managing its export risks effectively in 2016, the Company revised its price policy based on exchange movements in the UK market after the Brexit decision.

Also, in 2016, the Company achieved growth by 9% in tonnage and turnover compared to the previous year.

Defining Gulf Region countries, which has a significant share of Turkey's total water exports, as its strategic growth region and targeting to increase its activity in that region, Pinar Su began exporting to Saudi Arabia in July, 2016.

Accordingly, the company started to develop labels with more plain and striking designs featuring the product properties (pH, low sodium etc.), in line with the legislation and language of such countries. In this respect, it is the company's objective to decrease costs while simplifying the labels.

## Consumers and Customers of Pinar Su

Pinar Su continues to work with a competitive marketing and communication strategy that closely follows the consumer needs and consumption trends.

# 3

ONE OF TOP THREE MOST  
FAVORITE BRANDS IN TURKEY

# 92%

ANSWERING SUCCESS RATE OF  
PINAR COMMUNICATION CENTER

With a target audience in ABC1 Social Grade, including the age group of 25 to 45, especially women, Pinar Su serves its customers and consumers with its competency of accurately assessing and evaluating market requirements. The Company offers 13 types of water in 5 different types of packaging and 4 types of mineral water.

Serving at-home consumers with PET bottled products of different volumes besides 19L polycarbonate carboy and 15L glass carboy relaunched in 2016, Pinar Su introduces glass and PET products of different volumes for AFH consumption.

Pinar Denge Sparkling Mineral Water, launched by Pinar Su in 2013 in response to customer demand, distinguishes itself from its competitors being high in mineral and low in sodium levels. Pinar Denge Sparkling Mineral Water offers plain and fruit-flavored water.

### MY LIFE SPRING BOTTLING PLANTS

#### MADRAN

Located 1,000 meters above the nearest places of habitation in Aydın-Bozdoğan, the Pinar Madran spring is the source of one of the best-quality and most palatable mineral waters available in Turkey. Its average hardness rating is 1.65 Fr.

#### AKÇAAĞAÇ

The Pinar My Life Spring-Akçaağaç spring is located in Isparta-Eğirdir at a place remote from centers of habitation and potential sources of industrial pollution. The unique magnesium and calcium content of the water these springs provide, help to keep the metabolism in balance.

#### GÖKÇEAĞAÇ

The Pinar My Life Spring-Gökçeağaç spring and plant are located in Sakarya-Hendek, surrounded by beautiful and untouched nature.

#### ULUDAĞ

Located 1,600 meters above the nearest places of habitation in Bursa-Inegöl, the Pinar Uludağ spring is the source of one of the best-quality and most palatable mineral waters available in Turkey. Its average hardness rating is 3.5 Fr.

### MARKETING STRATEGY

Pinar Su communication activities are focused on “trust, purity and family bonds”, with an emphasis on the strength and reputation of the “Pinar” brand. The Company communicates brand-associated values along with the

PINAR SU  
CEBİNDİYSE,  
HEDİYELER KAPINDA!

ULUDAG PINAR YAŞAM PINARIM

ULUDAG PINAR YAŞAM PINARIM

App Store Google play

ÜCRETSİZ İNDİR

qualities of healthy and delicious water. Pinar Su continues to grow its sales and distribution network and invests in marketing in line with specific strategies. Pinar Su deploys a competitive marketing strategy closely related to current trends, strengthening its market position by launching new products to meet demands and expectations of consumers.

In 2016, operations with regards to these strategies included:

- Recognition of Pinar Su was reinforced with the order line of 444 99 00 as a result of above-the-line campaign conducted for Pinar My Life Spring Carboy product.
- 360 Degree Communications was performed to remind the consumer of refreshing effect of Pinar Mineral Water products and increase their distribution with the relaunching of mineral water.
- As part of announcement of Uludağ Spring, a local marketing communication strategy was applied with the

approach “Pinar Su, Now From Bursa”.

- Awareness activities were performed with open air and indoor announcements as part of the launch of Pinar Su Glass Carboy product.
- “Pinar Su Mobile Order Application” was revised to offer an alternative ordering channel for consumers in the Bottled Water Product Segment and a more user-friendly and comprehensive application was offered.
- In addition to above-the-line communication campaigns, we company focused on digital media as well. The company opened Instagram account with the username “pinarsuofficial” and improved its interaction with the consumers.
- The company continued regular national and regional promotional activities in line with the expectations of at-home consumers in the carboy category.
- Compared to last year, Pinar Su got ahead of its rivals in its category and was ranked among the top 3 popular brands in Turkey. (Media Cat and Ipsos “Lovemarks” Survey)

## PINAR SU ORDER HOTLINE

Pinar Su gives great importance to the effective management of its Pinar Su Order Hotline call center in order to hold onto existing customers, gain new ones, and boost customer satisfaction in general.

By means of a single and easily remembered telephone number (444 99 00), the Pinar Su Order Hotline makes it easy for customers to reach Pinar Su from anywhere in Turkey. The system redirects customers to their nearest regional dealership, thus ensuring that they receive the fastest and most effective service possible.

Relaunching the “Pinar Su Order App” for iOS and Android, for the first time in Turkey, Pinar Su’s customers now have the convenience of directly placing orders online and are given the option of specifying delivery on dates and times of their own choosing. This app accounted for 6% of orders placed through all Pinar Su order channels in 2016.

The Customer Relationship Management (CRM) system has increased the effectiveness of the system and brought Pinar Su a step closer to its goal of boosting consumer loyalty and allegiance by being a company that knows its customers well and responds quickly to their needs. The Company will continue its customer segmentation work through the CRM infrastructure and plan loyalty campaigns targeting specific customer segments in 2017.

## SERVICE AND DELIVERY ACTIVITIES

With its aim to increase the quality of service offered to its customers and consumers, Pinar Su operates with over 400 PET and carboy dealers, all of which are inspected by legal standards.

With its renewed technological dealer infrastructure, Pinar Su offers customers a much more dynamic and quality level

controllable service. Monitoring delivery time and availability of stocks, which are critical in terms of service quality, the Company guarantees customer satisfaction with its sound call center operation.

Placing importance to its continuous availability, Pinar Su brings all the product range to the customer’s door thanks to mobile order application, call center and widespread dealer network.

Based on the awareness of total quality management, Pinar Su’s PET and carboy dealers are regularly inspected and scored by the company’s Quality Department in terms of certification, legal obligations, storage conditions and shipping standards. In line with these inspections, necessary improvements, information and trainings are shared with the dealers.

## PINAR COMMUNICATION CENTER

Acting in line with the principle of “priority to our consumers and customers”, Pinar Su, with its customer-oriented understanding, reviews and considers all requests and suggestions.

Accessible from anywhere in Turkey on 444 76 27, without the need to dial an area code, the Pinar Communication Center (PIM) is staffed by operators who are on duty, responding to incoming calls from 07:00 to 23:00, seven days a week. PIM’s answering rate is 92% and 87% of calls are answered within the first 15 seconds.

The 2016 satisfaction survey conducted among consumers revealed that the level of satisfaction with the Pinar Communication Center is 91%. The Twitter account, “[twitter.com/InfoPinar](https://twitter.com/InfoPinar)”, is also used to review requests and recommendations and resolve problems through social media.



## Pinar Su Family

Pinar Su acts based on its human resources practices in a manner to recruit qualified, creative, innovative, motivated and high-performance workforce and develop its qualified workforce.

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# 502

AVERAGE NUMBER OF  
EMPLOYEES IN 2016

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# 400+

NUMBER OF ACTIVE PET  
AND CARBOY DEALERS

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### HUMAN RESOURCES POLICY OF PINAR SU

- Creating a pool of skilled candidates for every position as a center of attraction,
- Raising employees who are successful and have a strong sense of loyalty by matching individuals with the right jobs,
- Speeding up new recruits' adaptation to the job and the workplace through orientation programs,
- Organizing internal and external trainings in line with today's needs,
- Organizing promotions and assignments within the organization with equal opportunity,
- Evaluating the performance of employees to promote goal-focused work; using evaluation data for development activities, career planning and rewarding / remuneration

processes,

- Conducting "Employee Opinion Surveys" and increasing employee satisfaction and commitment through action plans,
- Realizing volunteer projects in various fields,
- Running all processes in accordance with Pinar Su's Corporate Values and Code of Conduct, Labor Code, laws and company regulations,
- Taking all legal measures under the Occupational Health and Safety Act.

In 2016, Pinar Su had an average of 502 employees on the payroll.

## Environment and Sustainability

Pinar Su defines its priorities in sustainability and environment in five areas: “Energy and Climate Change”, “Water Consumption and Waste Water”, “Material Consumption and Waste”, “Health and Safety” and “Social Contribution”.

### Amount of Recycled Packaging Waste

Pinar Su keeps working with ÇEVKO, an authorized institution.

### 2016 Year-Round Recovery Quantity and Percentages:

(Kg)	2016	
	Used on Market	Recovered
PET	5,018,860	2,609,807
PE	1,581,077	822,160
CARDBOARD	1,039,399	540,487
GLASS	2,380,392	1,237,804

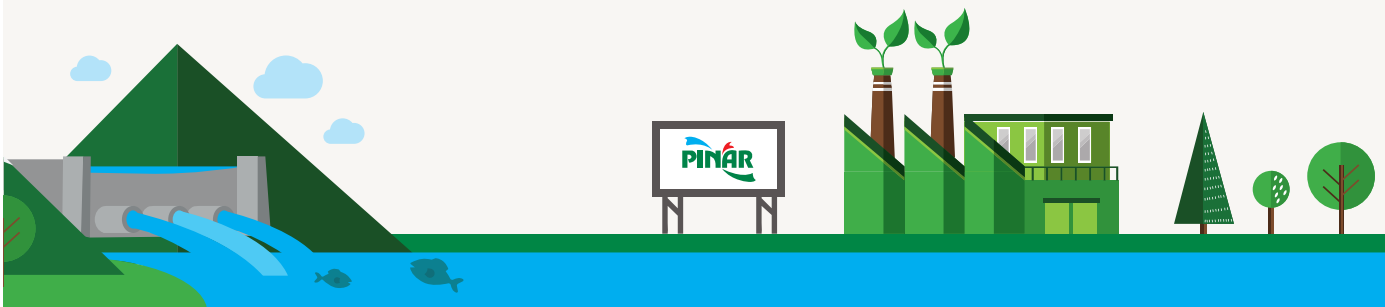
Pinar Su strives to leave a legacy of a healthier physical and social environment so that posterity can enjoy a better life in a more livable world, working in line with the United Nations

Global Compact (UNGC) signed by Yaşar Holding in 2007. Yaşar Holding lists five areas of concern within the approach of sustainability: “Energy and Climate Change”, “Water Consumption and Waste”, “Material Consumption and Waste Materials”, “Health and Safety” and “Social Contribution”, and Pinar Su also uses this framework to define its approach to sustainability and its priorities on the environment.

In 2016, Pinar Su’s operations focused on effective and efficient management of limited natural resources. To this end, the Company was engaged in various efforts to protect the environment, prevent pollution, make economical use of natural resources and properly dispose of wastes.

### Environmental Symbol Used in Pinar Water Bottles

The rates indicated in the icon “Lighter bottle, weight decreased by % ...” on Pinar Su’s PET bottle products were determined as the result of calculation of the reduction amount of the PET bottle packaging material used for the production of “Pinar My Life Spring” products over 2.5 years.







In this process, which started in the second half of 2011, plastic quantity of packaging and lid materials used in pet bottle production was reduced, and the amount of environmental waste was thus decreased and environmental friendly production conditions were improved. In addition, energy efficiency was improved and carbon footprint of production facilities was decreased by consuming less energy in the blowing process for production of low-volume bottles. As a result of these activities, which required new and technological investments, packaging weights were reduced as follows:

- 23% in 0.33L products,
- 26% in 0.5L products,
- 18% in 1.5L products,
- 12% in 5L products.

With these improvements, Pınar Su aims to reduce the amount of waste and to inform consumers and raise awareness about this issue with the informative icon attached on the labels.

## COOPERATION WITH ÇEVKO

Pınar Su transferred its responsibility for the recovery and reuse of packaging wastes to the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO). As a result of this cooperation, it organizes training for consumers and municipal authorities on the collection of wastes at source, recovery and recycling.

The packaging of Pınar Su products is designed with reusability and recoverability in mind. In both production and post-use, attention is given to the use of packaging that will cause as little harm to the environment as possible.

## Carbon Footprint Calculations

Trying to achieve Yaşar Holding's target to decrease the average carbon emission per unit ton production by 15% by 2020, Pınar Su managed to decrease carbon emission by 21% in 2014. In 2015, the Company's "Corporate Carbon Footprint" was 0.0145.

# Corporate Social Responsibility

Performing social responsibility activities under the “Pinar” brand, the Company keeps supporting arts, education, sports and protection of cultural properties. Adopting the principle ‘from the society, for the society’, the Company operated with this approach in 2016 as well.

## 30 YEARS

IN THIS PERIOD, PINAR KIDS  
THEATER REACHED OVER  
3 MILLION CHILDREN

## 46,992

NUMBER OF ENTRIES SUBMITTED  
TO PINAR KIDS ART  
COMPETITION OF 2016

Traditionalizing its social responsibility projects, Yaşar Group performs its such projects covering Pinar Su, Pinar Süt and Pinar Et under the “Pinar” brand.

The Group considers its ongoing support to art, education, sports, and the preservation of cultural assets as an important and indispensable means of the principle ‘from the society, for the society’.

### PINAR KIDS THEATER

Over the course of 30 years, the Pinar Kids Theater has reached more than three million children, fostering among them a love of theater through free performances, with every play being carefully crafted to contribute towards the cultural and personal development of its audiences. In the school year of 2015-2016, Pinar Kids Theater staged a new play called “Game Train”, creating a visual feast for thousands of young theater-lovers in Eskişehir and İzmir.

### PINAR KIDS ART COMPETITION

The Pinar Art Competition has been running for 35 years with the aim of increasing primary school children's interest in the fine arts, particularly painting and drawing, and its main theme in 2016 was “My Dreams for Future”.

Out of the entries submitted from every part of Turkey, the Turkish Republic of Northern Cyprus, Germany, Qatar, Saudi Arabia and United Arab Emirates, the works of 27 children were selected under the coordination of the respected painter Prof. Zahit Büyükişleyen, and they were awarded with workshops and İstanbul trip. The young talents who attended painting workshops with professional materials were awarded certificates during a ceremony.

### PINAR KIDS PAINTING WORKSHOP

Pinar Kid's Painting Workshop was organized in 2016 for the first time. Pinar Painting Workshop was built for 5 days at 7 shopping malls in 7 provinces (Samsun, Şanlıurfa, Kahramanmaraş, Adana, Ankara, İstanbul, İzmir). The organization reached 4,025 children in Samsun, Şanlıurfa, Kahramanmaraş, Adana, Ankara, İzmir and İstanbul.

### SUPPORT FOR SPORTS

Pinar has been supporting sport as the sponsor of Pinar Karşıyaka Basketball Team for 19 years, and contributing to development of basketball by supplying drinks and taking on name sponsorship.



**Pinar Resim Yarışması**

35 Yılda  
4 Milyon Çocuğa  
Sanatı Sevdirdik...

**Pinar Çocuk Tiyatrosu**

30 Yılda 3 Milyondan Fazla  
Çocuğumuzun Gözlerinde  
Mutluluğu Gördük...

**Pinar Karşıyaka Basketbol Takımı**

19 Yılda Binlerce  
Çocuğa Spor  
Yapma İmkânı Sağladık...



## PINAR KSK

Pınar continues to support sports with the awareness of social citizenship, under the leadership of Founder and Honorary Chairman Selçuk Yaşar for nearly 60 years. Since 1998, Karşıyaka Sports Club's basketball team, Pınar Karşıyaka (KSK) is supported as the main sponsor.

Pınar Karşıyaka Basketball Team, which has achieved great success by winning Basketball Super League, Presidential Cup and Turkish Cup in the last 3 years, continues to represent Turkey successfully in Europe as well. Starting the 2016-17 season with a quick start, Pınar Karşıyaka Basketball Team is struggling to become champion in Turkey and European leagues under the captaincy of Nenad Marković.

Pınar Karşıyaka Infrastructure Basketball Schools started in 2001 with the idea of making İzmir a basketball city and the idea of raising Pınar Karşıyaka's young player for the integration of İzmir people, youngsters and children with sports, and now continues its activities at Çiğli Selçuk Yaşar Facilities with the support of Pınar. Since its establishment, Pınar KSK Basketball Branch offers the opportunity of playing sports for about 25,000 children at its youth development and sports schools, promotes promising players to Pınar Karşıyaka Basketball Team and continues its activities to serve as an example for future generations.

### Turkish Basketball Federation

As part of its continuous support for sports, Pınar is also the Official Drink Supplier of Turkish Basketball Federation and National Basketball Team.

## PUBLICATIONS

### Yaşam Pınarım Magazine

Focusing especially on content that will be of particular use to parents and first published in 2004, My Life Spring is a magazine that seeks to maintain bonds between the Company, its consumers and business partners, as well as links with academic and governmental circles. The quarterly magazine is distributed free-of-charge and has been sent out to consumers as an e-bulletin since 2013. It reaches an audience of more than 10,000 every month.

