2017

PINAR SU ANNUAL REPORT

Yaşar

for a better life

Reporting Period
01.01.2017 - 31.12.2017

Trade name
Pınar Su Sanayi ve Ticaret A.Ş.

Trade Register & Number
İzmir Trade Registry 45707-K-2016

Authorized Capital
TL 50,000,000

Paid-in Capital
TL 44,762,708.45

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Pınar Su, continuing to invest and work on becoming a "beverage Company", reflects its market needs and trends in its portfolio.

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

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

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

Most Recognized Brands in Different Sectors

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

Ground Breaking Deep Rooted Establishment Presenting "Firsts" in Turkey

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

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

An Approach Dignifying Environment and Society

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

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

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

Message from Chairperson

In line with sustainable growth goals, Pınar Su continued to grow in 2017 with its industry 4.0 compliant production facilities, new product categories and increased share in exports.

Dear Shareholders,

Pınar Su, which introduced bottled natural spring water to Turkish consumers for the first time 34 years ago and a member of Yaşar Group that is one of the respected institutions in Turkey, carried on its activities in 2017 to become the leading beverage Company in the sector. Being the only player with 100% Turkish capital among the national large companies, Pınar Su also exported to 20 countries.

As Pınar Su, we closely followed the consumption trends in the sector in 2017 as well and continued to integrate the data we obtained here into production activities. Slow-growing world economy and global trade since the global crisis was revitalized in 2017. In this period, when the growth of developed and developing countries accelerated, there was such a spring frenzy in the world economy that in 2017 the global growth rate is envisaged to reach 3.6%. Turkey's economy also had this growth trend in 2017. In the first 9 months, our economy grew by 7.4%, both due to the relaxation in global markets and the government's measures to increase domestic demand.

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

Packaged Water Market Reached 5.7 Billion TL

This positive atmosphere has positively affected both Turkey`s and global packaged water. The packaged water sector gets the praises as one of the fastest growing sectors in the world. Packed water, influenced by the trend of healthy life, is among the important needs of everyday life in many developed countries.

According to the data of Nielsen, PET packaged water market in Turkey has made the biggest contribution in the growth of soft drink market with the ratio of 5.4% in 2017. This year is estimated that total water market has reached 5.7 billion TL including demijohns in Turkey. Consumption in total packaged water market, estimated to have reached 11.7 billion liter volume, is consisting of 6.4 billion liters from demijohns and 5.3 billion liters from PET package (SUDER).

In 2017, it is estimated that the average annual consumption per person has reached to 149 liters of which 68L is from PET and glass and 81L is from demijohn (SUDER). In the retail PET market, growth was 19% on a turnover basis and 12.2% on a tonnage basis compared to the previous year (Nielsen). Moreover, in this market, players are working with capacity utilization rates of 40%. This shows that the industry has a very serious growth potential with existing capacities. Following the global trends and Turkish market closely, we, as Pınar Su, give a boost to our activities and investments with the purpose of being the leading beverage Company in different categories in 2018 and later on.

22% Increase in Turnover
Pınar Su keeps providing the waters from the springs of Madran, Gökçeağaç, Akçaağaç and Uludağ under the brand "Pınar Yaşam Pınarım" (My Life Spring) at the highest quality standards and with a hygienic environment well above the standards of the sector.

With our competitive superiorities and brand power, we are the number 4th Company in Turkey as Pınar Su and own 6.2% of the market excluding discount markets (Nielsen).

In the Turkish packaged water market where the demand increases each year, our Company has increased its turnover by 22% compared to the previous year. With 572 thousand tons sales, our turnover rose to 198.3 million TL.

Increasing Production and Industry 4.0 in Uludağ Facility
We realized the official opening ceremony of Bursa İnegöl facility which we took over the year before and which increases our production capacity by 29 in November 2017. Compared to 2016, production in this facility increased by 68%. This new facility has been designed to meet the requirements of today's state of the art technological equipment and the Industrial 4.0 management system.

Focus on Gulf Region in Export
Our Company, which exports to 20 countries, also showed growth in exports in 2017. Pınar Su's total packaged water exports in 2017 reached 48 thousand tons with an increase of 9.3%. An export revenue of US $ 6.23 million was made. Pınar Su, which carried out 11% of its total sales to foreign markets, took first place in the UK, Germany and the surrounding European countries with an 80% share in 2017. Our Company maintained its number one rank among water brands exported from Turkey to these markets with 28% share. Pınar Su aims to sustain this growth in European markets in 2018 and later on in a profitable way.

We are also making efforts to increase our brand awareness in the Gulf countries, another market we are focusing on. In line with this goal in 2017, the exports we have made to this region have increased by 13% on the quantity basis and by 31% on the turnover basis.

Strong Growth with Lemonade and Fruit-Flavored Mineral Water
In accordance with our vision to become one of Turkey's leading beverage Company, we realized our launchings on fruit-flavored mineral water in 2017. Developing as an alternative to fizzy drinks, mineral water category has grown by 11% in the last 3 years in Turkey. In this category we entered in 2013, the growth rate of our Company in the last 3 years has been 84%, well above the sector. With this growth rate, Pınar Su increased both its market share and its profitability. In 2017, we offered our customers the new "Pinar Frii" family with mandarin, lime, pomegranate, red grape and melon flavors in the fruit-flavored mineral water segment.

Adopting 100% consumer satisfaction in all processes from production to packaging, quality check to delivery and order stages, we as Pınar Su added new packages as well as new products such as 0.25L fruit-flavored mineral water and 1L lemonade to our product portfolio. 0.33L Smurfs with practical covers and Akçaağaç origin and 0.75 athlete bottle products, which responds to increasing health trend, have taken their place in the market.

We Are the Sector Leader in Sustainability
As Pınar Su, we carried out productivity studies in 2017 parallel to our goal of profitable and sustainable growth. We started lean production model in 2017 in our Aydın Bozdoğan facility. With this model, we were able to increase our productivity in energy, wastage, labor and production lines. Despite our increased production volume, we used about 1.6 million kWh less energy than in the previous year.

We maintain our leading position in the sector with many studies we conduct with the understanding of sustainable environment. As Pınar Su, we aim to contribute to sustainable environmentalist business understanding and to be a part of the New Plastic Economy. We are working hard to reduce the resource consumption of our products. As a result of this effort we were able to reduce the weight of the packages in the bottles by 23% and thus reduce our total plastic use. The reduction of PET materials used in Pınar Su packages resulted in 2,500 tons of plastic savings only in 2017. With its ability to be fully recyclable, we use PET, the healthiest plastic type, in many fields from production to distribution. In addition to the saving in the product bottling, we are trying to improve our distribution network in a way that it has the least effect on the environment. For this purpose, as Pınar Su, we switched to viol palettes from rack equipment in product transport and made productivity in shipping. Thus, by having less vehicles in the traffic, we positively contributed to environment in terms of both carbon emission and traffic load.

We have put green icon and an indication which shows the decrease in PET bottle package materials in the last 2.5 years on "Pınar Yaşam Pınarım" (My Life Spring) branded products. With social media communication, our Company aims to increasingly maintain environmental awareness and raise awareness of the consumers in this matter by providing information to them. We continue to work intensively to integrate innovative approaches to all production processes which will enable to decrease the costs during shipment to consumers.

I would like to thank all our employees, stakeholders and shareholders who have contributions to all activities in 2017 for their valuable support.

Best Regards,

Emine Feyhan Yaşar
Chairperson of Board of Directors

Board of Directors

EMİNE FEYHAN YAŞAR
CHAIRPERSON

İDİL YİĞİTBAŞI
VICE CHAIRPERSON

MUSTAFA SELİM YAŞAR
MEMBER

ALİ YİĞİT TAVAS
INDEPENDENT MEMBER

KEMAL SEMERCİLER
INDEPENDENT MEMBER

YILMAZ GÖKOĞLU
MEMBER

CENGİZ EROL
MEMBER

Background information of Board of Directors is given on pages 39-40.

Senior Management and Committees

BOARD OF DIRECTORS AND TERMS OF OFFICE

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

Limitations of Authorities:
Both Chairperson of the Board and Board Members have the authorities stated under relevant articles of Turkish Commercial Code and articles 12 and 13 of our Articles of Association.

Corporate Management Rating:
In 2017, Pınar Su's corporate governance rating was revised upwards to 9.46 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

Pınar Su and 2017 At a Glance

Pınar Su continued its growth and production in 2017.

The only Company with %100 Turkish capital among large companies in national scale

PRODUCTION CAPACITY OF 2 million tonnes

MORE THAN 400 DEALERS

34 YEARS OF SECTORAL EXPERIENCE

Production facilities in 4 different locations

5.7 BILLION TL OF TURKISH PACKAGING WATER SECTOR TURNOVER

PACKAGED WATER CONSUMPTION OF **149 LITERS** PER PERSON IN TURKEY

198.3 TL million TURNOVER

22% TURNOVER GROWTH

13.3 million TL EBITDA

11% INTERNATIONAL SALES

EXPORTATION TO **20** COUNTRIES

461 average number of employees

20.7 million TL investment expense

2017 FINANCIAL PERFORMANCE

(Million TL)	01.01.2017-31.12.2017	01.01.2016-31.12.2016
Net Sales	198.3	162.5
Gross Profit	87.2	67.3
Gross Profit Margin	44.0%	41.4%

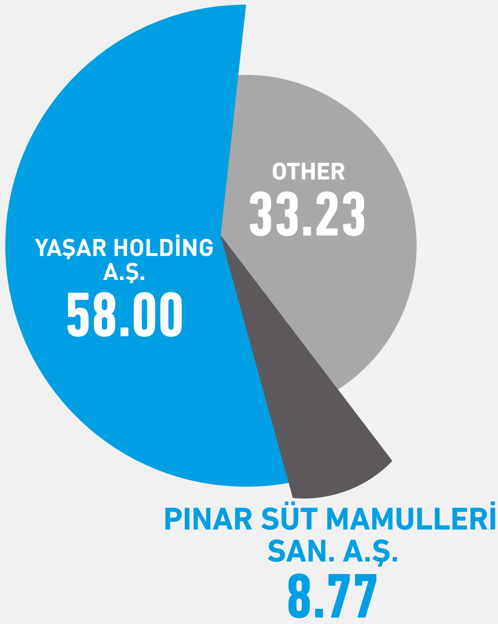
(Million TL)	31.12.2017	31.12.2016
Shareholder's Equity	64.0	63.6
Assets	247.0	212.6
Total Liabilities/Equity Ratio	2.86	2.34

Fruit flavored mineral water and Lemonade products were launched.

Company Profile

Pınar Su, which introduced Turkish consumer with bottled natural spring water for the first time 34 years ago, continues its operations as the only company with 100% Turkish capital among large companies selling in national scale.

PINAR SU SHAREHOLDING STRUCTURE (%)



Shareholder	Share Rate (%)	Share Amount (TL)
YAŞAR HOLDİNG A.Ş.	58.00	25,961,413.57
PINAR SÜT MAMULLERİ SANAYİİ A.Ş.	8.77	3,927,525.25
DİĞER	33.23	14,873,769.63
Toplam	**100**	**44,762,708.45**

Pınar Su'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.