## SPONSORSHIPS

Like every year, as part of its efforts to develop the industry, Pınar Su attended and supported numerous exhibitions and congresses in 2016 on quality, food, R&D and marketing.

Major Events Sponsored by Pınar Su in 2016:

- 3rd İzmir Occupational Health and Safety Summit
- 6th Platform of Business Woman Council
- 12th Turkish Food Congress
- 13th Aegean Human Resources Management Summit
- "Hack'n Break" Event of İzmir Institute of Technology
- 17th Search for Excellence Symposium
- 4th Beach Volleyball Tournament of High Schools
- Nutrition and Health Symposium of İzmir Katip Çelebi University
- Career Days of Faculty of Food Engineering of Ege University
- Turkish Innovation Week

## Awards and Certificates

The activities conducted by the Pinar brand, which also incorporates Pinar Su, were awarded by reputable organizations in 2016 just like every year.



### **İzmir Chamber of Commerce Awarded 2 Prizes to Pinar Su**

The 2014 Annual Tax Award Ceremony, which was organized together with İzmir Tax Office as part of the 131st anniversary of İzmir Chamber of Commerce, was held at İzmir Hilton Hotel. At the award ceremony, then Turkish Prime Minister Ahmet Davutoğlu and Greek Prime Minister Alexis Tsipras gave awards to the highest tax payers and company owners with Turkish-Greek partnership. During the ceremony, which saw the attendance of 16 ministers from the Turkish and Greek governments, 225 companies were awarded in taxes and 104 firms in providing foreign exchange. Pinar Su won 2 gold medals in the categories of Tax Payment and Providing Foreign Exchange.

### **Silver Stevie Award**

Organized for the 35th time in order to stir up the interest of primary education students in painting and fine arts, Pinar Painting Contest won the Silver Stevie Award in the category of "The Communications Campaign of the Year – Media Relations".

### **Certificates**

TSE ISO EN 9000 - Quality Management System Certificate  
TSE ISO EN 14000 - Environmental Management System Certificate  
TSE ISO EN 22000 - Food Safety Management System Certificate  
TSE ISO 10002 - Customer Satisfaction Management System Certificate  
TSE ISG OHSAS 18001 - Occupational Health and Safety Management System Certificate  
American NSF (National Sanitation Foundation) Food Safety Compliance Certificate  
BRC (British Retail Consortium) Food Safety Compliance Certificate  
TS 266 - Water - (For Personal Consumption) - Turkish Standards Compliance Certificate  
TS OIC SMIIC 1 - Halal Certificate  
UEA S. GSO 987 - United Arab Emirates Quality Standards Compliance Certificate

## Pinar Su's Milestones

Pinar Su has been offering trust, health and quality together since it was founded; Continues to be a pioneering brand with its work that makes a difference in the packaged water sector.



### Leader of the Packaged Water Industry

**1984** Pinar Su introduces consumers to Turkey's first packaged water under the "Pinar Şaşı" label. **1985** PVC containers are used for the first time. • Pinar Su exports goods to Germany for the first time. **1989** Pinar Su single-handedly accounts for 90% of all of Turkey water exports. **1995** Bottled water production capacity reaches 100,000 tons a year. **1996** Pinar Su opens its second plant in Aydın-Nazilli and introduces its "Pinar Madran" brand to consumers. **1997** Pinar Su introduces the first PET bottles for its Pinar Madran line of water and is awarded a gold plaque by the Turkish Standards Institute. **1999** Pinar Su receives ISO 9002 Quality Management System Certification. **2001** Pinar Su receives TSE ISO 14001 Environmental Management System Certification. **2002** Pinar Madran is marketed in carboys. **2003** The rights to the Sakarya and Isparta springs are acquired and Marmara Su is set up. Water from these two springs is marketed under the "Pinar Yaşam Pınarım" and the "Pinar Denge" labels respectively. • Pinar Su is awarded TS ISO 9001:2000 Certification. **2005** Pinar Su is awarded TS 13001 HACCP Food Safety System Certification. • Additional investments at the Pinar Madran plant occupying 64,000 m2 of land in Aydın-Bozdoğan increase the plant's enclosed space from 14,000 m2 to 17,000 m2. **2007** Pinar Madran is the first Turkish beverage brand to be certified with the NSF International Quality Certification. **2009** Pinar Su is awarded TS ISO EN 9001:2008 Quality Management System Certification. **2010** The Pinar Su Order Hotline at 444 99 00 launches its service and can be accessed from anywhere in Turkey. • Pinar Su is awarded TS ISO EN 22000 Food Safety Management System Certification. **2011** Bottle weights are significantly reduced with the short-neck project. • Glass container design is revamped. • Akçaağaç replaces Toros as source of the Company's mineral water in Isparta. • The Company is awarded TS 18001 Occupational Health & Safety Management System Certification. **2012** The Company is awarded TSE-ISO-EN 10002 Customer Satisfaction Management System Certification. • Turkey's first web-based online carboy-ordering system is launched. • 5L glass carboys are introduced to the market. **2013** Pinar Su order-placement app running on Android and iOS platforms is launched. • BrandSpark International best new product awards are received for the 5L carboy and for the season-livered glass bottle packaging formats in the individual beverage category. • The season-livered series of glass bottles receives a gold medal at Ambalaj Ay Yıldızları Competition. • PET container production capacity is nearly doubled at Hendek and Isparta plants. • The Company enters the naturally sparkling mineral water category with plain, fruit-flavored, and vitamin-enriched fruit-flavored products. **2014** Newly-designed 0.33L and 0.75L glass bottles are introduced to the market. • Pinar Su receives BRC (British Retail Consortium) Food Safety Certification. • According to the results of the Turkish National Customer Satisfaction Index survey in the second quarter of 2014, Pinar Su ranked first place in the packaged water industry with a score of 82 out of 100. **2015** 0.33L and 0.75L glass bottles are introduced with a new premium design. • Pinar Su is the official water provider of the Turkish Basketball Federation and the National Basketball Teams. **2016** Pinar Su launched 15L glass carboy. • The mobile order application has been upgraded. • Uludağ source investment in Bursa / İnegöl completed and put into operation.

# CORPORATE GOVERNANCE PRACTICES AND FINANCIAL INFORMATION



## BOARD OF DIRECTORS

### Emine Feyhan Yaşar - Chairperson

Emine 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. 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 of Directors Member. Emine 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 Hedef Board of Directors. Serving as Chairperson of the Board of Directors of Pınar Su, Pınar Et and Altın Yunus and as Board Member at other Yaşar Group companies, Emine Feyhan Yaşar is also the Vice Chairperson of Yaşar Holding Board of Directors. 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). Emine Feyhan Yaşar 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).

### 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 as the Vice Chairperson on this date. Yiğitbaşı is a Board Member of Turkish Industry and Business Association (TÜSİAD) and Member of Union of Turkish Dairy, Meat and Food Industrialists and Manufacturers (SETBİR), ESİAD and Corporate Governance Association of Turkey (TKYD) and acts as a member of board of directors for a number of Yaşar Group companies.

### 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. 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, 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, Mr. 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, Mr. Yaşar also serves 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 Abaloğlu Holding between 2004 and 2006, Mr. 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, 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.

### **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 position of 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 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.*

## SENIOR MANAGEMENT

### **Hüseyin Karamehmetoğlu – General Manager**

Having graduated from Hacettepe University, Department of Business, Hüseyin Karamehmetoğlu began to work for Unilever as Sales Manager in 1990. Mr. Karamehmetoğlu, having joined Yaşar Group as Sales Director at Yapaş A.Ş. in 1993, held positions such as Sales Chief and District Deputy Manager. Having worked as Ankara District Manager of Yaşar Birleşik Pazarlama from 1999 to 2002, assigned as Eastern Sales Director in 2002, he has been working in the capacity of Pınar Su General Manager since 2011.

### **Onur Öztürk – Financial Affairs and Finance Director**

Having graduated from Dokuz Eylül University, Faculty of Economics and Administrative Sciences, Department of Business in 2000, completed his graduate study at Dokuz Eylül University, Department of Total Quality Management in 2010, Onur Öztürk started his career as Customer Representative at Aktif Finansal Kiralama A.Ş. in 2000. Mr. Öztürk worked as Deputy Inspector at Board of Inspection Committee at Tansaş Perakende Mağazacılık ve Ticaret A.Ş. from 2001 to 2005. Having participated as Auditor at Yaşar Committee in 2005, worked as Financial Affairs and Finance Manager at Pınar Su San. ve Tic. A.Ş. from May 2014 to November 2015, Mr. Öztürk assigned to the office of Financial affairs and Finance Director at Pınar Su San. ve Tic. A.Ş. in November 2015.

## RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES RISK MANAGEMENT

### RISK MANAGEMENT

The scope of Enterprise Risk Management activities to be implemented at companies under Yaşar Group organization and their operating procedures and principles are set out within the frame of a Regulation. In addition, the framework of risk management activities, risk management duties and responsibilities, processes, reports, confidence procedures and risk management terminology have been created.

The Company began implementing "Enterprise Risk Management" as a systematic process whereby risks are defined, analyzed, controlled and monitored. This method is capable of minimizing the costs incurred in relation to contingencies that result negatively, as well as their impact upon the Company's asset values.

### Risk Management Policy of the Company

The Company's Board of Directors has adopted risk management strategies that will minimize the impact and probability of risks, which might affect the stakeholders in the Company and particularly the shareholders; accordingly, the Board of Directors makes sure that necessary actions are taken.

### Works of Early Detection of Risk Committee

The Early Detection of Risk Committee performs activities for the purposes of early detection of risk and creation of an efficient risk management system.

The Committee oversees the conduct of enterprise risk management activities, which are aimed at the creation of the prioritized risk inventory within the frame of risk management policies and procedures, determination of appropriate risk strategies, taking of necessary actions and monitoring the outcomes. The Committee also provides the necessary guidance in these aspects.

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

Under the risk management policy and procedures adopted across the Group, work is underway to create the risk inventory for all of the Company's activities and to take necessary actions.

Along the line;

- The Company's 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 material risks are reviewed with respect to their design and implementation, and optimum strategies and actions are identified,
- Results of the action taken are followed up, and
- Results and possible developments are reported to related units and assessed.

### INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

A control is described as any implementation aimed at eliminating an event that will adversely affect the achievement of the Company's goals, or at mitigating their impact and probability. The internal control system is composed of the definitions of standards for business processes, policies and procedures, job descriptions, and authorization structures. In this frame, the management has set up all control systems, including those that prevent/identify and improve, for efficient and productive conduct of the Company's business.

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

The oversight of the Company's accounting system, public disclosure of financial information, independent audit and the operation and efficiency of the internal control system is basically fulfilled by the Audit Committee set up by the Company's board of directors. When fulfilling this function, the Audit Committee makes use of the findings of the bodies performing certification under the Group Audit and Risk Management Coordinator, independent audit and certified accountancy.

Under the internal audit activities, the Company evaluates the effectiveness of the existing risk management system, and the adequacy, effectiveness and efficiency of the internal control system, and also makes proposals for their improvement. In addition, the processes of determining and implementing the necessary actions for relevant determinations and proposals are monitored closely.

## LEGAL DISCLOSURES

### Information on the Extraordinary General Assembly Meeting during the Reporting Period, If Applicable

The decisions adopted in the Ordinary General Assembly Meeting held on March 30, 2016 have been implemented. An Extraordinary General Assembly Meeting was not convened during 2016.

### Affiliated Companies Report

The conclusion of the report on relations with Controlling Company and Affiliates issued by the Board of Directors as per TCC Article 199 is as follows:

The Company's Board of Directors is obliged to issue a report related to relations with the controlling shareholder and its affiliates in the last year of operation (within the first three months of the year of activity) and include the conclusion section of this report in its annual report pursuant to article 199 of Turkish Commercial Code 6102 as promulgated on July 1, 2012.

Necessary disclosures on the transactions our company carried out with the associated parties are covered in the footnotes of financial tables. In this report, the Company's Board of Directors concluded that in all transactions the Company carried out during 2015 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/taken or avoided; 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, from time to time, make donations and grants to foundations, associations, universities and similar institutions, which are founded with social motives, subject to the principles set out by the Capital Markets Board.

During 2016, the Company's donations and grants to various organizations and institutions amounted to TL 112,095.

### Lawsuits Filed Against the Company with a Potential Impact on the Company's Financial Standing and Activities and Possible Results

The related disclosure is presented in note 26 to financial statements for the period 01 January 2016 - 31 December 2016.

### 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.

### Changes in the Articles of Incorporation during the Reporting Period

In order to increase the issued capital from TL 12,789,345.27 to TL 44,762,708.445 with a TL 31,973,363.175 (250%) capital addition in cash, the amendment of Article 6 of the Company's Articles of Association, which is entitled "Registered Capital", was registered by Izmir Trade Register Office in July 15, 2016 after the approval opinion of CMB within the scope of items c and ç of the article 25 clause 1 of the Communiqué on Shares numbered VIII-128.1 of Capital Markets Board of Turkey.

### Financial Rights Provided to the Members of the Board of Directors and Senior Executives

Financial rights provided to the Chairperson, Members of the Board of Directors and senior executives are determined within the frame of the Remuneration Policy posted on our website. In the twelve months that ended on 31 December 2016, remuneration and other benefits to the members of the Board of Directors and senior executives amounted to TL 1,627,809.

### Disclosures Concerning Special Audit and Public Audit Conducted During the Fiscal Year

During 2016, regular audits have been performed by various public agencies, after which no material notices have been served on our party.

### The Company's Shareholders' Equity

The shareholders' equity worth TL 63,985,630 as at 31 December 2016 indicates that the issued capital of TL 44,762,708.45 has been very well maintained.

## AGENDA

### **AGENDA FOR 2016 ORDINARY GENERAL ASSEMBLY OF PINAR SU SANAYİ VE TİCARET A.Ş. DUE ON MARCH 30, 2017**

1. Opening and election of Presiding Committee,
2. Authorizing the Chairmanship Committee to sign the minutes of the General Assembly Meeting,
3. Reading, deliberating and approving the Annual Report 2016 prepared by the Board of Directors,
4. Reading and deliberating the Independent Auditor's Report for 2016 fiscal year,
5. Reading, discussion and approval of 2016 Financial Statements,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2016 operations,
7. Negotiation and resolution on amendment of article 4 titled "Head Office and Branches of the Company" of Articles of Incorporation in order to adopt Company's head office address to MERSIS (Central Registry System) where Central Address System and trade registry transactions are carried out electronically,
8. Under the Registered Capital System Communiqué of Capital Markets Board numbered II-18.1, 5 years validity period for registered capital cap in amount of 50.000.000,00 TL will be at the end of 2017, negotiation and resolution about amendment of Article 6 titled "Registered Capital" of the Articles of Incorporation in order to extend the validity period of our Company's registered capital cap to cover years 2017-2021,
9. 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,
10. Determining the number of Board directors and their terms of office; making elections in accordance with the number of Board directors so determined; designating independent Board members,
11. 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,
12. 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,
13. 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,
14. Deliberating and voting on matters pertaining to the year's profits,
15. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,
16. Wishes and opinions.



## ARTICLES OF ASSOCIATION AMENDMENT DRAFT

### PINAR SU SANAYİ VE TİCARET A.Ş.

#### PREVIOUS TEXT THE HEAD OFFICE AND BRANCHES OF THE COMPANY Article 4 -

The head office of the company is in Izmir. Its address is Şehit Fethi Bey Cad. No.1 20. In case of any changes in the address, the new address shall be registered in the trade registry and announces in Turkish Trade Registry Gazette. The notifications made to the registered and announced address shall be deemed to have been made to the Company. In case the company does not register its new address in the registry term, this will constitute a reason for termination although the company moves from the registered and announced address.

The company may open branches within and outside the country pursuant to Turkish Commercial Code, Capital Market Law and other legislative provisions. In case the company opens or closes branches, such actions shall be registered in the Trade Registry and announced in the Turkish Trade Registry Gazette.

#### NEW TEXT THE HEAD OFFICE AND BRANCHES OF THE COMPANY Article 4 -

The head office of the company is in Izmir. Its address is **Akdeniz Mahallesi Şehit Fethi Bey Caddesi No.120/101 Konak/İZMİR**. In case of any changes in the address, the new address shall be registered in the trade registry and announces in Turkish Trade Registry Gazette. The notifications made to the registered and announced address shall be deemed to have been made to the Company. In case the company does not register its new address in the registry term, this will constitute a reason for termination although the company moves from the registered and announced address.

The company may open branches within and outside the country pursuant to Turkish Commercial Code, Capital Market Law and other legislative provisions. In case the company opens or closes branches, such actions shall be registered in the Trade Registry and announced in the Turkish Trade Registry Gazette.

#### PREVIOUS TEXT REGISTERED CAPITAL Article 6 -

The Company accepted registered capital system pursuant to the provisions of Capital Market Law, and started this system with the permission of Capital Market Board dated 30.04.2013 and numbered 15/491.