Pınar Su, subjecting water to physical, chemical and microbiological tests at every stage of production from source to filling and making it ready for consumption accordingly, exports to 20 countries in addition to domestic market.

Pınar Su keeps providing the waters from the springs of Madran, Gökçeağaç, Akçaağaç and Uludağ under the brand "My Life Spring" at the highest quality and with a hygienic environment well above the standards of the sector.

VISION TO BECOME A BEVERAGE COMPANY

Structuring their activities with the vision to "become a beverage Company", Pınar Su launched its fruit mineral water in 2017 within this aim. Again in 2017, Pınar Su extended its product portfolio with a successful entry to lemonade market.

Pınar Su focuses on increasing its domestic and international market share by accelerating new product development activities in the near future.

Pınar Su, which has facilities working with global standards and the latest technologies, is filling the products without any human touch. Water is processed with Class 100 Isolator and Clean Room technology without disrupting its natural structure and changing its mineral balance.

Pınar Su continues to lead the sector with international high standards applied in all business processes from logistics activities to production points. Leaping forward to national and international markets, the Company continues its activities with the purposes of developing consumer satisfaction and sustainable growth.

REGISTERED QUALITY

Pınar Su is in the lead in terms of being the first packaged water brand with TSE certificate in Turkey.

The Company's certifications put forward the importance of food safety, hygiene and hygiene-health standards, quality, environment, work health and safety and customer satisfaction. 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.

Rising the goals in terms of food safety, Pınar Su was certified within BRC which was also the international food safety standard in the near past.

Competitive Superiorities

With its ever expanding product portfolio, Pınar Su continues to work with the principle of "unconditional customer satisfaction", which was adopted since 1984 to this day.

GROWING PRODUCT PORTFOLIO

- Production from Madran, Gökçeağaç, Akçaağaç and Uludağ natural water sources in all packaging formats and volumes of SKUs based on changing needs of consumers
- Plain, aromatic and fruity mineral water portfolio
- Lemonade

BRAND AWARENESS

- Strong brand reliability
- Superbrands® is among brands in Turkey
- High customer satisfaction

WIDE DISTRIBUTION AND SERVICE NETWORK

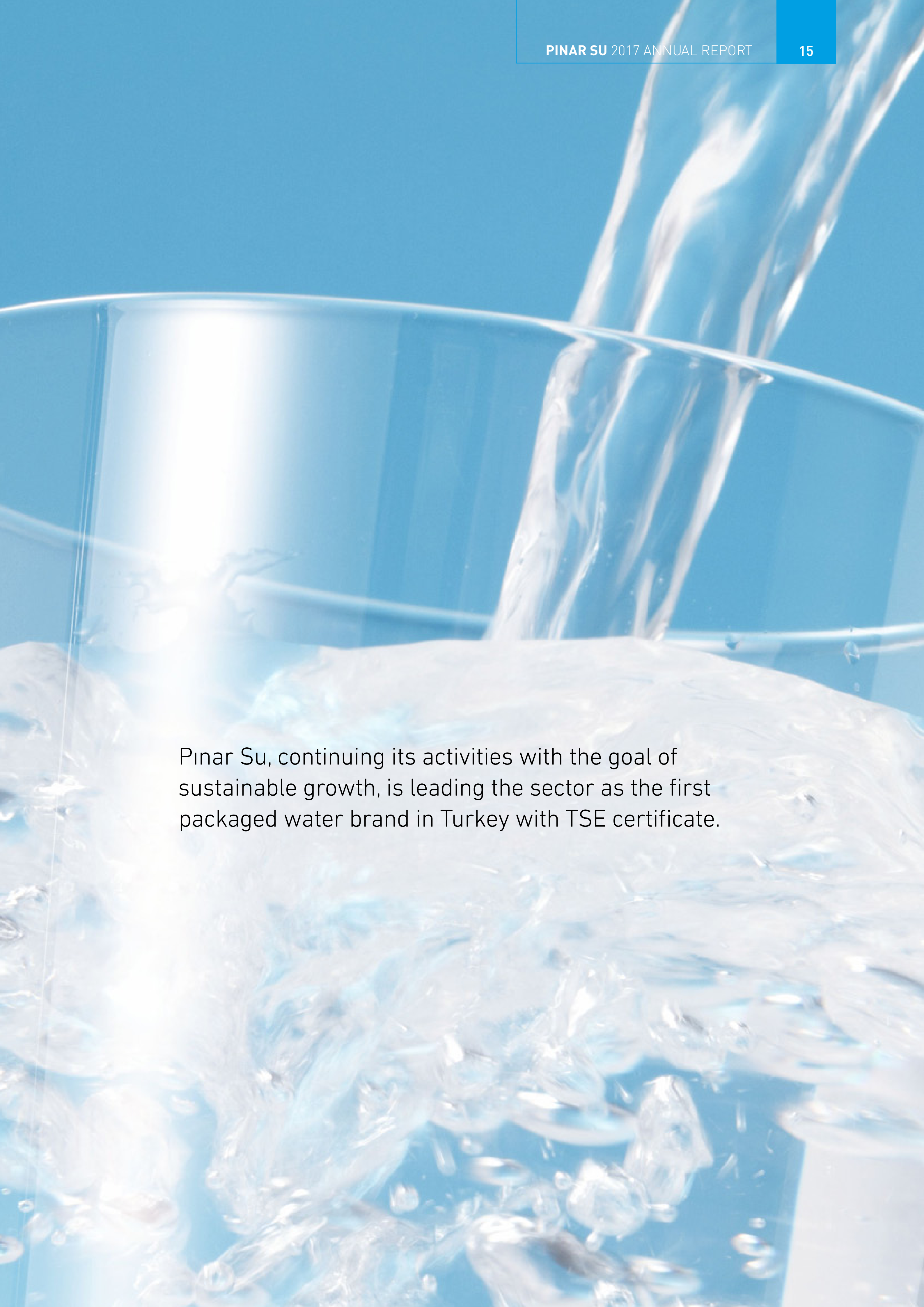
- Logistic power obtained by manufacturing from 4 different sources close to target markets
- Sales and distribution network of vendors located all over Turkey
- Order hotline
- "Online" ordering system
- Mobile order application
- Corporate associations