The registered capital of the Company is TRY 50.000.000 Authorized capital stock permission granted by the Capital Market Board is valid for 5 (five) years between 2013-2017. Even if the authorized capital stock is not reached by the end of 2017, for the board of directors to decide for capital increase after 2017, an authorization from the general assembly shall be sought by obtaining permission from the Capital Market Board for the previously permitted authorized stock or a new authorized stock. In case such authorization is not obtained, the company shall be deemed to have exited the registered capital system.

The issued capital of the Company is TRY 44.762.708,45, and it is distributed into 4.476.270.845 shares with 1 Kr. par value.

The Board of Directors is authorized to increase the capital by issuing shares to the bearer up to the registered authorized stock in compliance with the provisions of the Capital Market Law and the regulations of Capital Market Board between 2013-2017 when deemed necessary.

#### NEW TEXT REGISTERED CAPITAL Article 6 -

The Company accepted registered capital system pursuant to the provisions of Capital Market Law, and started this system with the permission of Capital Market Board dated 30.04.2013 and numbered 15/491.

The registered capital of the Company is TRY 50.000.000 Authorized capital stock permission granted by the Capital Market Board is valid for 5 (five) years between **2017-2021**. Even if the authorized capital stock is not reached by the end of **2021**, for the board of directors to decide for capital increase after **2021**, an authorization from the general assembly shall be sought by obtaining permission from the Capital Market Board for the previously permitted authorized stock or a new authorized stock. In case such authorization is not obtained, **the capital can not be increased based on the Board of Directors' decision.**

The issued capital of the Company is TRY 44.762.708,45, and it is distributed into 4.476.270.845 shares with 1 Kr. par value.

The Board of Directors is authorized to increase the capital by issuing shares to the bearer up to the registered authorized stock in compliance with the provisions of the Capital Market Law and the regulations of Capital Market Board between **2017-2021** when deemed necessary.

The Board of Directors is authorized to issue shares in their above or below par value, to limit the rights of shareholders to buy new shares pursuant to the provisions of the Capital Market Law.

Shares representing the capital are monitored pursuant to principles of dematerialising.

The Board of Directors is authorized to issue shares in their above or below par value, to limit the rights of shareholders to buy new shares pursuant to the provisions of the Capital Market Law.

Shares representing the capital are monitored pursuant to principles of dematerialising.

## STATEMENT OF INDEPENDENCE

As a candidate for independent member for the Board of Director of Pınar Su Sanayi ve Ticaret 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 ethic 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

As a candidate for independent member for the Board of Director of Pınar Su Sanayi ve Ticaret 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 ethic 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 Semerciler



# PINAR SU SANAYİ VE TİCARET A.Ş.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### PART I - Statement of Compliance with Corporate Governance Principles

a) During the operating period ended 31 December 2016, PINAR SU SANAYİ VE TİCARET 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 principle numbered 1.3.11 as their implementation is non-compulsory.

While the Company intends to achieve full alignment with the principle 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.

The Company is currently in the process of assessment in relation to efforts for full compliance with the principle numbered 4.2.8.

Technical infrastructure of web site for investor relations was renewed and user interface was improved in 2016. Donation policy of the Company was submitted for approval of 2015 general assembly and we made progress for the board committees to work more efficiently.

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, Hüseyin Karamehmetoğlu.

Contact information for Investor Relations Department is presented below:

Head of the Investor Relations Department: Onur Öztürk (certified with Corporate Governance Rating License)

Investor Relations Department Officer: Didem Özeğirli

Phone: 0 232 495 00 00

Fax: 0 232 484 17 89

E-mail: investorrelations@pinarsu.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 Turkish and foreign investors, and responded to more than 50 queries by phone or e-mail. Shareholders requested information about situation of their dematerialized shares and regarding changes of share values. In addition, the Unit maintained contacts with Turkish and foreign analysts who carried out studies about our Company. The website has 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 2016, 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 2016.

## **2.3. General Assembly**

Pursuant to "Article 20 - 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.

The 2015 Annual General Assembly meeting took place on March 30, 2016 at the Pınar Süt plant located at Kemalpaşa Asfaltı No: 317 Pınarbaşı/İZMİR during the reporting period. At the 2015 ordinary general assembly meeting, 68.19% 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. Saha Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. representative is invited and participated in the meeting, whereas no media representatives were present. 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 23 - 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 local newspapers, 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 2015 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.

## PINAR SU SANAYİ VE TİCARET A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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 General Assembly Meeting, shuttle buses were provided for transportation between downtown and the factory. 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 11 years are also accessible in the Investor Relations section of the Company website at [www.pinar.com.tr](http://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 2016 at the meeting. The Donations Policy was approved by 2015 Ordinary General Assembly.

### 2.4. Voting Rights and Minority Rights

There are no special voting rights. The Company's articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. Without prejudice to the special provisions of the relevant legislation and articles of incorporation, voting is conducted through open ballot and by raising hands during the General Assembly meeting. Upon request by shareholders, the voting procedure will be determined by the General Assembly meeting. 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 decided otherwise on profit distribution in the relevant general assembly meeting, the profit distribution is intended to be realized in May of the year of the relevant general assembly meeting, the latest, and the date of profit distribution is decided by the General Assembly. General Assembly or Board of Directors (if authorized) may decide on distribution of dividends in installments in accordance with the Capital Market Regulations. 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 and in accordance with the Capital Markets Regulations.

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.

Despite the fact that the Company's 2015 operations resulted in profits, no profit will be distributed as there are no net distributable profits as per the legal records due to previous term losses.

### 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](http://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

Stakeholders participate in management through consideration of suggestions and proposals that will help with development in any matter concerning the Company's activities, which are received at the general assembly meetings or through various communication means.

For the purpose of securing customer satisfaction with the services rendered by our Company, job descriptions have been spelled out for all employees and related guidelines were formulated and made available for the information of our employees. Our customers can communicate their requests, and complaints, if any, about the Company's services to any level at the Company and they can also convey the same online to our Company. In line with the goals of customer retention, new customer acquisition and enhancing customer satisfaction, Pinar Su facilitates access of customers anywhere in Turkey to Pinar Su through a single and easy-to-remember Pinar Su Order Line (444 99 00) that can be dialed from all over the country, as well as through online ordering option and a smart phone application.

To guarantee customer satisfaction, the feedbacks received through Pinar Contact Center, our dealers, customer satisfaction surveys and other channels are evaluated by the Marketing, Total Quality and Production departments, and constant improvements are carried out. Dealer surveys are administered every year with our dealers, who are also our customers, and their problems, if any, are evaluated by the Sales, Marketing and Total Quality departments upon which improvements are made. In order to maximize the quality of the service given to customers, Pinar Su has formulated storage, back office, stock, vehicle, and delivery personnel standards that are applicable to both its carboy and its PET dealerships. To this end, support is extended to dealers through training booklets, regional exchanges and training programs; and specialists reporting to Pinar Su quality department regularly control, score and certify them.

Our suppliers are subjected to assessment within the scope of ISO 9000 Quality System Certificate, and are scored on a monthly basis with respect to prices, quality and delivery. Furthermore, information is exchanged regarding company visits, and efforts are spent to improve our quality and costs. 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. To seek the employees' opinions about various topics, Employee Opinion Surveys are consulted, and the activities to further employee satisfaction and loyalty are carried out on the basis of action plans designed according to survey outcomes.

### 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 at 2016.

The Company's basic human resources policies are set forth clearly in the Company's Personnel Regulations, which are issued

## PINAR SU SANAYİ VE TİCARET A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

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.

There are no unionized workers at the Company.

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

In order to fulfill its responsibilities related to public health and the nature, Pinar Su has made it a principle to continually oversee and improve its environmental performance, while integrating with its manufacturers, suppliers and employees in the conduct of its production activities. The Company has been awarded ISO 14000 Environmental Management System Certification. Ongoing efforts are made to keep the environmental impact of the Company's operations remain within prescribed standards and that wastes are disposed of without causing environmental harm. Noise, fume, and other emission-related parameters are measured at regular intervals. PET, Glass, Cardboard, and other packaging waste is recycled via ÇEVKO as per the Environment Ministry regulatory requirements.

Pinar Su generates as much value for society as a whole through the direct and indirect employment opportunities that it creates, the investments that it undertakes, the goods and services that it purchases, and the taxes that it pays, as it does through the products it produces. In addition to those, the Company regards the constant support and contribution it extends to the arts, education, sports and preservation of cultural assets as a vital and integral instrument of its principle of giving back to the community.

Pinar Children's Art Competition and Pinar Children's Theater; sponsorship to Pinar Karşıyaka Basketball Team, official beverage

sponsorship of Turkish Basketball Association and National Basketball Teams Pinar Newsletter and Yaşam Pınarım magazine are aimed at giving employees and the society an insight into culture, arts, sports and education. The Company supports education by collaborating with organizations 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 corporate 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

Hüseyin Karamehmetoğlu serves as the Company's General Manager. 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 of 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 2016 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 29, 2016 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 2016 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 spelled out as follows in Article 11 of the Company's articles of incorporation. Accordingly;

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.



## PINAR SU SANAYİ VE TİCARET A.Ş. CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The details of the 2016 activities and operating principles of the Board of Directors are provided below:

During the reporting period, the Board of Directors convened 50 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 2016 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 oversees the operation and efficiency of the Company's bookkeeping system, public disclosure of financial information, independent audit and internal control system. The Audit Committee also supervises the designation of the independent audit firm, drafting of the independent audit agreement, initiation of the independent audit process, and the activities of the independent auditor. The Committee reports on the fairness and accuracy of annual and interim financial statements that will be publicly disclosed to the Board of Directors.

Corporate Governance Committee Chairperson is non-executive Independent Board Member Ali Yiğit Tavas, Committee Members are nonexecutive Board Members Yılmaz Gökoğlu and Cengiz Erol and Investor Relations Department Manager is Onur Öztürk. 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.

Within the scope of the duties of the Remuneration Committee, the Corporate Governance Committee formulates its proposals regarding the principles for compensating the Board of Directors and senior executives, in view of the long-term goals 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, taking necessary measures for the identified risks, and managing the risks. The Committee is headed by Kemal Semerciler, a nonexecutive and independent board member, and its members are Yılmaz Gökoğlu and Cengiz Erol, non-executive board members.

According to the Corporate Governance Principles, all members of the Audit Committee, and the heads of Early Detection of Risk Committee and Corporate Governance Committee must be independent Board members. The Manager of the Investor Relations Department was assigned as a member to the Corporate Governance Committee. 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.

#### **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.

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



### To the Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş.

#### Auditor's Report on the Board of Directors' Annual Report

1. We have audited the annual report of Pınar Su Sanayi ve Ticaret A.Ş.'nin ("Company") for the period ended 31 December 2016.

#### *Board of Directors' responsibility for the Annual Report*

2. The Company's management is responsible for the fair preparation of the annual report and its consistency with the financial statements in accordance with Article 514 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") and for such internal control as management determines is necessary to enable the preparation of the annual report.

#### *Independent Auditor's Responsibility*

3. Our responsibility is to express an opinion on the Company's annual report based on the independent audit conducted pursuant to Article 397 of TCC and the Communiqué, whether or not the financial information included in this annual report is consistent with the Company's financial statements that are subject to independent auditor's report dated 1 March 2017 and presented fairly.

Our independent audit was conducted in accordance with Independent Auditing Standards that are part of the Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the financial statements.

An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

We believe that the independent audit evidences we have obtained during our independent audit, are sufficient and appropriate to provide a basis for our opinion.

*Opinion*

4. Based on our opinion, the financial information in the annual report of Board of Directors of Pınar Su Sanayii ve Ticaret A.Ş. is consistent with the audited financial statements and presented fairly, in all material respects.

**Other Responsibilities Arising From Regulatory Requirements**

5. Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 “Going Concern”, we have not encountered any significant issue which we are required to be reported with regard to the inability of Pınar Su Sanayii ve Ticaret A.Ş. to continue its operations for the foreseeable future.

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



Memmet Karakurt, SMMM  
Sorumlu Denetçi

İstanbul, 1 Mart 2017

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



To the Board of Directors of  
Pınar Su Sanayii ve Ticaret A.Ş.

### *Report on the Financial Statements*

1. We have audited the accompanying financial statements (balance sheet) of Pınar Su Sanayii ve Ticaret A.Ş. ("the Company") as at 31 December 2016 and the related 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 a summary of significant accounting policies and explanatory notes.

### *Management's responsibility for the financial statements*

2. The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards ("TAS") and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to error and/ or fraud.

### *Independent auditor's responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and Independent Auditing Standards that part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/ or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pinar Su Sanayii ve Ticaret A.Ş. as at 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with the TAS.

*Other Matter*

5. The financial statements of the Company as at and for the year ended 31 December 2015 were audited by other auditors whose report, dated 29 February 2016, expressed an unqualified opinion on those statements.

*Other Responsibilities Arising From Regulatory Requirements*

6. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 1 March 2017.
7. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
8. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

  
Mehmet Karakurt, SMMM  
Sorumlu Denetçi

İstanbul, 1 Mart 2017

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**PINAR SU SANAYİ VE TİCARET A.Ş.**

FINANCIAL STATEMENTS

AT 1 JANUARY - 31 DECEMBER 2016

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH

## PINAR SU SANAYİ VE TİCARET A.Ş.

### STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS) AT 31 DECEMBER 2016 AND 2015

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

	Notes	31 December 2016	31 December 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and Cash Equivalents	6	3.275.795	2.015.677
Trade Receivables		21.468.868	18.418.150
- Due From Related Parties	7	2.959.482	1.970.866
- Other Trade Receivables	8	18.509.386	16.447.284
Other Receivables		1.640.826	6.419.466
- Due From Related Parties	7	45.950	5.741.057
- Other receivables	10	1.594.876	678.409
Inventories	11	12.344.668	10.351.142
Prepaid Expenses		752.513	739.002
- Prepaid Expenses From Third Parties	13	752.513	739.002
Other Current Assets		11.648.436	6.847.809
- Other Current Assets From Third Parties	30	11.648.436	6.847.809
<b>TOTAL CURRENT ASSETS</b>		<b>51.131.106</b>	<b>44.791.246</b>
<b>Non-Current Assets</b>			
Financial Assets	48	3.695.854	3.986.348
- Available-for-sale Financial Assets		3.695.854	3.986.348
Other Receivables		1.800	1.800
- Other Receivables	10	1.800	1.800
Property, Plant and Equipment	15	142.531.637	96.420.590
- Lands		8.119.570	8.097.520
- Land Improvements		11.680.129	2.907.172
- Buildings		41.118.704	24.052.600
- Machinery and Equipments		71.351.267	44.045.175
- Vehicles		113.505	124.534
- Fixtures and Fittings		9.164.280	9.583.296
- Construction in Progress		984.182	7.610.293
Intangible Assets	18	1.949.167	249.993
- Computer Programmes		1.949.167	249.993
Prepaid Expenses		56.550	4.123.607
- Prepaid Expenses from Third Parties	13	56.550	4.123.607
Deferred Tax Assets	41	6.546.240	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>154.781.248</b>	<b>104.782.338</b>
<b>TOTAL ASSETS</b>		<b>205.912.354</b>	<b>149.573.584</b>

The financial statements at 1 January - 31 December 2016 and for the year then ended have been approved for issue by Board of Directors of Pinar Su Sanayi ve Ticaret A.Ş. on 1 March 2017.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH

## PINAR SU SANAYİ VE TİCARET A.Ş.

### STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS) AT 31 DECEMBER 2016 AND 2015

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

	Notes	31 December 2016	31 December 2015
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short Term Borrowings		2.011.090	4.521.185
- Short Term Borrowings to Non-Related Parties	25	2.011.090	4.521.185
- Bank Loans		2.011.090	4.521.185
Short-Term Portion of Long-Term Borrowings		14.905.940	6.389.020
- Short-Term Portion of Long-Term Borrowings	25	14.905.940	6.389.020
- Bank Loans		14.905.940	6.389.020
Trade Payables		42.156.711	48.348.720
- Due to Related Parties	7	1.012.847	887.631
- Other Trade Payables	8	41.143.864	47.461.089
Payables for Employee Benefits	28	270.800	370.286
Other Payables		1.013.754	1.148.106
- Due to Related Parties	7	254.787	-
- Other Payables to Non-Related Parties	10	758.967	1.148.106
Deferred Income		1.028.420	1.111.322
- Deferred Income from Third Parties	13	1.028.420	1.111.322
Short-Term Provisions		1.310.942	1.201.587
- Provisions for Employee Benefits	28	286.775	269.545
- Other Short-Term Provisions	26	1.024.167	932.042
<b>TOTAL CURRENT LIABILITIES</b>		<b>62.697.657</b>	<b>63.090.226</b>
<b>Non-Current Liabilities</b>			
Long-Term Borrowings		65.599.377	27.520.054
- Long-Term Borrowings to Non-Related Parties	25	65.599.377	27.520.054
- Bank Loans		65.599.377	27.520.054
Trade Payables		11.257.053	2.234.318
- Other Trade Payables	8	11.257.053	2.234.318
Long-Term Provisions		2.372.637	2.062.644
- Provisions for Employee Termination Benefits	28	2.372.637	2.062.644
Deferred Tax Liabilities	41	-	921.328
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>79.229.067</b>	<b>32.738.344</b>
<b>TOTAL LIABILITIES</b>		<b>141.926.724</b>	<b>95.828.570</b>
<b>EQUITY</b>			
<b>Equity Attributable to Owners of Parent</b>		<b>63.985.630</b>	<b>53.745.014</b>
Share Capital	31	44.762.708	12.789.345
Adjustment to Share Capital	31	11.713.515	11.713.515
Share Premiums		88.239	-
Other accumulated comprehensive income / (loss) that will not be reclassified to profit or loss		22.222.204	23.981.913
- Gains (Losses) on Revaluation and Remeasurement		22.222.204	23.981.913
- Revaluation of Property, Plant and Equipment	15	23.272.463	24.966.056
- Actuarial loss arising from Defined Benefit Plans		(1.050.259)	(984.143)
Other accumulated comprehensive income (loss) that will be reclassified to profit or loss		868.595	1.100.990
- Gains (Losses) on Remeasuring and/or Reclassification	48	868.595	1.100.990
- Gains on remeasuring and/or reclassification of Available-for-sale financial assets		868.595	1.100.990
Restricted Reserves	31	4.180.008	4.180.008
- Legal Reserves		4.180.008	4.180.008
Retained Earnings		1.571.956	8.976.842
Loss for the Year		(21.421.595)	(8.997.599)
<b>TOTAL EQUITY</b>		<b>63.985.630</b>	<b>53.745.014</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>205.912.354</b>	<b>149.573.584</b>

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH

## PINAR SU SANAYİ VE TİCARET A.Ş.

### STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2016 AND 2015

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

	Notes	1 January - 31 December 2016	1 January - 31 December 2015
<b>PROFIT (LOSS)</b>			
Revenue	32	163.957.226	144.487.342
Cost of Sales (-)	32	(98.536.814)	(75.741.973)
<b>GROSS PROFIT</b>	32	<b>65.420.412</b>	<b>68.745.369</b>
General Administrative Expenses (-)	34	(18.963.980)	(15.243.623)
Marketing Expenses (-)	34	(65.903.323)	(59.125.429)
Other Operating Income	35	1.770.358	654.677
Other Operating Expenses (-)	35	(2.581.739)	(3.253.457)
<b>OPERATING LOSS</b>		<b>(20.258.272)</b>	<b>(8.222.463)</b>
Income from Investment Activities	36	416.211	1.316.619
Expense from Investment Activities (-)	36	(909.780)	(91.549)
<b>OPERATING LOSS BEFORE FINANCIAL EXPENSE</b>		<b>(20.751.841)</b>	<b>(6.997.393)</b>
Financial Income	38	1.863.184	1.926.394
Financial Expenses (-)	38	(9.900.658)	(5.796.013)
<b>LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>(28.789.315)</b>	<b>(10.867.012)</b>
Tax (loss) / income of Continuing Operations		7.367.720	1.869.413
- Deferred Tax (Loss) Income	41	7.367.720	1.869.413
<b>LOSS FROM CONTINUING OPERATIONS</b>		<b>(21.421.595)</b>	<b>(8.997.599)</b>
<b>LOSS FOR THE PERIOD</b>		<b>(21.421.595)</b>	<b>(8.997.599)</b>
Loss per share			
- Loss per 1 KR Number of 100 Shares			
From Continuing Operations	42	(0,7399)	(0,7035)
<b>OTHER COMPREHENSIVE INCOME</b>			
<b>Other comprehensive income/ expense not to be reclassified to profit or loss</b>		<b>(166.996)</b>	<b>3.615.706</b>
- Gains (losses) on remeasurements of defined benefit plans		(82.645)	(463.046)
- Gains (losses) on revaluation of property, plant and equipment		(126.100)	5.110.413
- Taxes for Other Comprehensive Income/ Expense not to be Reclassified to Profit or Loss			
- Gains (losses) on revaluation of property, plant and equipment, Tax effect		25.220	(1.124.270)
- Gains (losses) on remeasurements of defined benefit plans, Tax effect		16.529	92.609
<b>Other Comprehensive Income/ Expense to be Reclassified to Profit or Loss</b>		<b>(232.395)</b>	<b>183.914</b>
- Gains (losses) on remeasuring and/or reclassification on available-for-sale financial assets	48	(290.494)	229.892
- Gains (losses) on remeasuring and/or reclassification on available-for-sale financial assets		(290.494)	229.892
- Taxes for Other Comprehensive Income/ Expense to be Reclassified to Profit or Loss	48	58.099	(45.978)
- Gains (losses) on revaluation and/or reclassification of available-for-sale financial assets, Tax effect		58.099	(45.978)
<b>OTHER COMPREHENSIVE (LOSS)/ INCOME</b>		<b>(399.391)</b>	<b>3.799.620</b>
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(21.820.986)</b>	<b>(5.197.979)</b>

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



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## PINAR SU SANAYİ VE TİCARET A.Ş.

### STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AT 31 DECEMBER 2016 AND 2015

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

	Notes	1 January- 31 December 2016	1 January - 31 December 2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>(22.247.132)</b>	<b>11.259.431</b>
Profit (Loss) for the year		(21.421.595)	(8.997.599)
- Profit (Loss) from Continuing Operations		(21.421.595)	(8.997.599)
<b>Adjustments Related to Reconciliation of Net Profit for The Year:</b>		<b>10.938.463</b>	<b>10.873.347</b>
Adjustments for depreciation and amortisation expense	15,16	9.343.712	7.406.436
Adjustments for Impairment Loss (Reversal of Impairment Loss)		438.491	1.208.529
- Adjustments for Impairment Loss (Reversal of Impairment Loss) Of Receivables	8	311.988	1.100.498
- Adjustments for Impairment on fixed assets (Reversal of Impairment Loss)	15	126.503	108.031
Adjustments for Provisions		1.740.570	1.986.159
- Adjustments for provisions related with employee benefits		624.278	471.678
- Adjustments for (Reversal of) Other Provisions	26	1.116.292	1.514.481
- Adjustments for interest expense and interest gain		4.665.639	2.416.348
- Adjustments for interest income	36,38	(602.816)	(1.492.715)
- Adjustments for interest expense	38	5.268.455	3.909.063
Adjustments for unrealized foreign currency translation differences		1.468.340	298.799
Adjustments for tax expense	41	(7.367.720)	(1.869.413)
Adjustments for losses (gains) arised from sale of fixed assets	36	649.431	(573.511)
Adjustments for Losses (Gains) Arised from Sale of Tangible Assets		649.431	(573.511)
<b>Changes in working capital</b>		<b>(11.367.075)</b>	<b>10.124.367</b>
Adjustments related to (increase)/ decrease in trade receivables		(3.052.200)	2.496.555
- Decrease (increase) in trade receivables from related parties		(744.210)	46.607
- Decrease (increase) in trade receivables from non-related parties		(2.307.990)	2.449.948
Adjustments for Decrease (Increase) in Other Receivables Related with Operations		(5.656.169)	(5.163.846)
Decrease (Increase) in Other non-related party receivables Related with Operations		(5.656.169)	(5.163.846)
Adjustments for Decrease (Increase) in Inventories		(1.993.526)	(3.585.220)
Adjustments For Increase (Decrease) in Trade Payable		987.725	16.540.582
- Increase (Decrease) in Trade Payables to Related Parties		110.737	53.038
- Increase (Decrease) in Trade Payables to non-related Parties		876.988	16.487.544
Decrease /(Increase) in Prepaid Expenses		(74.436)	(521.236)
Increase (decrease) in payables related to employee benefits		(99.486)	31.570
Adjustments for Increase (Decrease) in Other Operating Payables		(389.139)	355.004
Increase (Decrease) in Other Operating Payables to non-related Parties		(389.139)	355.004
Increase (Decrease) in Deferred Income		(1.107.074)	(46.359)
Adjustments for Other Increase (Decrease) in Working Capital		17.230	17.317
Increase (Decrease) in Other Payables Related with Operations		17.230	17.317
<b>Cash Flows from Operating Activities</b>		<b>(21.850.207)</b>	<b>12.000.115</b>
Payments related with provisions for employee benefits		(396.925)	(740.684)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(44.390.995)</b>	<b>(22.256.522)</b>
Cash inflows from sales of fixed assets		663.875	1.072.970
- Cash inflows from sales of tangible assets		663.875	1.072.970
Cash outflows due to purchase of fixed assets		(55.419.845)	(23.818.448)
- Cash outflows due to purchase of tangible assets		(53.629.492)	(23.753.914)
- Cash outflows due to purchase of intangible assets	16	(1.790.353)	(64.534)
Paybacks from Cash Advances and Loans		9.762.159	3.119.845
- Paybacks from Cash Advances and Loans Made to Related Parties		5.695.107	3.119.845
-(Increase)/ Decrease in Non-Trade Receivables from Related Parties		4.067.052	-
Cash advances and loans made		-	(4.123.604)
- Cash advances and loans made to related parties		-	(4.123.604)
Interest Received	36,38	602.816	1.492.715
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>67.898.245</b>	<b>10.398.376</b>
Cash Inflows Related to issuing shares and other equity related tools		32.061.602	-
- Proceeds from issuing shares		32.061.602	-
Cash inflows from financial borrowings		54.894.433	23.539.968
- Cash inflows from loans		54.894.433	23.539.968
Cash outflows from financial liabilities		(10.744.126)	(9.232.529)
- Paybacks of borrowings		(10.744.126)	(9.232.529)
(Decrease)/ Increase in Non - Trade Due to Related Parties		254.787	-
Interest Paid		(8.568.451)	(3.909.063)
<b>Net Increase (Decrease) in Cash and Cash Equivalents Before Effect of Foreign Currency Translation Differences</b>		<b>1.260.118</b>	<b>(598.715)</b>
<b>Net Increase (decrease) in Cash and Cash Equivalents</b>		<b>1.260.118</b>	<b>(598.715)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>		<b>2.015.677</b>	<b>2.614.392</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>6</b>	<b>3.275.795</b>	<b>2.015.677</b>

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS  
ORIGINALLY ISSUED IN TURKISH

## PINAR SU SANAYİ VE TİCARET A.Ş.

### STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2016 AND 2015

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

				Other comprehensive income/ (expense) not to be reclassified to profit or loss	
	Share Capital	Adjustment to share capital	Share Stock Premium (Discounts)	Gains (Losses) on Revaluation of Property, Plant and Equipments	Gains (Losses) on Remeasurements of Defined Benefit Plans
<b>Previous Period</b>					
<b>1 January - 31 December 2015</b>					
<b>Balances at beginning</b>	<b>12.789.345</b>	<b>11.713.515</b>	<b>-</b>	<b>22.402.601</b>	<b>(613.706)</b>
Transfers	-	-	-	(1.422.688)	-
Total comprehensive income	-	-	-	3.986.143	(370.437)
- Loss for the year	-	-	-	-	-
- Other comprehensive income	-	-	-	3.986.143	(370.437)
<b>Balances at closing</b>	<b>12.789.345</b>	<b>11.713.515</b>	<b>-</b>	<b>24.966.056</b>	<b>(984.143)</b>
<b>Current Period</b>					
<b>1 January - 31 December 2016</b>					
<b>Balances at beginning</b>	<b>12.789.345</b>	<b>11.713.515</b>	<b>-</b>	<b>24.966.056</b>	<b>(984.143)</b>
Transfers	-	-	-	(1.592.713)	-
Total comprehensive income	-	-	-	(100.880)	(66.116)
- Loss for the year	-	-	-	-	-
- Other comprehensive income	-	-	-	(100.880)	(66.116)
Increase in equity (Note 31)	31.973.363	-	88.239	-	-
<b>Balances at closing</b>	<b>44.762.708</b>	<b>11.713.515</b>	<b>88.239</b>	<b>23.272.463</b>	<b>(1.050.259)</b>

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

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## PINAR SU SANAYİ VE TİCARET A.Ş.

### STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2016 AND 2015

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

Other comprehensive income/ (expense) to be classified to profit or loss				
Gains (Losses) on Revaluation and/or Reclassification Adjustments of Available-for-Sale Financial Assets	Restricted reserves	Retained earnings	Profit/ (Loss) for the period	Total equity
917.076	4.180.008	5.395.294	2.158.860	58.942.993
-	-	3.581.548	(2.158.860)	-
183.914	-	-	(8.997.599)	(5.197.979 )
-	-	-	(8.997.599)	(8.997.599)
183.914	-	-	-	3.799.620
1.100.990	4.180.008	8.976.842	(8.997.599)	53.745.014
1.100.990	4.180.008	8.976.842	(8.997.599)	53.745.014
-	-	(7.404.886 )	8.997.599	-
(232.395)	-	-	(21.421.595)	(21.820.986)
-	-	-	(21.421.595)	(21.421.595)
(232.395)	-	-	-	(399.391)
-	-	-	-	32.061.602
868.595	4.180.008	1.571.956	(21.421.595)	63.985.630

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## PINAR SU SANAYİ VE TİCARET A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2016

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

#### NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Pınar Su Sanayi ve Ticaret A.Ş. (the "Company") is engaged in the production of bottled water under the brand name "Pınar Yaşam Pınarım". The Company's production facilities are located in Aydın, Isparta, Sakarya and Bursa whereas the Company's headquarter is located in İzmir.

Sales and distribution of the Company's products in the domestic market are performed by its own sales departments and its exports are performed by Yaşar Dış Ticaret A.Ş. ("YDT"), which is Yaşar Group company (Note 7).

The Company's 31,78% (2015: 31,78%) of shares are quoted on the "Borsa İstanbul" ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 58.00% of shares of the Company (2015: 58,00%) (Note 31).

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

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

As of 31 December 2016 the average number of personnel employed at the Company is 502 (31 December 2015: 452).

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### 2.1 Basis of Presentation

##### 2.1.1 Financial Reporting Standards

The accompanying financial statements are prepared in accordance with the Communiqué Serial II, No: 14.1, "Principals of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, the financial statements are prepared in accordance with Turkish Accounting Standards "TAS" 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 of the Company are prepared as per the CMB relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's financial statements.

The Company maintains its books of accounts and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance 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. Other than land, buildings and land improvements, machinery and equipments and financial assets and liabilities carried at their fair values, financial statements are prepared and presented based on historical cost convention and in terms of Turkish Lira ("TL") which is the functional currency of the Company.

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## PINAR SU SANAYİ VE TİCARET A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2016

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

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

##### Reporting In Hyper-Inflationary Economy

With the decision taken on 17 March 2005, numbered 11/367, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey. Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year starting from 1 January 2005.

#### 2.2 Amendments in Accounting Policies, Comparative Information and Correction of Prior Year Financial Statements

##### 2.2.1 Amendments in Turkish Financial Reporting Standards

###### a) Standards, Amendments and IFRICs applicable to 31 December 2016 year ends:

- *Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:*
  - *IFRS 5, "Non-current assets held for sale and discontinued operations" regarding methods of disposal*
  - *IFRS 7, "Financial instruments: Disclosures", (with consequential amendments to IFRS 1) regarding servicing contracts*
  - *IAS 19, "Employee benefits" regarding discount rates*
  - *IAS 34, "Interim financial reporting" regarding disclosure of information*
- *Amendment to IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets", on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.*
- *Amendment to IAS 1, "Presentation of financial statements" on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports*

###### b) **New standards, amendments and interpretations issued and effective as of 31 December 2016 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.**

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## PINAR SU SANAYİ VE TİCARET A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2016

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

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

##### c) Standards, amendments and interpretations effective after 1 January 2017

- Amendments to IAS 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 IAS 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 clarifies certain other aspects of accounting for deferred tax assets.
- IFRS 9 "Financial instruments", effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 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.
- IFRS 15 "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. IFRS 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. Also this standard is effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses 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.
- 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 far-reaching 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.



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## PINAR SU SANAYİ VE TİCARET A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2016

(Amounts 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:
  - IFRS 1 "First-time adoption of IFRS", regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
  - IFRS 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.
  - IAS 28, "Investments in associates and joint ventures" regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- IFRIC 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC 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.

The Company will determine the effects of these amendments above on the financial statements and will apply after effective date. The above mentioned amendments and interpretations are not expected to have significant impact on the Company's financial statements.

#### 2.2.2 Comparative information and correction of prior year financial statements

The Company's financial statements are prepared comparatively in order to enable the identification of financial position and performance trends. The Company prepared the balance sheet as of 31 December 2016 comparing to the balance sheet as of 31 December 2015, the comprehensive income, equity movement and cash flows for the year ended 31 December 2016 comparing to the comprehensive income, equity movement and cash flows for the year ended 31 December 2015. Comparative financial information are reclassified and significant differences are explained when necessary in order to be in line with the current presentation of financial statements.

#### 2.3 Summary of Significant Accounting Policies

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

##### 2.3.1 Revenue recognition

Revenues are recognized on an accrual basis at the time deliveries are made, services are given and significant risks and rewards are transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped less sales returns, sales discounts and commissions given (Note 32). As of balance sheet date, expenses not invoiced yet are estimated and accrued.

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

The Company recognises 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. Revenue is recognised as follows:

##### *Sales of goods:*

Sales of goods are recognised when the Company has delivered or sold products to the customer, the customer has accepted 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.

##### *Interest income:*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

##### *Dividend income:*

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

#### 2.3.2 Inventory

Company's raw materials mainly consist of materials and packaging materials which are used to produce bottled water, finished goods mainly consist of bottled water.