PRODUCTION

- Mineral water with international standards supplied to consumer under natural and hygienic conditions
- Capability to supply product in any form of packaging that may be preferred by consumers (PET, polycarbonate carboy, glass carboy and glass)
- Sectoral knowledge and experience of 34 years
- Clean Room technology

Strong Brand

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



Pınar Su, continuing its activities with the goal of sustainable growth, is leading the sector as the first packaged water brand in Turkey with TSE certificate.

Pınar Su Products

MADRAN
- 0.33L pet bottle
- 0.50L pet bottle
- 1.50L pet bottle
- 5L pet bottle
- 10L pet bottle
- 0.33L glass bottle
- 0.75L glass bottle
- 19L carboy

GÖKÇEAĞAÇ
- 0.33L pet bottle
- 0.50L pet bottle
- 1.50L pet bottle
- 5L pet bottle
- 10L pet bottle

AKÇAAĞAÇ
- 0.20L cup
- 0.25L cup
- 0.33L pet bottle
- 0.33L Smurfs
- 0.50L pet bottle
- 0.75L athlete bottle
- 1L pet bottle
- 1.50L pet bottle

ULUDAĞ
- 0.50L pet bottle
- 5L pet bottle
- 10L pet bottle
- 15L glass carboy
- 19L carboy

PINAR MINERAL WATER
- 0.20L plain mineral water
- 0.20L flavored mineral water
- 0.25L Pınar Frii Fruit flavored mineral water

PINAR LEMONADE
- 1L lemonade

Health from the Top Quality Sources

Pınar Madran
- Sulfate 7.9 mg/L
- Sodium 4.9 mg/L
- Chloride 3.6 mg/L
- ph 6.8
- Conductivity 60 µS/cm

Pınar Gökçeağaç
- Sulfate 7.7 mg/L
- Sodium 5.6 mg/L
- Chloride 1 mg/L
- pH 8.2
- Conductivity 130.3µS/cm

Pınar Akçaağaç
- Sulfate 2.2 mg/L
- Sodium 1.5 mg/L
- Chloride 2.0 mg/L
- ph 8.01
- Conductivity 218 µS/cm

Pınar Uludağ
- Sulfate 3.69 mg/L
- Sodium 2.66 mg/L
- Chloride 0.80 mg/L
- pH 7.76
- Conductivity 54.6µS/cm

Innovations for Changing Trends

Pınar Su, which started to produce in different beverage categories in 2017, responds to changing consumer demands with new products added to its portfolio.

Following consumer trends in Turkey and abroad, the Company brought many innovations successively in 2017.

Adopting 100% consumer satisfaction in all processes from production to packaging, quality check to delivery and order stages, the Company added 0.25L fruit mineral water Pınar Frii, 1L lemonade, 0.33L Smurfs with practical covers from Akçaağaç origin and 0.75L sportsman bottle products for the increasing healthy life trend to its portfolio in 2017.

Smurfs product has gained a new look to make children, the target group, love drinking water. The new product brings the colorful world of the Smurfs to 0.33L bottles.

My Life Spring Athlete Bottle, targeting the athletes, participated in the Pınar Su family with ergonomic new bottle design, practical cap and different label design.

The Company has also included a fruit mineral water segment in its portfolio. Thus, Pınar Frii family, with mandarin, lime, pomegranate, red grape and melon flavors, was presented to consumers with the bottles designed by the famous designer Defne Koz.

Pınar Su had a new step with the vision "to become a beverage Company" and took its place in lemonade market.

Pınar Su, which strengthens its position in the market with these steps, will continue to work to further increase consumer satisfaction in 2018 with its continuously developed technological infrastructure in existing and new beverage categories.

Sector Overview

Packaged water sector, one of the fastest growing sectors in the world, is reshaped in parallel with the needs and habits of consumers.

With the influence of the healthy lifestyle, packaged water in many developed countries has become indispensable for everyday life. In many developed countries, packaged water is preferred by consumers who want to get away from sugary-fizzy drinks that are perceived as harmful to health. These new habits help athlete drink, cold tea, packaged water, energy drink and flavored water categories to grow in the recent years.

Following the global trends and Turkish market closely, Pınar Su gives a boost to our activities with the purpose of being the leading beverage Company in different categories in 2018 and later on.

Packaged water market became one of the favorite companies in which foreign companies invest thanks to its strong growth. Packaged water had the highest grow rate of 8.9% has contributed to soft drink market tonnage size in 2017 in Turkey (Nielsen).

5.7 BILLION TL MARKET

Packaged Water Producers Association (SUDER) expects packaged water market in Turkey to reach 5.7 billion TL in 2017. In the market where the volume is about 11.7 billion liter, 6.4 of this is from carboy sales and 5.3 of this is from pet products.

In 2017, a growth of 8.2% on a tonnage basis is expected compared to the previous year. On the other hand, carboy market is envisaged to go down by 0.8% on a tonnage basis. (SUDER)

In 2017, it is estimated that in this fast growing market, the average annual consumption per person has reached to 149 liters of which 68L is from PET and glass and 81L is from carboy (SUDER).

Considering the use of existing industrial capacity is around 40% in packaged water sector, in case of an increase in packaged water consumption in Turkey, the existing capacity is fully able to cover this need (SUDER).

Developing as an alternative to fizzy drinks of which share is growing in our product portfolio, mineral water category has grown in the last 3 years in Turkey (Nielsen).

572 thousand
TONS TOTAL SALES

198.3 million TL
NET SALES REVENUE

6.23 million $
TOTAL EXPORT

Activities in 2017

Following the developments in the sector closely, Pınar Su aims to increase its share in domestic and global market with the focus on customer`s needs.

Place of Pınar Su in the Sector

Pınar Su maintains its activities as the only Company with 100% Turkish capital among large companies that make national sales.

With its competitive superiorities and brand power, Pınar Su is the 4th biggest brand in domestic market of Turkey. The Company has 6.14% turnover share in the market (Excluding discount markets, Nielsen).

Pınar 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. The Company carries out 13.63% of total water export in Turkey.

To respond to the needs of changing consumer needs in 2017, Pınar Su started production in a new category and launch 1L lemonade to the market. 0.25L fruit mineral water Pınar Frii family, which was added to product portfolio during the year, was introduced to the consumers with its mandarin, lime, pomegranate, red grape and melon flavors.

While completing 2017 with a growth of 22% and 198.3 million TL turnover, the Company realized 2% growth in tonnage.

Mineral water category expanded with the new products of Pınar Su has grown by 126% in the last three years. With this growth rate, the Company's market share also increased. On the other hand, the share of glass water products continues to increase every year. In 2017, turnover of glass products rose by 54% compared to the previous year. While 66% of the Company's sales are still made up of PET products, 72% of the sales were made by Pınar Su dealers.

Pınar Su's gross and operating profit margins increased compared to the previous year and EBITDA of TL 13.3 million was achieved.

EXPORT TO 20 COUNTRIES

Pınar Su's total packaged water exports in 2017 reached 48 thousand tons with export to 20 countries. The export revenue of the Company was realized as 6.23 million dollars. In 2017, Pınar Su exported its products to the markets of the USA, Germany, Azerbaijan, UAE, Bahrain, Belgium, Czech Republic, Iraq, England, Ireland, Israel, Switzerland, Qatar, TRNC, Kosovo, Kuwait, Malta, Romania, Singapore and Saudi Arabia.

Pınar Su had 8.1% increase in tonnage and 24.3% in turnover in 2017 in 2017 exports. The Company, which carried out 11% of its total sales to foreign markets, took first place in the UK, Germany and the surrounding European countries with a 73.2% share in 2017.

In the year of 2017, 0.5L and 1.5L pet bottle products were highlighted as locomotive products.

Acting with the focus on increasing export revenues, Pınar Su realizes newly designed packaged studies in compliance with regional trends especially in Chinese and other Asian market in the world with this purpose.

11%
SHARE IN EXPORTS SALES

22%
GROWTH IN TURNOVER

Pınar Su Customers and Consumers

Pınar Su emphasizes the values of “trust, purity, family ties” in brand communication and works to present the best to consumers with its new products, diversified and improved services to its portfolio.

Having received competitive marketing and communication efforts in the center of its growth strategy, Pınar Su continues to work with the aim of presenting the best product to customers which increase day by day both with its new products in 2017 and existing wide portfolio.

Determining the target group of the ABC1 socioeconomic status (S.E.S.) group, especially the women, at the age of 25-45 years, the Company presents 14 types in water category, 9 types in mineral water category and one type of 1L in lemonade category.

According to different usage needs, there are special 19L polycarbon carboy and 15L glass carboy solutions launched in 2016. Pınar Su introduces glass and PET products of different volumes for out-of-home consumption.

In 2017, the Company was able to stand out in the beverage industry thanks to new areas it entered. Pınar Mineral Water family which was the first introduced to the market in 2013 grew with fruit flavored mineral water products in 2017. The Company took the lead in competition by simultaneously introducing many products in fruit flavored mineral water segment.

Pınar Su entered the lemonade market for the first time in 2017 with a step towards "to become a beverage Company".

MY LIFE SPRING BOTTLING PLANT

ULUDAĞ

Pınar Su Uludağ Facility, which was established in Bursa-İnegöl with a new investment, is located at an altitude of 1,600 meters from settlement areas. The spring is one of the most quality sources of Turkey in terms of quality and taste with 3.5 Fr hardness rating.