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories comprise all costs of purchase of material and other costs incurred in bringing the inventories to their present location and condition such as labor and appropriate amount of factory overheads (based on normal operating capacities). The cost of inventories is determined on the monthly weighted average basis (Note 11).

#### 2.3.3 Property, plant and equipment

Property, plant and equipment except for land, land improvements and buildings and machinery and equipment are stated at cost less accumulated depreciation. Land, land improvements and buildings and machinery and equipment are stated at fair value less accumulated depreciation, based on valuations by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş. as of 31 December 2015 (Note 15). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset and the net amount is restated to the revalued amount of the asset.

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

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.

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

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

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 15). Land is not depreciated as it is deemed to have an indefinite life.

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

Buildings and land improvements	25-45 years
Machinery and equipment (including leased machinery and equipment)	5-25 years
Motor vehicles	5 years
Furniture and fixtures	5-10 years

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

Where the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. If the property, plant and equipment that are impaired are revalued, the impairment is charged to the revaluation reserves for an amount equivalent to the increases included in the revaluation reserve in the preceding periods and the remaining amount is recognised in the statement of comprehensive income (Note 15). At each balance sheet date, estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively.

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

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

#### 2.3.4 Intangible assets

Intangible assets have finite useful lives and mainly comprise acquired rights. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period of six years from the date of acquisition (Note 18). 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.

#### 2.3.5 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,

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

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

- (i) Adverse changes in the payment status of borrowers in the portfolio; and
- (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

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

If, in 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. 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, impairment losses recognized in the comprehensive income statement, on equity instruments are not reversed through the statement of comprehensive income.

#### *Impairment of non-financial assets:*

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

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

##### 2.3.6 Borrowing and borrowing cost

Borrowings are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 38). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 25).

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.

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

##### 2.3.7 Financial assets

The Company classifies its financial assets in categories of financial assets at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. 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 are included in Trade receivables and Other receivables in the balance sheet.

##### - Available-for-sale financial assets

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 financial assets. 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 determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.



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

##### ii. *Recognition and measurement*

All financial investments are initially recognised at cost (transaction cost), being the fair value of the consideration given and including acquisition charges associated with the investments, and subsequently carried at fair value. The financial assets which the Company has shares less than 20% and are classified as available-for-sale investments are carried at market value when there is quoted market price, they are carried at fair value by using generally accepted valuation techniques, when there is no active market for the financial asset. When there is no quoted market price, and when a reasonable estimate of fair value could not be determined as a result of being other methods inappropriate and unworkable, available-for-sale investments acquired before 1 January 2005 are carried at cost expressed in purchasing power of TL as at 31 December 2004 and available-for-sale investments acquired after 1 January 2005 are carried at cost, less impairment losses, if any. Unrealized gains and losses arising from changes in fair value of securities classified as available-for-sale are recognized in the equity, rather than statement of comprehensive income until the related financial asset is derecognized.

Change in fair value of available-for-sale investments is calculated as the difference between the discounted acquisition cost and the current fair value. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income as part of other income when the Company's right to receive payments is established.

When securities classified as available-for-sale are derecognized, the accumulated fair value adjustments in equity are recognized in the statement of comprehensive income

Bank loans and trade receivables are recognised with present value using the effective interest rate

#### 2.3.8 Foreign currency translations and balances

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. The exchange differences that were recorded are recognised in the statements of income and other comprehensive income as part of the profit for the year.

#### 2.3.9 Earnings/ (loss) per share

Earning/ (loss) per share disclosed in the statement of income and other comprehensive income are determined by dividing net profit/ (loss) for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 42). 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/ (loss) per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year. In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

#### 2.3.10 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 authorized for issue.

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

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

##### 2.3.11 Provisions, contingent assets and contingent liabilities

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. 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 (Note 26).

Provisions are recognised 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 a 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 recognised 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 recognised for future operating losses.

##### i. *Employee Benefits/Termination Benefit*

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. In accordance with existing social legislation and Turkish Labor Law in Turkey, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service. Provision is made for the present value of the defined benefit obligation calculated using the projected unit credit method. All actuarial gains and losses are recognised in other comprehensive income in the statements of comprehensive income.

##### ii. *Bonus Provision*

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.

##### 2.3.12 Accounting policies, errors and changes 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 change in accounting estimate shall be recognized prospectively by including it in the statements 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.

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

##### **2.3.13 Related parties**

For the purpose of these financial statements, shareholders having control, joint control or significant influence over the Company, Yaşar Group companies, key management personnel and board members of the Company or parent Company "Yaşar Holding" and their close family members, together companies controlled, jointly controlled or significantly influenced by them are considered as and referred to as related parties (Note 7).

##### **2.3.14 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 takes strategic decisions on allocating resources and assessing performance of the operating segments, has been identified as the key management.

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 significant, there is a single reportable segment, and segment reporting is not applicable.

##### **2.3.15 Current and deferred income taxes**

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date (Note 41). The adjustments related to prior period tax liabilities are recognised in other operating income and 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.

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

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

##### 2.3.16 Statement of cash flow

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

##### 2.3.17 Share capital and dividends

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

#### 2.4 Critical accounting estimates and judgments

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

##### i) *Fair value determination of available-for-sale investments*

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 48). If generally adopted valuation techniques are not used, it is assumed that fair value of the asset converges the carrying value.

##### ii) *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 and investment properties 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.

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 based on the following valuation techniques and assumptions;

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

- 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, 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<sup>2</sup> 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.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.
- Since 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, buildings, machinery and equipment 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 Company performs impairment assessment for buildings, land improvements and machinery and equipment of which valuations are based on cost approach, accordance with the "TAS 36 Impairment of Assets", and no impairment indicator is identified.

#### iii) **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 recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. In this respect, the Company did not recognise deferred income tax assets arising from tax losses carried forward and other deductible differences as their future utilisation is not virtually certain. 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 final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made (Note 41).

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

##### **iv) Capitalization of investments**

Investments are capitalized when substantially ready for their intended use or sale in order to be operated in accordance with the aims of management and immediately after are depreciated. In November 2016, the investments related to the Pet production lines which is the second phase of the investment in Bursa-Inegöl, Uludağ resource were completed within this scope.

##### **2.5 Offsetting**

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having 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 sales are presented as net if the nature of the transaction or the event qualify for offsetting.

##### **2.6 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 Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority. As Company management, we declare that the current and previous period financial statements together with the summary of the important accounting policies and notes to the financial statements are prepared and presented in accordance with Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority.

#### **NOTE 3 - BUSINESS COMBINATIONS**

None (31 December 2015: None).

#### **NOTE 4 - INTERESTS IN OTHER ENTITIES**

Please see Note 48.

#### **NOTE 5 - SEGMENT REPORTING**

Please see Note 2.3.13.



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#### NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Cash in hand	22.723	4.702
Banks	1.277.565	91.132
- Demand deposits	157.565	91.132
- Turkish Lira	157.565	91.132
- Time deposits	1.120.000	-
- Turkish Lira	1.120.000	-
Other	1.975.507	1.919.843
	<b>3.275.795</b>	<b>2.015.677</b>

As of 31 December 2016, the Company has time deposits within one month and the weighted average interest rate of % 10,5 per annum ("p.a.") (As of 31 December 2015, the Group has no time deposits). Other cash and cash equivalents includes the credit cards slips with an average term of 30 days (31 December 2015: 30 days).

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 banks is sufficient. The fair values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet dates.

#### NOTE 7 - 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 2016 and 2015 are as follow:

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

	31 December 2016	31 December 2015
<b>a) Trade receivables from related parties:</b>		
Yaşar Dış Ticaret A.Ş. ("YDT")	2.722.981	1.627.614
DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("DYO Boya")	101.735	198.661
Other	134.766	144.591
	<b>2.959.482</b>	<b>1.970.866</b>

Due from related party balances are mainly resulted from the sales of bottled water. Sales and distribution of the Company's products in the domestic market are performed by its own sales departments and its exports are performed by YDT, as further explained in Note 1 to the financial statements.

As of 31 December 2016, due from related parties amounting to TL1.886.379 (31 December 2015: TL1.176.137) were overdue for a period of 3 months (31 December 2015: 3 months).

Company management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's receivables from related parties.

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#### NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 December 2016	31 December 2015
<b>b) Other receivables from related parties:</b>		
Viking Kağıt	35.527	-
DYO Boya	8.686	-
Yaşar Holding	-	5.741.057
Other	1.737	-
	<b>45.950</b>	<b>5.741.057</b>

As of 31 December 2016, other receivables from related parties consist of financial expenses and commissions related with the borrowings obtained from international capital markets and financial institutions with the guarantee of the Group (Note 38) and mature within 3-12 months

As of 31 December 2015, the Company has short-term receivables from Yaşar Holding amounting to TL5.741.057 which are non-trade. The effective weighted average interest rate applied to those receivables is 12% p.a.

	31 December 2016	31 December 2015
<b>c) Trade payables to related parties:</b>		
Yaşar Holding	757.156	754.740
Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP")	153.491	-
Pınar Foods GmbH ("Pınar Foods")	92.748	79.440
Other	9.452	53.451
<b>%9,10</b>	<b>1.012.847</b>	<b>887.631</b>

The effective weighted average interest rate applied to due to related parties is 9,10% p.a. as of 31 December 2016 (31 December 2015: 11,02% p.a.) Due to related parties mature mainly within 1 months (31 December 2015: 1 months).

#### d) Other payables to related parties:

YBP	167.167	-
Yaşar Holding	83.583	-
Other	4.037	-
	<b>254.787</b>	<b>-</b>

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#### NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

##### ii) Transactions with related parties:

	1 January - 31 December 2016	1 January - 31 December 2015
<b>a) Product sales:</b>		
YDT	13.749.851	10.425.382
Other	1.175.737	925.256
	<b>14.925.588</b>	<b>11.350.638</b>

Export sales and distribution of the Company's products are performed by YDT.

##### b) Service sales:

Desa	217.028	168.445
YDT	190.916	308.288
Viking Kağıt ve Selüloz A.Ş. ("Viking Kağıt")	53.452	40.551
Yaşar Holding	-	23.509
Other	115.261	243.116
	<b>576.657</b>	<b>783.909</b>

##### c) Service purchases:

Yaşar Holding	2.922.606	2.876.627
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yaşar Bilgi İşlem")	1.330.437	164
YDT	788.843	804.321
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	315.769	257.734
YBP	288.876	243.005
Pınar Süt Mamülleri Sanayii A.Ş. ("Pınar Süt")	122.272	109.237
Other	405.979	184.198
	<b>6.174.782</b>	<b>4.475.286</b>

Service purchases from Yaşar Holding are mainly related with the consultancy charges. The service purchases from Yaşar Bilgi İşlem are mainly related with information technology service charges.

##### d) Product purchases:

Pınar Süt	92.791	91.094
Other	28	4.872
	<b>92.819</b>	<b>95.966</b>

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#### NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2016	1 January - 31 December 2015
<b>e) Financial expense:</b>		
YBP	226.019	168.653
Yaşar Holding	227.735	126.144
Other	252.353	114.985
	<b>706.107</b>	<b>409.782</b>
<b>f) Financial income:</b>		
YDT	270.844	387.962
Viking Kağıt	159.513	49.560
Dyo Boya	90.486	129.664
Yaşar Holding	35.012	651.559
Other	30.393	35.020
	<b>586.248</b>	<b>1.253.765</b>
The other finance income mainly consists of bail and finance commissions in relation to the the bank borrowings obtained by the related parties from international capital markets and a financial institution under the guarantee of the Company. The bail and finance commission rates used in the intercompany charges are %0,50 p.a. both (31 December 2015: %0,50 p.a. both) (Note 38).		
<b>g) Other income from operations:</b>		
YDT	179.192	7.947
YBP	-	97.235
Other	32.112	24.203
	<b>211.304</b>	<b>129.385</b>
<b>h) Other expense from operations:</b>		
YBP	39.261	36.607
Other	34.386	57.639
	<b>73.647</b>	<b>94.246</b>
<b>i) Dividends received:</b>		
YBP	-	172.523
	<b>-</b>	<b>172.523</b>

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#### NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2016	1 January - 31 December 2015
<b>i) Tangible and intangible asset purchases:</b>		
Yaşar Bilgi İşlem	1.424.040	-
Yaşar Holding	296.461	-
Other	238.372	146.514
	<b>1.958.873</b>	<b>146.514</b>

The intangible asset purchases from Yaşar Bilgi İşlem are mainly related with new software expenditures.

<b>j) Tangible and intangible asset sales:</b>		
Yaşar Holding	-	118.812
Other	1.146	-
	<b>1.146</b>	<b>118.812</b>

#### k) Bails given:

As of 31 December 2016, bails given are mainly related to joint guarantees provided by The Company with Yaşar Group Companies for repayment of borrowings obtained by Yaşar Group companies from financial institutions amounting to EUR 11.111.111 equivalent of TL 41.221.111 (31 December 2015: EUR 22.222.222 equivalent of TL 70.613.333 ).

#### l) Bails received:

Bails received are mainly related with the bails provided by YDT, a Yaşar Group company, for repayment of borrowings obtained from a domestic financial institution amounting to TL 61.513.961 and EUR 316.620, equivalent of TL 62.688.590 as of 31 December 2016 (31 December 2015: TL 31.341.612 and EUR 556.045, equivalent of TL 33.108.501).

#### m) Key management compensation:

Key management includes general manager; directors and members of board of directors. The compensation paid or payable to key management for employee service is shown below:

Short-term employee benefits	1.533.729	927.969
Bonus and profit-sharing	65.625	22.680
After severance benefits	-	96.286
Benefits provided due to dismissals	-	-
Other long-term benefits	28.455	7.684
	<b>1.627.809</b>	<b>1.054.619</b>

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#### NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	31 December 2016	31 December 2015
<b>a) Short-term trade receivables</b>		
Customer current accounts	16.991.664	13.116.492
Cheques and notes receivables	3.992.724	5.531.604
	<b>20.984.388</b>	<b>18.648.096</b>
Less: Provision for impairment of receivables	(2.287.998)	(1.976.010)
Unearned finance income	(187.004)	(224.802)
	<b>18.509.386</b>	<b>16.447.284</b>
At 31 December 2016, the effective weighted average interest rate applied to short-term trade receivables is 9,55% p.a. (31 December 2015: 11,05% p.a.) and average collection terms of trade receivables are within 2 months (31 December 2015: 2 months).		
The aging of trade receivables as of 31 December 2016 and 2015 are as follow:		
Overdue	2.733.120	2.574.257
0 - 30 days	5.507.074	4.800.667
31 - 60 days	6.499.202	5.689.558
61 - 90 days	2.782.701	1.942.993
91 days and over	987.289	1.439.809
	<b>18.509.386</b>	<b>16.447.284</b>



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#### NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

The aging of overdue receivables as of 31 December 2016 and 2015 are as follow:

	31 December 2016	31 December 2015
0 - 90 days	2.332.558	2.130.765
91 - 180 days	400.562	443.492
	<b>2.733.120</b>	<b>2.574.257</b>

As of 31 December 2016, trade receivables of TL2.733.120 (31 December 2015: TL2.574.257) were past due and the Company holds collateral amounting to TL932.355 (31 December 2015: TL706.630) as security for such receivables.

The aging of overdue receivables as of 31 December 2016 and 2015 are as follow:

	2016	2015
<b>1 January</b>	<b>(1.976.010)</b>	<b>(881.812)</b>
Charged to the statement of comprehensive income (Notes 35.b)	(680.443)	(1.100.498)
Collections (Notes 35.a)	368.455	6.300
<b>31 December</b>	<b>(2.287.998)</b>	<b>(1.976.010)</b>

Concentrations of credit risk with respect to trade receivables are limited due to the Company's widely dispersed customer base, covering the spectrum of manufacturing and distribution and the variety of available end markets in which they sell. The Company's past experience in collection of accounts receivable falls within the recorded allowances. Due to this fact, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Company's trade receivables.

#### b) Short-term trade payables due to non-related parties:

Supplier current accounts	41.447.621	47.847.621
Less: Unincurred finance cost	(303.757)	(386.532)
	<b>41.143.864</b>	<b>47.461.089</b>

As of 31 December 2016, the effective weighted average interest rates applied to TL and EUR denominated payables are 9,53% p.a., 2,00% p.a. respectively (31 December 2015: 11,05% p.a., 2,60%). Trade payables mature within 2 months (31 December 2015: 2 months).

#### c) Long-term trade payables due to non-related parties:

Supplier non - current accounts	11.257.053	2.234.318
	<b>11.257.053</b>	<b>2.234.318</b>

Long term trade payables consist of the payables to supplier due to machine purchases related to the Pet production line in Bursa.

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#### NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

The redemption schedules of long-term trade payables as of 31 December 2016 and 2015 are as follow:

	31 December 2016	31 December 2015
2017 year	-	1.489.171
2018 year	4.690.439	745.147
2019 year	2.622.768	-
2020 year	2.627.938	-
2021 year	1.315.908	-
	<b>11.257.053</b>	<b>2.234.318</b>

Long term trade payables consist of payables due to property, plant and equipment purchases amounting to EUR3.034.328 (31 December 2015: EUR703.146) and effective weighted average interest rate is 2,03% p.a. (31 December 2015: 2,60% p.a.).