MADRAN

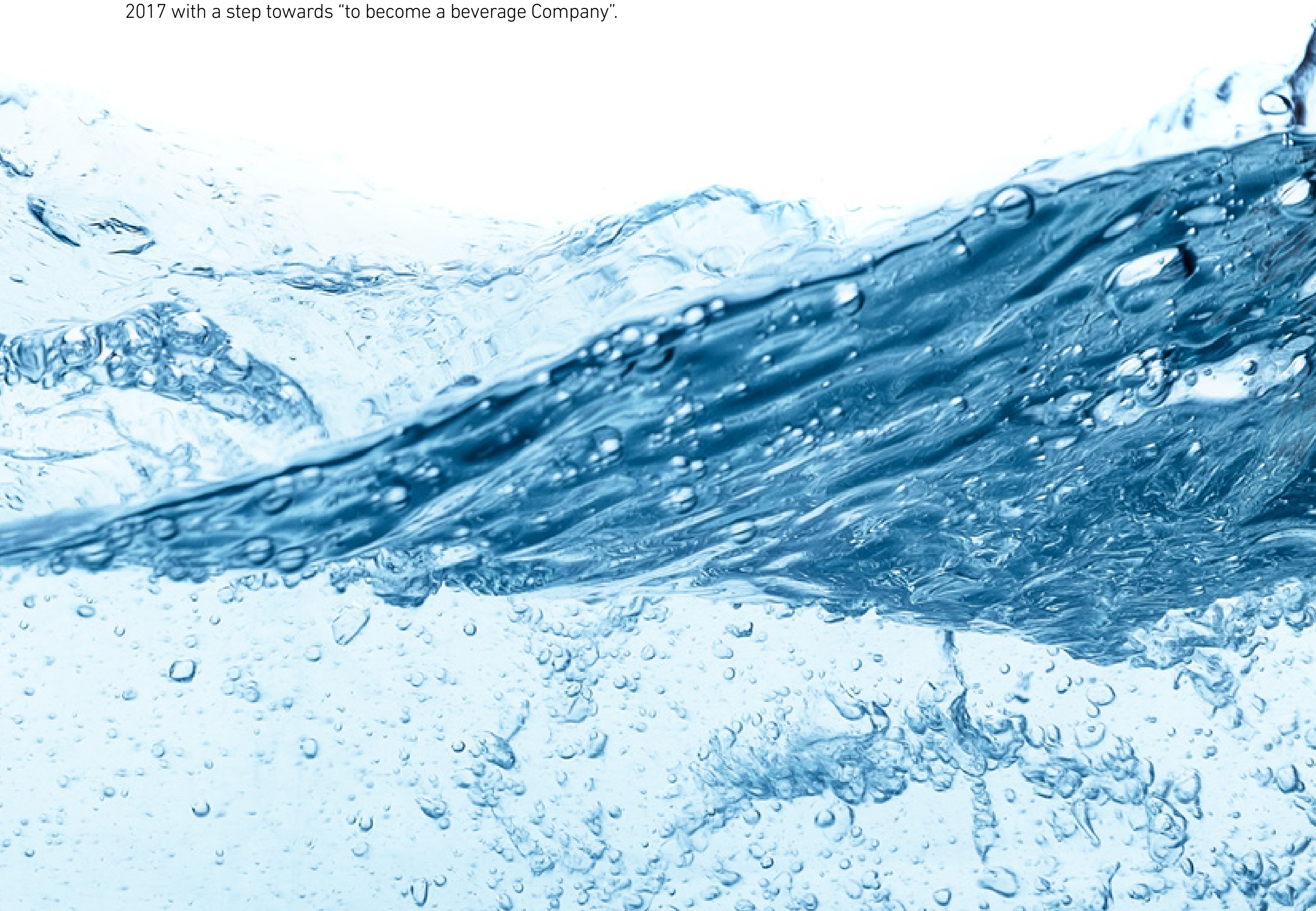
Located at an altitude of approximately 1,000 meters from the settlement, Pınar Su Madran Spring operating in Aydın-Bozdoğan has 1.65 Fr hardness rating. With the feature, it is accepted as one of the most quality springs of Turkey.

AKÇAAĞAÇ

The My Life Spring-Akçaağaç spring is located in Isparta-Eğirdir at a place fully 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

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



COMPETITIVE MARKETING STRATEGY

Reinforcing its position in the market with new products, Pınar Su realized important activities in marketing in 2017.

Having its best reference from the power and reputation of "Pınar" brand in food and drink sector, Pınar Su prefers to highlight the values such as "trust, purity, family ties". At the same time, it emphasizes the quality of healthy and tasty water that it provides to consumers within brand recognition.

Following a competitive policy in the sector with its ever-improving sales and distribution network, Pınar Su develops its position in the market with constantly renewed products and services.

With this goal, the Company has added a new lemonade category to its product portfolio. In the sales and distribution network, mobile applications continued to be developed.

The main activities of the Company in the direction of its marketing strategy in 2017:

- Pınar Su shared its 2017 priorities with its business partners through a dealership meeting held to reach targets and create value together.

- "My Life Spring Smurfs" product was launched. The "Smurfs Lost Village", which was organized within the scope of the launch, reached 3 million people with the premiere of the movie. Also, after the launch, the trailer were aired in children channels and cinemas.

- In order to increase the awareness of the Athlete Bottle product, written, visual, digital communication and field activation support was provided under the TBF sponsorship. In addition, National Basketball Team players and social media phenomenon were sent product kit and introduced to the products. Thanks to these efforts, 9 million people became aware of the Athlete Bottle product.

- The interaction between the brand and the consumer has been enhanced through competitions and advertisements made through social media.

- Taking the consumer experience as a focus via "Pınar Su Mobile Order Application", Pınar Su has made its application more user-friendly with every update and improvement.

- In order to introduce the newly added "Pınar Frii" fruity mineral water family to portfolio, the launching organizations were held in selected beaches in İzmir Çeşme.

- In the carboy products for customers who prefer at-home consumption, there were campaigns highlighted in terms of competition throughout the year. Continuous communication with the consumer was made in radio, open air, newspapers and digital channels.

RENEWED PINAR SU ORDER HOTLINE

Pınar Su website was updated in 2017. For the purpose of increasing the existing customer satisfaction and also to attract new customers, Pınar Su shows great importance to its internet channel and Call Center (Pınar Su Order Hotline).

Consumers who reach Pınar Su with a single number from every corner of Turkey, **444 99 00**, are directed to relevant dealer in the region. Thus, customers are provided with a fast and efficient service.

Pınar Su Mobile Order Application is constantly updated in order to create a user friendly application. With this understanding, consumers are offered one-button order, repeat last order and future order convenience.

As a result of all these activities, share of digital channels in Pınar Su`s order channels has doubled in 2017. The share of orders from digital channels among Order Hotline increased from 6% at the end of 2016 to 12% in 2017.

PINAR COMMUNICATION CENTER

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

Requests and suggestions to the Pınar Communication Center are meticulously examined and evaluated within the Company. Requests and complaints to PIM are responded by real operators 7 days a week between the hours 07:00-23:00. In this center, successful call-respond rate is 92% according to 2017 data. 88% of the calls are answered within 15 seconds.

These success rates are also reflected in the consumer satisfaction survey conducted in 2017. According to the results of the survey, Pınar Communication Center, which has a customer satisfaction ratio of 92%, can also be reached via twitter.com/InfoPinar. PIM also responds quickly to consumers by reviewing and resolving requests and suggestions from social media through its official Twitter account.

SERVICE NETWORK WITH MORE THAN 400 DEALERS

Adopting the principle of being always accessible, Pınar Su works with more than 400 pet and carboy dealers, where it constantly follows legal standards.

With its renewed technological dealer infrastructure, Pınar Su offers customers a much more dynamic and auditable service quality. Monitoring delivery time and availability of stocks, which are critical in terms of service quality, the Company guarantees customer satisfaction with its strong Call Center operation.

Aiming to always improve its service quality offered to customers and consumers, Pınar Su brings all of its product range to the customer's door thanks to its mobile order application, call center, web site and widespread dealer network.

Pınar Su regularly inspects and scores PET and carboy dealers 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.

2017 Investments

Pınar Su brought many important investments in 2017. The Company's total investment expenditures in 2017 were 20.7 million TL.

Paying great attention at choosing springs far from settlements of which flow rates and chemical properties not changed depending on the rainfall or drought during the year, Pınar Su mainly invested in its existing facilities and machinery equipment in 2017.

NEW FACILITY

The Company added a new facility in Bursa/Inegöl to its modern facilities in Aydın/Bozdoğan, Isparta/Eğirdir, Sakarya/Hendek and rose its annual production capacity to 1 million and 988 thousand tons.

In November 2017, Pınar Su realized official opening of Uludağ Spring its 4th facility in Bursa Inegöl which was taken over a year ago and which increases its production capacity by 29%.

The pet water production line at Uludağ Plant works above the accepted valuesin the sector with its production speed, line performance and efficiency indicators at an unit time. Also, filling line and auxiliary facilities in Uludağ Spring have been designed to meet the requirements of today's state-of-the-art technological equipment and the Industrial 4.0 management system.

20.7 million TL

2017 YEAR INVESTMENT AMOUNT

High Quality

Pınar Su, the only domestic brand that provides service to the whole of the national market, continuously raises its quality standards in all business processes as a responsible manufacturer that does not sacrifice from quality.

Continuing to work with international production standards and the most modern technology, Pınar Su builds its main strategy on quality. The Company also sets out the certificates and documentation it has earned through this understanding. With the focus on food safety, cleanliness and hygiene-health standards, quality and environmental awareness, Pınar Su maintains its leading position on being the first packaged water brand with TSE certificate in Turkey.

In addition, Pınar Su has the feature of being the first Turkish beverage brand to register its quality upon obtaining competence certificate from the American National Sanitation Board (NSF).

"CLEAN ROOM" AND COMBI-BLOCK TECHNOLOGY

With its "Clean Room" technology, Pınar Su packs the water to consumers by packaging without any human touch.

Producing at state-of-the-art facilities, Pınar Su carries out a fully-automated filling process by means of Class 100 Barrier Isolator and "Clean Room" technologies, in which a positive interior air pressure is maintained while ambient air is continuously filtered.

With the integration of innovative technologies and the combination of pet bottle blowing and filling processes, machine infrastructure investments realized in a single machine block, our hygienic and safe production targets are increasingly maintained.

Applying world-class quality systems and international standards, the Company spends its resources on physical, chemical and microbiological tests at every stage of its production, from welding to filling through its extensive laboratories.

COOPERATION WITH SUPPLIERS

While choosing its suppliers, Pınar Su prefers businesses that fulfill their corporate values and their responsibilities towards public health and nature. Working with organizations that fulfill these criteria is preferred.

From the same perspective, suppliers are constantly inspected to improve their performance. The Company procures all of its packaging materials, especially pet preform, from specialized producers.

The Company adopts a sustainable communication strategy with its suppliers. With this strategy, Pınar Su scores them every month in terms of price, quality and delivery, and conducts improvement works for those which fail to get satisfactory results. These inspections are carried out periodically within the scope of quality and food safety management systems and at the same time to include the activities of supplier in work safety and environment areas. Pınar Su also contributes to the organizational structure of its suppliers' in terms of corporate.

Adopting a full team work with its suppliers, Pınar Su continuously increases the number of active suppliers every year.

Productivity Activities

Pınar Su, which has realized significant productivity activities with the goal of profitable and sustainable growth, has carried out improvement works focused on productivity.

At the Aydın Bozdoğan facility of the Company, the lean production model was introduced in 2017. With this model, we increased our productivity in energy, wastage, labor and production lines. By turning the carton pan into a fully automatic operation in the one-way glass line, significant savings have been achieved in materials and workmanship with the transition to the loading model with robots in the carboy line.