#### NOTE 9 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (31 December 2015: None).

#### NOTE 10 - OTHER RECEIVABLES AND PAYABLES

##### a) Other short-term receivables

	1 January - 31 December 2016	1 January - 31 December 2015
Value added tax ("VAT") receivables	1.481.493	595.971
Deposits and guarantees given	76.373	77.345
Other	37.010	5.093
	<b>1.594.876</b>	<b>678.409</b>

##### b) Other long-term receivables

Deposits and guarantees given	1.800	1.800
	<b>1.800</b>	<b>1.800</b>

##### c) Other payables

Taxes and funds payables	529.307	769.940
Deposits and guarantees received	224.252	374.064
Other	5.408	4.102
	<b>758.967</b>	<b>1.148.106</b>

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#### NOTE 11 – INVENTORIES

	31 December 2016	31 December 2015
Raw materials	4.393.448	2.814.706
Demijohn stocks	3.747.565	3.803.044
Pallet stocks	1.490.163	726.998
Finished goods	1.421.671	1.886.392
Spare parts	1.000.131	980.315
Other	291.690	139.687
	<b>12.344.668</b>	<b>10.351.142</b>

Cost of inventories recognized as expense and included in cost of sales amounted to TL56.160.268 (31 December 2015: TL 50.199.686) (Note 29). Raw materials mainly consist of materials and packaging materials which are used to produce bottled water. The other inventory items are valued at their costs and there is no impairment.

#### NOTE 12 - BIOLOGICAL ASSETS

None (31 December 2015: None).

#### NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2016	31 December 2015
<b>a) Prepaid expenses - current</b>		
Prepaid expenses	750.011	733.534
Order advances given	2.502	5.468
	<b>752.513</b>	<b>739.002</b>
<b>b) Prepaid expenses - non - current</b>		
Advances given	34.326	4.123.607
Prepaid expenses	22.224	-
	<b>56.550</b>	<b>4.123.607</b>
<b>c) Deferred income</b>		
Advances received	1.028.420	1.111.322
	<b>1.028.420</b>	<b>1.111.322</b>

Non-current prepaid expenses consist of the advances given related to the investments in progress in Bursa.

#### NOTE 14 - INVESTMENT PROPERTY

None (31 December 2015: None).

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#### NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment between 1 January - 31 December 2016 was as follows:

	1 January 2016	Additions	Disposals	Transfers	Impairment (*)	31 December 2016
<b>Cost:</b>						
Land	8.097.520	22.050	-	-	-	8.119.570
Buildings and land improvements	26.959.772	7.529.303	-	19.843.162	-	54.332.237
Machinery and equipment	44.045.175	7.862.711	-	24.759.586	(398.422)	76.269.050
Motor vehicles	229.046	69.021	(79.048)	-	-	219.019
Furniture and fixtures	22.421.393	3.084.869	(1.766.339)	384.898	-	24.124.821
Construction in progress	7.610.293	38.361.535	-	(44.987.646)	-	984.182
	<b>109.363.199</b>	<b>56.929.489</b>	<b>(1.845.387)</b>	<b>-</b>	<b>(398.422)</b>	<b>164.048.879</b>
<b>Accumulated depreciation:</b>						
Buildings and land improvements	-	(1.533.404)	-	-	-	(1.533.404)
Machinery and equipment	-	(5.063.602)	-	-	145.819	(4.917.783)
Motor vehicles	(104.512)	(44.938)	43.936	-	-	(105.514)
Furniture and fixtures	(12.838.097)	(2.610.589)	488.145	-	-	(14.960.541)
	<b>(12.942.609)</b>	<b>(9.252.533)</b>	<b>532.081</b>		<b>145.819</b>	<b>(21.517.242)</b>
<b>Net book value</b>	<b>96.420.590</b>					<b>142.531.637</b>

(\*) As of 31 December 2016, TL 126.100 of impairment accounted under revaluation of property, plant and equipment fund, remaining impairment balance is are recognised under income statement.

In 2016, main additions to property, plant and equipment are mainly consist of packed water filling facility investments in Bursa which is capitalized in November 2016. The HOD water filling plant of the Company in Bursa İnegöl, which is the first phase related to the new resource investment, was completed on 31 December 2015 and production started.

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#### NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment between 1 January - 31 December 2015 was as follows:

	1 January 2015	Additions (*)	Disposals	Transfers	Accumulated depreciation net off before revaluation	Revaluation(*)	31 December 2015
<b>Cost/ revaluation:</b>							
Land	8.894.000	-	-	-	-	(796.480)	8.097.520
Buildings and land improvements	17.553.919	45.115	-	7.567.287	(1.894.197)	3.687.648	26.959.772
Machinery and equipment	51.705.910	567.196	(636.913)	4.675.964	(14.399.802)	2.132.820	44.045.175
Motor vehicles	492.864	-	(263.818)	-	-	-	229.046
Furniture and fixtures	19.080.937	3.649.206	(685.320)	376.570	-	-	22.421.393
Construction in progress	737.719	19.492.395	-	(12.619.821)	-	-	7.610.293
	<b>98.465.349</b>	<b>23.753.912</b>	<b>(1.586.051)</b>	<b>-</b>	<b>(16.293.999)</b>	<b>5.023.988</b>	<b>109.363.199</b>
<b>Accumulated depreciation:</b>							
Buildings and land improvements	(1.115.512)	(778.685)	-	-	1.894.197	-	-
Machinery and equipment	(10.426.379)	(4.397.637)	424.214	-	14.399.802	-	-
Motor vehicles	(319.399)	(47.988)	262.875	-	-	-	(104.512)
Furniture and fixtures	(11.101.701)	(2.114.292)	377.896	-	-	-	(12.838.097)
	<b>(22.962.991)</b>	<b>(7.338.602)</b>	<b>1.064.985</b>	<b>-</b>	<b>16.293.999</b>	<b>-</b>	<b>(12.942.609)</b>
<b>Net book value</b>	<b>75.502.358</b>						<b>96.420.590</b>

(\*) Decrease in revaluation fund amounting to TL108.031 is accounted for in profit and loss statements.

In 2015, main additions to property, plant and equipment are mainly consist of packed water filling facility investments in Bursa which is construction in progress. Additionally, significant share of additions in furniture and fixtures consists of freezers.

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#### NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current year's depreciation and amortisation charges were allocated to cost of production by TL5.940.124 (31 December 2015: TL4.372.225), to selling and marketing expenses by TL2.350.743 (31 December 2015: TL1.980.187) (Note 34.b) and to general and administrative expenses by TL1.052.845 (31 December 2015: TL1.054.024) (Note 34.a).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2016 and 2015 were as follows:

<b>1 January</b>	<b>24.966.056</b>	<b>22.402.601</b>
Depreciation on revaluation reserve transferred to retained earnings-net	(1.592.713)	(1.340.251)
Increase in revaluation reserve of land, land improvements and buildings - net	-	3.986.143
Disposal from revaluation reserve due to sales of property, plant and equipment - net	-	(82.437)
Decrease in revaluation fund resulting from impairment on property, plant and equipment- net	(100.880)	-
<b>31 December</b>	<b>23.272.463</b>	<b>24.966.056</b>

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 2016 and 2015 are as follow:

	<b>Land</b>	<b>Building and land improvements</b>	<b>Machinery and equipment</b>
<b>31 December 2016:</b>			
Cost	2.478.844	45.185.787	85.562.867
Less: Accumulated depreciation	-	(5.809.399)	(37.990.708)
<b>Net book value</b>	<b>2.478.844</b>	<b>39.376.388</b>	<b>47.572.159</b>
<b>31 December 2015:</b>			
Cost	2.456.794	17.813.322	53.338.992
Less: Accumulated depreciation	-	(4.785.199)	(34.156.434)
<b>Net book value</b>	<b>2.456.794</b>	<b>13.028.123</b>	<b>19.182.558</b>

#### NOTE 16 - RIGHTS TO INTERESTS ARISING FROM DECOMMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION FUNDS

Please see Note 15. (31 December 2015: None).

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#### NOTE 17 - MEMBERS' SHARES IN CO-OPERATIVE ENTITIES AND SIMILAR INSTRUMENTS

None (31 December 2015: None).

#### NOTE 18 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the periods 1 January - 31 December 2016 and 2015 were as follow:

	1 January 2016	Additions	31 December 2016
<b>Costs:</b>			
Rights	1.623.647	366.313	1.989.960
Continuing computer software	-	1.424.040	1.424.040
Accumulated amortisation	(1.373.654)	(91.179)	(1.464.833)
<b>Net book value</b>	<b>249.993</b>	<b>1.699.174</b>	<b>1.949.167</b>

	1 January 2015	Additions	31 December 2015
<b>Costs:</b>			
Rights	1.559.113	64.534	1.623.647
Accumulated amortisation	(1.305.820)	(67.834)	(1.373.654)
<b>Net book value</b>	<b>253.293</b>	<b>(3.300)</b>	<b>249.993</b>

#### NOTE 19 - GOODWILL

None (31 December 2015: None).

#### NOTE 20 - EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

None (31 December 2015: None).

#### NOTE 21 - LEASING

None (31 December 2015: None).



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#### NOTE 22 - SERVICE CONCESSION AGREEMENTS

None (31 December 2015: None).

#### NOTE 23 - IMPAIRMENT IN ASSETS

Please see Note 15.

#### NOTE 24 - GOVERNMENT GRANTS AND INCENTIVES

The company is entitled an investment incentive of TL51,433,546 which includes TL8,308,639 received in 2015, an additional incentive of TL28,691,361 received in 2016, and TL14,433,546 related with the Ministry of the Economy programme supporting production of non-alcoholic beverages, sparkling water, and spring water, and had deferred tax assets of TL8,436,709 (31 December 2015: TL4,133,005) in 2016.

#### NOTE 25 - BORROWINGS AND BORROWING COSTS

	31 December 2016	31 December 2015
Short term loans	2.011.090	4.521.185
Short term portion of long term loans	14.905.940	6.389.020
<b>Short Term Borrowings</b>	<b>16.917.030</b>	<b>10.910.205</b>
<b>Long Term Borrowings</b>	<b>65.599.377</b>	<b>27.520.054</b>
<b>Total Borrowings</b>	<b>82.516.407</b>	<b>38.430.259</b>

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#### NOTE 25 - BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average interest rate p.a. %		Original currency		TL equivalent	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015	31 December 2016	31 December 2015
<b>Short term borrowings:</b>						
Borrowings TL (*)	6,81	13,08	2.011.090	4.521.185	2.011.090	4.521.185
<b>Short term portion of long term borrowings:</b>						
Borrowings TL (**)	12,24	12,37	13.963.364	5.615.495	13.963.364	5.615.495
Borrowings EUR (***)	4,75	4,75	254.070	243.431	942.576	773.525
<b>Total short term borrowings</b>					<b>16.917.030</b>	<b>10.910.205</b>
<b>Long term borrowings:</b>						
Borrowings TL (**)	12,86	12,39	65.358.535	26.513.961	65.358.535	26.513.961
Borrowings EUR (***)	4,75	4,75	64.919	316.620	240.842	1.006.093
<b>Total long term borrowings</b>					<b>65.599.377</b>	<b>27.520.054</b>

(\*) TL denominated short-term bank borrowings consist of borrowings with spot loans fixed interest rates of 6,81% p.a. (31 December 2015: Interest rates of 13,08% p.a).

(\*\*) As of 31 December 2016, TL borrowings amounting TL72.273.098 with spot loans fixed interest rate 12,78%, TL7.048.801 denominated bank borrowings consist of semi-annually repricing floating interest rate TRLIBOR+2,70% p.a (31 December 2015: borrowings with fixed interest rate of 11,69% p.a. and floating rate is TRLIBOR+2,70 p.a.).

(\*\*\*) EURdenominatedshort-termportionoflong-termbankborrowingsandlong-termbankborrowingsconsistofborrowingswithfixedinterestratesof4,75% (31 December 2015: borrowings with fixed interest rate of 4,75% p.a)

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#### NOTE 25 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings at 31 December 2016 and 2015 are as follow:

	31 December 2016	31 December 2015
2017 year	-	8.066.345
2018 year	22.933.625	7.121.292
2019 year	19.663.806	4.886.030
2020 year	10.608.054	2.830.277
2021 year	10.801.902	3.024.126
2022 year	1.591.990	1.591.984
	<b>65.599.377</b>	<b>27.520.054</b>

As of 31 December 2016 and 2015, the carrying amounts of the borrowings with floating and fixed interest rates which were classified in terms of periods remaining to contractual repricing dates are as follows:

	3 months to 1 year	Total
<b>31 December 2016:</b>		
Borrowing with variable interest rates	7.048.801	7.048.801
Borrowings with fixed interest rates	-	75.467.606
	<b>7.048.801</b>	<b>82.516.407</b>
<b>31 December 2015:</b>		
Borrowing with variable interest rates	9.449.728	9.449.728
Borrowings with fixed interest rates	-	28.980.531
	<b>9.449.728</b>	<b>38.430.259</b>

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

	Carrying amount		Fair value	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Bank borrowings	82.516.407	38.430.259	83.817.052	38.197.225

The fair values are based on cash flows discounted using the rate of 2,03% p.a. and 10,55% p.a. for EUR denominated bank borrowings and TL denominated bank borrowings, respectively (31 December 2015: 1,94% p.a. and 11,04% p.a. for EUR denominated bank borrowings and TL denominated bank borrowings, respectively).

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#### NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
<b>a) Other short-term provisions:</b>		
Provision of advertising and promotion	1.024.167	892.819
Other	-	39.223
	<b>1.024.167</b>	<b>932.042</b>

Aydın Bozdoğan Municipality charged a total of TL3.106.135 to the Company as the spring water fee in return for services rendered in line with Article 63 of the Law on Municipal Revenues within 2016 (31 December 2015: TL2.093.242). Regarding the mentioned spring water fee, the Company filed a lawsuit against Aydın Bozdoğan Municipality based on the claim that all procedures related to production permit, licensing, packaging, labelling, sales and audit of natural mineral waters are carried out by the Turkish Ministry of Health and its relevant bodies in line with the provisions of the "Regulation on Natural Mineral Waters" No. 25657, dated 1 December 2004. As of 31 December 2016, the local court rejected the lawsuit, which was subsequently taken to a higher court for appeal. In line with the prudence principle of accounting, Company management recognised the mentioned spring water fee provision in the cost of sales.

Movements of the provision the spring water fee provision during the years 2016 and 2015 are as follows:

	2016	2015
<b>1 January</b>	-	-
Increase in period (Note 29)	3.106.135	2.093.242
Paid	(3.106.135)	(2.093.242)
<b>31 December</b>	-	-

Aydın Bozdoğan Municipality charged a total of TL 3.106.135 to the Company as the spring water fee in return for services rendered in line with Article 63 of the Law on Municipal Revenues within 2016 and this amount is paid by the Company during the year 2016. As of 30 July 2015, Company's Aydın Bozdoğan spring water usage right has been renegotiated and usage right expanded for 5 years.

	31 December 2016	31 December 2015
<b>b) Guarantees given:</b>		
Bails	41.221.111	70.613.333
Letters of guarantee	14.842.460	8.738.090
	<b>56.063.571</b>	<b>79.351.423</b>

As of 31 December 2016, bails given are mainly related to joint guarantees provided by The Company with Yaşar Group Companies for repayment of borrowings obtained by Yaşar Group companies from financial institutions amounting to EUR 11.111.111 equivalent of TL 41.221.111 (31 December 2015: EUR 22.222.222 equivalent of TL 70.613.333)

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#### NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2016 and 2015 were as follow:

	31 December 2016			31 December 2015		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
<b>CPM provided by the Company:</b>						
<b>A.</b> Total amount of CPM given on behalf of the Company	TL	14.842.460	14.842.460	TL	8.738.090	8.738.090
<b>B.</b> Total amount of CPM given on behalf of fully consolidated companies			-		-	-
<b>C.</b> Total amount of CPM given for continuation of its economic activities on behalf of third parties			-		-	-
<b>D.</b> Total amount of other CPM			41.221.111		-	70.613.333
<b>i.</b> Total amount of CPM given on behalf of the main shareholder			-		-	-
			-		-	-
<b>ii.</b> Total amount of CPM given on behalf of other group companies which are not in scope of B and C			41.221.111			70.613.333
	EUR	11.111.111	41.221.111	EUR	22.222.222	70.613.333
<b>iii.</b> Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
			-		-	-
			-		-	-
			<b>56.063.571</b>			<b>79.351.423</b>

The ratio of total amount of other CPM to Equity

%68

%131

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#### NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

	31 December 2016	31 December 2015
<b>c) Guarantees received:</b>		
Bails	62.688.590	33.108.501
Letters of guarantee	26.848.587	26.117.207
Mortgages	6.837.574	5.850.564
Guarantee notes	3.576.503	2.936.503
Guarantee cheques	240.000	240.000
Other	646.447	804.196
	<b>100.837.701</b>	<b>69.056.971</b>

Guarantees are mainly received from customers.

Guarantees received and guarantees given are used in bank loans provided by the Company, the bills are limited with the maturity of these loans.

#### NOTE 27 - COMMITMENTS

None. (31 December 2015: None).

#### NOTE 28 - EMPLOYEE BENEFITS

	31 December 2016	31 December 2015
<b>a) Payables for employee benefits</b>		
Social security premiums	270.603	362.821
Payables to employees	197	7.465
	<b>270.800</b>	<b>370.286</b>
<b>b) Short- term provisions for employee benefits</b>		
Management bonus accrual	220.000	220.000
Seniority incentive bonus	66.775	49.545
	<b>286.775</b>	<b>269.545</b>
<b>c) Long - term provisions for employee termination benefits</b>		
Provision for employment termination benefits	2.165.616	1.921.790
Seniority incentive bonus	207.021	140.854
	<b>2.372.637</b>	<b>2.062.644</b>

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#### NOTE 28 - EMPLOYEE BENEFITS (Continued)

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

The amount payable consists of one month's salary limited to a maximum of TL4.297,21 for each year of service as of 31 December 2016 (31 December 2015: TL3.828,37).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL 4.426,16 which is effective from 1 January 2017 (1 January 2016: TL 4.092,53) 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 2016	31 December 2015
Discount rate (p.a) (%)	3,95	3,95
Probability of retirement (%)	97,09	96,74

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

	2016	2015
<b>1 January</b>	<b>1.921.790</b>	<b>1.749.436</b>
Interest costs	243.199	175.844
Actuarial loss	82.645	463.046
Current service cost	314.907	274.148
Paid during the year	(396.925)	(740.684)
<b>31 December</b>	<b>2.165.616</b>	<b>1.921.790</b>

The total of interest cost and current service cost amounting to TL558.106 (31 December 2015: TL449.992) were totally allocated to general administrative expenses (Note 34).



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#### NOTE 29 - EXPENSES BY NATURE

	1 January - 31 December 2016	1 January - 31 December 2015
Raw material, direct material and finished goods	48.229.442	47.014.340
Transportation and export	30.604.246	29.460.072
Personnel	20.706.152	18.238.248
Advertising	13.924.308	11.555.473
Outsourced services	11.976.691	8.026.999
Depreciation and amortisation	9.343.712	7.406.436
Merchandise goods	7.930.826	3.185.346
Maintenance	6.840.804	3.838.970
Energy	6.327.622	5.258.196
Rent	6.323.046	4.092.267
Consultancy	3.107.340	2.876.584
Fee of mineral resource	3.106.135	2.093.242
Travel	624.068	526.813
Employment termination benefits	558.106	449.992
Communication	381.070	319.935
Representation	339.192	214.535
Other	13.081.357	5.553.577
	<b>183.404.117</b>	<b>150.111.025</b>

#### NOTE 30 - OTHER ASSETS AND LIABILITIES

	31 December 2016	31 December 2015
<b>Other current assets</b>		
VAT receivable	11.625.533	6.767.218
Other	22.903	80.591
	<b>11.648.436</b>	<b>6.847.809</b>

#### NOTE 31 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr1. The Company's historical authorized registered share capital at 31 December 2016 and 2015 is as follows:

	31 December 2016	31 December 2015
Registered share capital (historical values)	50.000.000	50.000.000
Paid-in share capital with nominal value	44.762.708	12.789.345

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#### NOTE 31 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

The compositions of the Company's share capital at 31 December 2016 and 2015 were as follow:

Share owners	31 December 2016		31 December 2015	
	Share (%)	Share amount (TL)	Share (%)	Share amount (TL)
Yaşar Holding	58,00	25.961.415	58,00	7.417.547
Public quotation	31,78	14.227.234	31,78	4.064.924
Pınar Süt	8,77	3.927.525	8,77	1.122.150
YBP	0,80	356.973	0,80	101.992
Hedef Ziraat Tic. ve San. A.Ş.	0,09	39.614	0,09	11.318
YDT	0,03	13.204	0,03	3.773
Other	0,53	236.743	0,53	67.641
<b>Total share capital (*)</b>	<b>100,00</b>	<b>44.762.708</b>	<b>100,00</b>	<b>12.789.345</b>
Adjustment to share capital		11.713.515		11.713.515
<b>Total paid-in capital</b>		<b>56.476.223</b>		<b>24.502.860</b>

(\*) According to Board of Director's decision on 15 March 2016, it is decided to increase Company's capital from TL12.789.345 to TL44.762.708 by increasing TL31.973.363 in cash. The Company has completed the capital increase in cash and it was approved by the Turkish Trade Registry Directorate on 15 July 2016 and published in the Trade Registry Gazette on 20 July 2016.

In Turkey, companies may exceed registered share capital nonrecurringly-except for cash injection-through capital increase from internal sources. Registered share capital may not be exceeded through capital increase by cash injection.

Inflation adjustment to share capital amounting to TL11.713.515 (31 December 2015: TL 11.713.515) represents the remaining amount after netting-off the accumulated losses of the year 2003 from the difference between restated share capital and historical cost of share capital.

The Company has 4.476.270.800 (31 December 2015: 1.278.934.500) units of shares with a face value of Kr1 each as of 31 December 2016.

The Company's authorised registered share capital is composed of registered shares and its shares have been quoted at the BIST. There are no privileges given to specific shareholders. Retained earnings, as per the statutory financial statements, are available for distribution, subject to the legal reserve requirement referred to below:

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

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#### NOTE 31 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

The aforementioned reserves were accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The restricted reserves of the Company amount to TL4.180.008 (31 December 2015: TL4.180.008) as of 31 December 2016. The unrestricted extraordinary reserves the Company amount to TL11.673.135 (31 December 2015: TL11.673.135), and classified in the retained earnings.

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

- the difference arising from the "Paid-in Capital" shall be classified as the "Inflation Adjustment to Share Capital" if it is not transferred to capital yet;
- the difference due to the "Restricted Reserves" and "Share Premium" shall be classified as "Retained earnings" if the amount has not been utilised in dividend distribution or capital increase yet. Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

Adjustment to share capital has no other use other than being transferred to share capital.

Quoted companies are subject to dividend requirements regulated by the CMB according to II-19.1 no. has enacted since 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and in conformity with relevant legislations. The communique does not state a minimum dividend rate. Companies distribute dividends in accordance with the method defined in their dividend policy or articles of association. Additional, dividend can be distributed in fixed or variable installments and dividends advances can be paid over the profit on interim financial statements.

In line with Article 27 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 amount, 10% of the portion is allocated in order to be distributed to founder shareholders in proportion with their shares. 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.

Unless the general reserves that has to be appropriated in accordance with TCC or the dividend to shareholders as determined in the articles of association or dividend policy are set aside ; no decision can be taken to set aside other reserves, to transfer reserves to be subsequent year or to distribute dividends to holders of usufruct right certificates, to board of directors members or to employees ; and no dividend can be distributed to those unless the determined dividend to shareholders is paid in cash.

Dividend in public companies, of the date of distribution to all existing shares, regardless of the date of issuance and acquisition of these shares will be distributed equally.

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#### NOTE 32 - REVENUE

	1 January - 31 December 2016	1 January - 31 December 2015
Domestic sales	214.506.094	200.776.066
Export sales	17.513.425	14.559.880
Trade goods sales	9.790.267	3.937.050
Gross Sales	241.809.786	219.272.996
Less: Discounts	(76.259.863)	(73.294.890)
Return	(1.592.697)	(1.490.764)
<b>Net sales</b>	<b>163.957.226</b>	<b>144.487.342</b>
<b>Cost of sales</b>	<b>(98.536.814)</b>	<b>(75.741.973)</b>
<b>Gross Profit</b>	<b>65.420.412</b>	<b>68.745.369</b>

#### NOTE 33 - CONSTRUCTION CONTRACTS

None (31 December 2015: None).

#### NOTE 34 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES

	1 January - 31 December 2016	1 January - 31 December 2015
<b>a) General administrative expenses:</b>		
Personnel	7.041.135	7.267.835
Consultancy	2.279.292	2.150.348
Outsourced services	4.238.123	2.026.590
Depreciation and amortisation	1.052.845	1.054.024
Rent	719.895	420.980
Employment termination benefit	558.106	449.992
Energy	455.380	418.738
Travel	397.016	305.383
Representation	314.705	187.817
Communication	159.652	151.756
Other	1.747.831	810.160
	<b>18.963.980</b>	<b>15.243.623</b>

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#### NOTE 34 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES (Continued)

	1 January - 31 December 2016	1 January - 31 December 2015
<b>b) Marketing, selling and distribution expenses:</b>		
Transportation and export expenses	30.604.246	29.460.072
Advertising	13.924.308	11.555.473
Personnel	5.498.665	4.568.507
Outsourced services	5.288.070	4.629.972
Rent	2.776.835	2.234.790
Amortization and depreciation cost	2.350.743	1.980.187
Export commission	2.062.348	1.703.637
Energy	932.761	919.081
Maintenance	898.707	807.256
Consultancy	828.048	726.236
Other	738.592	540.218
	<b>65.903.323</b>	<b>59.125.429</b>

#### NOTE 35 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
<b>a) Other income from operating activities:</b>		
Foreign exchange gain arising from commercial activities	576.762	430.401
Reversal of provision for impairment of receivables	368.455	6.300
Unearned financial income	154.306	73.140
Other	670.835	144.836
	<b>1.770.358</b>	<b>654.677</b>
<b>b) Other expense from operating activities:</b>		
Provision for doubtful receivables	(680.443)	(1.100.498)
Foreign exchange loss arising from commercial activities	(621.423)	(752.583)
Unearned financial expense	(255.156)	(61.664)
Fees and aid	(112.095)	(55.695)
Other	(912.622)	(1.283.017)
	<b>(2.581.739)</b>	<b>(3.253.457)</b>

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#### NOTE 36 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2016	1 January - 31 December 2015
<b>a) Income from investment activities:</b>		
Gain on sale of property plant and equipment	260.349	665.060
Other	155.862	651.559
	<b>416.211</b>	<b>1.316.619</b>
<b>b) Expense from investment activities:</b>		
Loss on sale of property plant and equipment	(909.780)	(91.549)
	<b>(909.780)</b>	<b>(91.549)</b>

#### NOTE 37 - EXPENSES CLASSIFIED BY CLASS

Please see Note 29.

#### NOTE 38 - FINANCIAL INCOME AND EXPENSE

	1 January - 31 December 2016	1 January - 31 December 2015
Foreign exchange gain	814.261	841.156
Bail income	601.971	331.303
Interest income	446.952	753.935
	<b>1.863.184</b>	<b>1.926.394</b>
Interest expense	(5.268.455)	(3.909.064)
Foreign exchange loss	(2.888.674)	(1.017.916)
Bank commissions and overdue charges	(696.736)	(336.877)
Bail expense	(1.046.793)	(532.156)
	<b>(9.900.658)</b>	<b>(5.796.013)</b>

#### NOTE 39 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please see Statements of Income and Other Comprehensive Income.

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#### NOTE 40 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (31 December 2015: None).

#### NOTE 41 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND TAX LIABILITIES)

In Turkey, the corporation tax rate of the fiscal year 2016 is 20% (31 December 2015: 20%). Corporation tax is payable at a rate of 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 (such as research and development expenditure allowances). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19,8% (31 December 2015: 19,8%), calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (31 December 2015: 15%). An increase in capital via issuing bonus shares is not considered profit distribution and thus does not incur withholding tax.

*Corporations are required to pay advance corporation tax quarterly at the rate of 20% (31 December 2015: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.*

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit 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 against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

There are many exemptions in Corporate Tax Law regarding corporations. Those related to the Company are explained below:

Dividend gains from shares in capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) are exempt from corporate tax.

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.



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#### NOTE 41 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND TAX LIABILITIES) (Continued)

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 14th and recurring 8<sup>th</sup> articles of Corporate Tax Law and 40<sup>th</sup> article of the Income Tax Law together with the 10<sup>th</sup> article of Corporate Tax Law have been taken into consideration in calculation of the Company's corporate tax.

#### Transfer Pricing

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

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially, will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to 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.

Taxes on income for the years 1 January- 31 December 2016 and 2015 are summarised as follow :

	31 December 2016	31 December 2015
Deferred tax income	7.367.720	1.869.413
<b>Taxation on income</b>	<b>7.367.720</b>	<b>1.869.413</b>

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#### NOTE 41 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND TAX LIABILITIES) (Continued)

Prepaid taxes and corporate tax provision as of 31 December 2016 and 2015 are as follows:

	1 January - 31 December 2016	1 January - 31 December 2015
Corporate tax provision	-	-
Deduction: Prepaid tax	-	60.925
<b>Taxation on income</b>	<b>-</b>	<b>60.925</b>

Reconciliation of taxation on income is as follows:

<b>Loss before tax</b>	<b>(28.789.315)</b>	<b>(10.867.012)</b>
Tax calculated at rates applicable to the (loss)/ profit	5.757.863	2.173.402
Recognition of deferred income tax asset on investment incentive	4.303.704	1.246.296
Tax losses for which no deferred income tax asset was recognized	(3.991.135)	(1.307.552)
Tax credits and tax losses for which deferred income tax asset was recognized	1.234.662	-
Income not subject to tax	84.321	187.908
Non-deductible expenses	(192.886)	(264.589)
Other	171.191	(166.052)
<b>Taxation on income</b>	<b>7.367.720</b>	<b>1.869.413</b>

#### Deferred taxes

The Company recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the statutory tax financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (31 December 2015: 20%).

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2016 and 2015 were as follows:

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#### NOTE 41 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND TAX LIABILITIES) (Continued)

	Cumulative temporary differences		Deferred income tax assets/ (liabilities)	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
Revaluation of land, land improvements, buildings, machinery and equipment	27.906.367	29.623.207	(4.633.904)	(4.657.152)
Difference between carrying value (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	6.991.986	3.726.460	(1.415.329)	(1.046.605)
Deducted accumulated loss	(16.556.735)	-	3.311.347	-
Deduction of investment incentive	(51.433.546)	(22.742.185)	8.436.709	4.133.005
Provision for employment termination benefits	(2.165.616)	(1.921.790)	433.123	384.358
Difference between carrying value and tax bases of available-for-sale investments	(2.091.879)	(1.801.385)	358.150	300.051
Other	(280.720)	174.925	56.144	(34.985)
Deferred income tax assets			12.595.473	4.817.414
Deferred income tax liabilities			(6.049.233)	(5.738.742)
<b>Deferred tax assets/ (liabilities)-net</b>			<b>6.546.240</b>	<b>(921.328)</b>

The movement of deferred tax liabilities - net is as follows:

<b>1 January</b>	<b>(921.328)</b>	<b>(1.713.102)</b>
Credited to statement of comprehensive income	7.367.720	1.869.413
Charged to actuarial loss arising from defined benefit plans	16.529	92.609
Charged to fair value reserve of available-for-sale investments	58.099	(45.978)
Revaluation of property, plant and equipment	-	(1.124.270)
Impairment of property, plant and equipment	25.220	-
<b>31 December</b>	<b>6.546.240</b>	<b>(921.328)</b>

Years of expiration of tax losses carried forward which were not recognized as of 31 December 2016 and 2015 are as follows:

Expiration years	31 December 2016	31 December 2015
2018	2.908.300	-
2020	3.265.010	-
2021	10.383.427	-
	<b>16.556.737</b>	<b>-</b>

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#### NOTE 41 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND TAX LIABILITIES) (Continued)

Years of expiration of tax losses carried forward over which no deferred income tax assets were not recognised as of 31 December 2016 and 2015 are as follows:

Expiration years	31 December 2016	31 December 2015
2018	-	5.816.599
2020	-	6.537.761
2021	19.955.673	-
	<b>19.955.673</b>	<b>12.354.360</b>

#### NOTE 42 - EARNINGS/ (LOSS) PER SHARE

Basic earnings/ (loss) per share is calculated by dividing the profit/ (loss) attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased and held as treasury shares.

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 earning/ (loss) per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

		1 January - 31 December 2016	1 January - 31 December 2015
Net loss for the year	A	(21.421.595)	(8.997.599)
Weighted average number of shares (Note 31)	B	2.895.074.433	1.278.934.500
<b>Earnings/ (Loss) per 100 shares with a Kr1 face value</b>	<b>A/B</b>	<b>(0,7399)</b>	<b>(0,7035)</b>

There are no differences between basic and diluted earnings/ (loss) per share.

#### NOTE 43 - SHARE BASED PAYMENTS

None (31 December 2015: None).

#### NOTE 44 - INSURANCE CONTRACTS

None (31 December 2015: None).

#### NOTE 45 - EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

The foreign exchange risk of the Company is presented in Note 49.c.i.

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#### NOTE 46 - REPORTING IN HYPERINFLATIONARY ECONOMIES

With the decision taken on 17 March 2005, numbered 11/367, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey. Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the financial statements for the accounting year starting from 1 January 2005.

#### NOTE 47 - DERIVATIVE FINANCIAL INSTRUMENTS

None (31 December 2015: None).

#### NOTE 48 - FINANCIAL INSTRUMENTS

The breakdown of available-for-sale investments for the years ended 31 December 2016 and 2015 are as follows:

	31 December 2016		31 December 2015	
	Carrying amount (TL)	Share (%)	Carrying amount (TL)	Share (%)
Desa Enerji	2.727.432	6,07	2.803.694	6,07
YDT	580.037	1,76	581.039	1,76
Viking Kağıt	388.385	1,69	601.615	1,69
	<b>3.695.854</b>		<b>3.986.348</b>	

Viking Kağıt is stated at quoted market prices as it is listed on BIST; YDT and Desa Enerji are stated at their fair values which are determined based on the discounted cash flows by using the market interest rates and the risk premium specific to unlisted companies within the related sectors.

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#### NOTE 48 - FINANCIAL INSTRUMENTS (Continued)

The discount and growth rates used in discounted cash flow models as at 31 December 2016 and 2015 are as follows:

	Discount rate		Growth rate	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
YDT	%17,80	%11,24	%1	%0
Desa Enerji	%17,20	%9,55	%0	%0

Movements of available-for-sale investments in 2016 and 2015 are as follows:

	2016	2015
<b>1 January</b>	<b>3.986.348</b>	<b>3.756.456</b>
Fair value increase/ (decrease):		
Viking Kağıt	(213.230)	40.592
Desa Enerji	(76.262)	95.377
YDT	(1.002)	93.923
<b>31 December</b>	<b>3.695.854</b>	<b>3.986.348</b>

Movements of fair value reserves of available-for-sale investment are as follows:

	2016	2015
<b>1 January</b>	<b>1.100.990</b>	<b>917.076</b>
Increase in fair value	(290.494)	229.892
Deferred income tax on fair value reserves of available-for-sale investments (Note 41)	58.099	(45.978)
<b>31 December</b>	<b>868.595</b>	<b>1.100.990</b>

#### NOTE 49 - 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 unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company.

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#### NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

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

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 risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. These risks are monitored by credit ratings and limiting the aggregate risk to any individual counterparty and receiving guarantees when required. The Company's exports are realised by its related party, YDT and the related export receivables are monitored by YDT. The following tables analyse the Company's credit risk as of 31 December 2016 and 2015:



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#### NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016:

31 December 2016:

	Receivables					
	Trade Receivables (1)		Other Receivables			
	Related	Third	Related	Third	Bank	
	Parties	Parties	Parties	Parties	Deposits	Total
<hr/>						
Maximum amount of credit risk exposed as of reporting date						
(A+B+C+D+E) (2)	2.959.482	18.509.386	45.950	1.594.876	3.253.072	26.362.766
- The part of maximum credit risk covered with guarantees	-	6.687.545	-	-	-	6.687.545
<hr/>						
A. Net book value of financial assets not due or not impaired	1.073.103	15.776.266	45.950	1.594.876	3.253.072	21.743.267
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)	1.886.379	2.733.120	-	-	-	4.619.499
- The part covered by guarantees etc	-	932.355	-	-	-	932.355
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	2.287.998	-	-	-	2.287.998
- Impairment amount (-)	-	(2.287.998)	-	-	-	(2.287.998)
- The part of net value covered with guarantees etc	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables balances mainly resulted from the sale of pet bottled and bottled water.

(2) In the determination of related amounts, guarantees received providing increase credit reliability are not take into account.

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

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#### NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

##### 31 December 2015:

	Receivables					Total
	Trade Receivables (1)		Other Receivables		Bank Deposits	
	Related	Third	Related	Third		
	Parties	Parties	Parties	Parties		
<b>Maximum amount of credit risk exposed as of reporting date</b>						
<b>(A+B+C+D+E) (2)</b>	<b>1.970.866</b>	<b>16.447.284</b>	<b>5.741.057</b>	<b>678.409</b>	<b>2.010.975</b>	<b>26.848.591</b>
- The part of maximum credit risk covered with guarantees	-	11.187.134	-	-	-	11.187.134
A. Net book value of financial assets not due or not impaired	1.237.305	13.873.027	5.741.057	678.409	2.010.975	23.540.773
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)	733.561	2.574.257	-	-	-	3.307.818
- The part covered by guarantees etc.	-	706.630	-	-	-	706.630
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	1.976.010	-	-	-	1.976.010
- Impairment amount (-)	-	(1.976.010)	-	-	-	(1.976.010)
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc.	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

(1) Trade receivables balances mainly resulted from the sale of pet bottled and bottled water.

(2) In the determination of related amounts, guarantees received providing increase credit reliability are not take into account.

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

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#### NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	Receivables		Total
	Trade Receivables	Other Receivables	
<b>31 December 2016</b>			
1 - 30 days overdue	2.502.121	-	2.502.121
1 - 3 months overdue	1.096.228	-	1.096.228
3 - 12 months overdue	1.021.150	-	1.021.150
The part covered by guarantees	(932.355)	-	(932.355)
	<b>4.619.499</b>	<b>-</b>	<b>4.619.499</b>

	Receivables		Total
	Trade Receivables	Other Receivables	
<b>31 December 2015</b>			
1 - 30 days overdue	1.819.308	-	1.819.308
1 - 3 months overdue	1.045.018	-	1.045.018
3 - 12 months overdue	443.492	-	443.492
The part covered by guarantees	(706.630)	-	(706.630)
	<b>3.307.818</b>	<b>-</b>	<b>3.307.818</b>

#### b) Liquidity risk:

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, 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 collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Company.

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD BETWEEN 1 JANUARY - 31 DECEMBER 2016

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

#### NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

The Company's liquidity analysis in respect of categories of financial liabilities as of 31 December 2016 and 2015 are as follows:

##### 31 December 2016:

	Book value	Total cash outflows per a agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
<b>Contract terms:</b>					
<b>Non-derivative financial liabilities</b>					
Bank borrowings	82.516.407	90.735.611	3.186.454	13.873.495	73.675.662
Trade payables	53.413.764	54.171.991	37.816.441	4.830.600	11.524.950
Other payables	1.013.754	1.013.754	1.013.754	-	-
	<b>136.943.925</b>	<b>145.921.356</b>	<b>42.016.649</b>	<b>18.704.095</b>	<b>85.200.612</b>

##### 31 December 2015:

	Book value	Total cash outflows per a agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
<b>Contract terms:</b>					
<b>Non-derivative financial liabilities</b>					
Bank borrowings	38.430.259	48.626.097	7.429.272	6.314.770	34.882.055
Trade payables	50.583.038	50.972.815	44.427.163	4.310.210	2.235.442
Other payables	1.148.106	1.148.106	1.148.106	-	-
	<b>90.161.403</b>	<b>100.747.018</b>	<b>53.004.541</b>	<b>10.624.980</b>	<b>37.117.497</b>

#### 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. These risks are monitored by analyses of the foreign currency position. Current risks are discussed by the Audit Committee and Board of Director's meetings regularly and the foreign exchange rates relevant to the foreign currency position of the Company are followed up.

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#### NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	Foreign Currency Position							
	31 December 2016				31 December 2015			
	TL Equivalent	USD	EUR	TL Equivalent	TL Equivalent	USD	EUR	TL Equivalent
1. Trade Receivables	2.693.687	296.428	325.536	442.792	2.238.964	135.175	345.219	748.960
2a. Monetary Financial Assets (Cash, Bank accounts included)	-	-	-	-	-	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	3.304	-	1.040	-
<b>4. Current Assets (1+2+3)</b>	<b>2.693.687</b>	<b>296.428</b>	<b>325.536</b>	<b>442.792</b>	<b>2.242.268</b>	<b>135.175</b>	<b>346.259</b>	<b>748.960</b>
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	3.177.600	-	1.000.000	-
8. Non-Current Assets (5+6+7)	-	-	-	-	3.177.600	-	1.000.000	-
<b>9. Total Assets (4+8)</b>	<b>2.693.687</b>	<b>296.428</b>	<b>325.536</b>	<b>442.792</b>	<b>5.419.868</b>	<b>135.175</b>	<b>1.346.259</b>	<b>748.960</b>
10. Trade Payables	5.720.509	42.196	1.469.115	121.743	5.015.787	35.240	1.541.782	14.159
11. Financial Liabilities	942.574	-	254.070	-	773.525	-	243.431	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
<b>13. Short Term Liabilities (10+11+12)</b>	<b>6.663.083</b>	<b>42.196</b>	<b>1.723.185</b>	<b>121.743</b>	<b>5.789.312</b>	<b>35.240</b>	<b>1.785.212</b>	<b>14.159</b>
14. Trade Payables	11.579.711	-	3.121.300	-	2.235.442	-	703.500	-
15. Financial Liabilities	240.843	-	64.919	-	1.006.093	-	316.620	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
<b>17. Long Term Liabilities (14+15+16)</b>	<b>11.820.554</b>	-	<b>3.186.219</b>	-	<b>3.241.535</b>	-	<b>1.020.120</b>	-
<b>18. Total Liabilities (13+17)</b>	<b>18.483.637</b>	<b>42.196</b>	<b>4.909.404</b>	<b>121.743</b>	<b>9.030.847</b>	<b>35.240</b>	<b>2.805.332</b>	<b>14.159</b>
<b>19 Net Asset/ (Liability) Position of Off Balance Sheet</b>								
Derivative Instruments (19a-19b)	-	-	-	-	-	-	-	-
<b>19a. Amount of Asset Nature Off-Balance Sheet</b>								
Derivative Instruments	-	-	-	-	-	-	-	-
<b>19b. Amount of Liability Nature Off-Balance Sheet</b>								
Derivative Instruments	-	-	-	-	-	-	-	-
<b>20. Net Foreign Asset/</b>								
Liability Position (9+18+19)	(15.789.950)	254.232	(4.583.868)	321.049	(3.610.979)	99.935	(1.459.073)	734.801
<b>21. Net Foreign Currency Asset/ (Liability) Position of</b>								
Monetary Items (TFRS 7.B23)								
(=1+2a+5+6a-10-11-12a-14-15-16a)	(15.789.950)	254.232	(4.583.868)	321.049	(6.791.883)	99.935	(2.460.114)	734.801
<b>22. Total Fair Value of Financial Instruments Used for</b>								
Foreign Currency Hedging	-	-	-	-	-	-	-	-
23. Export	17.513.424	890.631	3.685.117	707.700	14.559.880	893.497	1.981.872	5.664.353
24. Import	4.679.301	-	1.261.301	-	1.734.731	-	545.925	-

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#### NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016

##### Table of 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
<b>Change of USD by 10% against TL:</b>				
1- Asset/Liability denominated in USD	89.469	(89.469)	89.469	(89.469)
2- The part of USD risk hedged (-)				
<b>3- USD Effect - net (1+2)</b>	<b>89.469</b>	<b>(89.469)</b>	<b>89.469</b>	<b>(89.469)</b>
<b>Change of EUR by 10% against TL:</b>				
4- Asset/ Liability denominated in EUR	(1.700.569)	1.700.569	(1.700.569)	1.700.569
5- The part of EUR risk hedged (-)				
<b>6- EUR Effect - net (4+5)</b>	<b>(1.700.569)</b>	<b>1.700.569</b>	<b>(1.700.569)</b>	<b>1.700.569</b>
<b>Change of other currencies by 10% against TL :</b>				
7- Assets/ Liabilities denominated in other foreign currencies	32.105	(32.105)	32.105	(32.105)
8- The part of other foreign currency risk hedged (-)				
<b>9- Other Foreign Currency Effect - net (7+8)</b>	<b>32.105</b>	<b>(32.105)</b>	<b>32.105</b>	<b>(32.105)</b>
<b>TOTAL (3+6+9)</b>	<b>(1.578.995)</b>	<b>1.578.995</b>	<b>(1.578.995)</b>	<b>1.578.995</b>

The Company does not hedge foreign currency denominated liabilities by using hedge instruments.

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#### NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2015

##### Table of 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
<b>Change of USD by 10% against TL:</b>				
1- Asset/Liability denominated in USD	29.057	(29.057)	29.057	(29.057)
2- The part of USD risk hedged (-)	-	-	-	-
<b>3- USD Effect - net (1+2)</b>	<b>29.057</b>	<b>(29.057)</b>	<b>29.057</b>	<b>(29.057)</b>
<b>Change of EUR by 10% against TL:</b>				
4- Asset/ Liability denominated in EUR	(781.726)	781.726	(781.726)	781.726
5- The part of EUR risk hedged (-)	-	-	-	-
<b>6- EUR Effect - net (4+5)</b>	<b>(781.726)</b>	<b>781.726</b>	<b>(781.726)</b>	<b>781.726</b>
<b>Change of other currencies by 10% against TL:</b>				
7- Assets/ Liabilities denominated in other foreign currencies	73.480	(73.480)	73.480	(73.480)
8- The part of other foreign currency risk hedged (-)	-	-	-	-
<b>9- Other Foreign Currency Effect - net (7+8)</b>	<b>73.480</b>	<b>(73.480)</b>	<b>73.480</b>	<b>(73.480)</b>
<b>TOTAL (3+6+9)</b>	<b>(679.189)</b>	<b>679.189</b>	<b>(679.189)</b>	<b>679.189</b>

The Company does not hedge foreign currency denominated liabilities by using hedge instruments.

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#### NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

##### ii) Interest Risk

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

	Interest Rate Position Schedule	
	31 December 2016	31 December 2015
<b>Financial instruments with fixed interest rate</b>		
Financial assets	25.085.201	26.757.459
Financial liabilities	129.859.124	80.711.675
<b>Financial instruments with floating interest rate</b>		
Financial liabilities	7.084.801	9.449.728

##### iii) Price risk

The operational profitability of the Company and the cash flows generated by these operations are affected by the changes in the raw material prices and market competition. These prices are closely followed up by the Company management to reduce the pressure of the costs on selling prices and necessary precautions for cost reductions are taken accordingly. Price risk is monitored by Board of Directors and Audit Committee via regular meetings.

##### d) Capital risk management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order 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 and changes in the earnings before interest depreciation and amortization ("EBITDA"). Gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings due to related parties - non trade less cash and cash equivalents. EBITDA is calculated as operational profit/ (loss) less depreciation, amortization, employment termination benefits and other nonrecurring expenses.



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#### NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2016	31 December 2015
Total financial liabilities	82.516.407	38.430.259
Less: Cash and cash equivalents (Note 6)	(3.275.795)	(2.015.677)
Net debt	79.240.612	36.414.582
Total equity	63.985.630	53.745.014
<b>Debt/ equity ratio</b>	<b>124%</b>	<b>68%</b>

#### NOTE 50 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

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 a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could 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 values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties, are considered to approximate their respective carrying values due to their short-term nature. The cost of financial assets available for sale investments less, if any, impairments are considered to approximate their fair values.

##### **Financial Liabilities**

Fair values of bank borrowings are disclosed in Note 25.

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.*

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#### NOTE 50 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2016 and 2015:

#### 31 December 2016

	Level 1	Level 2	Level 3 (*)	Total
Available-for-sale investments	388.385	-	3.307.469	3.695.854
<b>Total assets</b>	<b>388.385</b>	<b>-</b>	<b>3.307.469</b>	<b>3.695.854</b>

#### 31 December 2015

Available-for-sale investments	601.615	-	3.384.733	3.986.348
<b>Total assets</b>	<b>601.615</b>	<b>-</b>	<b>3.384.733</b>	<b>3.986.348</b>

(\*) Please see Note 48 for the movement of Level 3 financial instruments.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

31 December 2016	Level 1	Level 2	Level 3	Total
<b>Property, Plant and Equipment:</b>				
Land	-	8.119.570	-	8.119.570
Buildings and land improvements	-	52.798.833	-	52.798.833
Machinery and equipment	-	71.351.267	-	71.351.267
<b>Total assets</b>	<b>-</b>	<b>132.269.670</b>	<b>-</b>	<b>132.269.670</b>

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#### NOTE 50 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

31 December 2015	Level 1	Level 2	Level 3	Total
<b>Property, Plant and Equipment:</b>				
Land	-	8.097.520	-	8.097.520
Buildings and land improvements	-	26.959.772	-	26.959.772
Machinery and equipment	-	44.045.175	-	44.045.175
<b>Total assets</b>	<b>-</b>	<b>79.102.467</b>	<b>-</b>	<b>79.102.467</b>

#### NOTE 51 - SUBSEQUENT EVENTS

None.

#### NOTE 52 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None (31 December 2015: None).

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## INFORMATION FOR INVESTORS

### Stock Exchange

Pınar Su Sanayi ve Ticaret A.Ş. shares are traded at Borsa İstanbul Main Market under the ticker symbol PINSU.

Initial Public Offering Date: 28.08.1987 (Date of First Transaction)

### Ordinary General Assembly Meeting

As per the resolution by the Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş., the Company's Ordinary General Assembly Meeting will be held on March 30, 2017, Thursday at 10:00 at Kemalpaşa Caddesi No: 317 Pınarbaşı/İzmir

### Profit Distribution Policy

The general profit distribution policy of Pınar Su Sanayi ve Ticaret A.Ş. is publicly disclosed available at the investor relations page of the Company's corporate web site ([www.pinar.com.tr](http://www.pinar.com.tr)) in Turkish and English.

Since the Company showed a loss as a result of its 2016 operations, The Board of Directors resolved at the Board Meeting dated March 3, 2017 not to distribute profits is to be submitted to the approval of the Ordinary General Assembly.

### Investor Relations

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To access Pınar Su investor relations web site:



### Pınar Su Share Performance (Compared to BIST ALL Index)