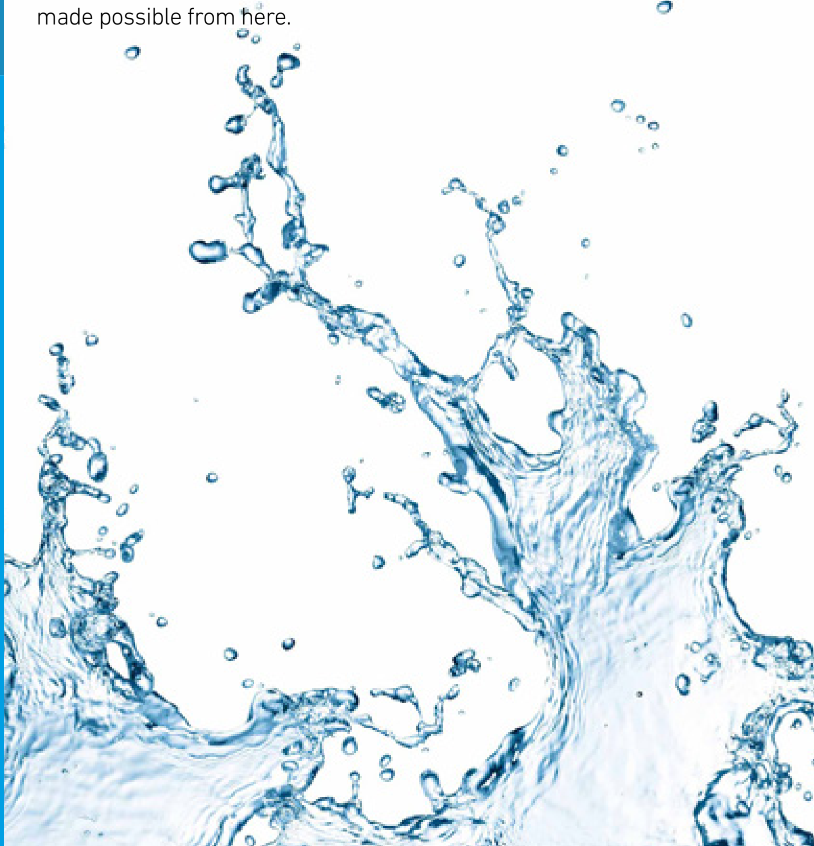
At the end of this work, lower weighted preform, lower weighted cap, and lower weighted transport troughs were used to save packaging material.

Again in 2017, the production of 5L and 10L products at SakaryaHendek Plant, as targeted, was moved to Bursa İnegöl facility. With this step, it is expected that the Pınar Su İnegöl Facility is to have an increase of 45% in the efficiency of the line with technological infrastructure and settlement advantage.

These improvements in the facilities resulted in a 20% savings in energy consumption at Kwh per ton with the increase in productivity.

In addition to the activities in the facilities, Pınar Su also made innovations in sales channels. Applying hybrid system in İstanbul, İzmir and Kocaeli, Pınar Su staff were assigned to the dealers.

To provide alternative order channels to the consumers in addition to dealers, **www.pinarsu.com.tr** website has been updated and readied for online order. In addition, by following digital trends, corporate collaborations were realized with the applications consumers actively visit and ease of order was made possible from here.




PINAR
yaşam pınarım
Doğal Kaynak Suyu
www.pinarsu.com.tr
Kolayca açın, güvenle için...

Pınar Su Family

Pınar Su continues to work on human resources that will contribute to the development of its current employees. Pınar Su also works to add creative, targeted, innovative, motivated work to the Pınar Su Family.

Pınar Su sees its employees as the main source of growth and aims to include especially qualified, creative, innovative, motivated and high-performing workforce in its human resources processes. The average number of employees of the Company in 2017 is 461. Pınar Su is moving forward with a training policy that is focused on improving the current workforce of all its employees.

BASES OF HUMAN RESOURCES POLICY

- To create a rich candidate pool for all new positions opened,
- Creating employees with high performance and belonging by placing people in the right position in a short time,
- Orientation programs to ensure that the employees who are new to the job are able to adapt to the Company and their duty as soon as possible,
- To organize internal and external trainings in line with the needs that arise,
- Performing 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,

University Business Association in Human Resources Processes

Pınar Su worked with Yaşar University in 2017 in order to form candidate pool while carrying out human resources processes. Pınar Su Carrier Day was realized with the participation of the graduates.

The "Mentee-Mentor" program was implemented in terms of the development activities of the employees in the Company. The managers were given leadership training called "Lider Yaşarım" (My Leader Yaşar).

The trainings focused on important issues such as ethical rules, labor law, ergonomics, hygiene, sustainability, health and safety, and SAP trainings. In 2017, the talents management activities with employees based on human resources strategies have been passed down. The reserve candidate managers for critical positions for the Company were identified.

- Conducting "Employee Opinion Surveys" and increasing employee satisfaction and commitment through action plans,
- Realizing volunteer projects in different fields,
- Running all processes in accordance with Pınar 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.

461
PEOPLE
2017 YEAR AVERAGE EMPLOYEE NUMBER

Sustainable Environment Understanding

Pınar Su maintains its leading position in the sector with many studies carried out with a sustainable environmental understanding in line with its priorities determined in five areas.

Pınar Su defines its priorities in sustainability and environment in five titles: "Energy and Climate Change", "Water Consumption and Waste Water", "Material Consumption and Waste", "Health and Safety" and "Social Contribution". The Company is making continuous improvements under all these titles.

AMOUNT OF RECYCLED PACKAGING WASTE IN 2017

KG	RECYCLING OF PACKAGING WASTE	
PACKAGE TYPE	**AMOUNT IN THE MARKET**	**COLLECTED AMOUNT**
PET	5,177,321	2,795,753
PE	1,711,343	924,125
CARDBOARD	1,048,818	566,362
GLASS	5,875,203	3,172,610

Pınar Su keeps working with ÇEVKO, an institution authorized in terms of collecting packaging waste.

At the same time, the Company has been working on the direction of the United Nations Global Compact (NGC) signed by Yaşar Holding in 2007.

Pınar Su, striving to leave a legacy of a healthier physical and social environment so that generations to come can enjoy a better life in a more liveable world, focuses on efficient and productive use of limited natural resources. The Company was engaged in various efforts to protect the environment, prevent pollution, make economical use of natural resources and properly dispose of wastes in 2017.

Packaging Weights Reduced

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.

Green icon and an indication which shows the decrease in pet bottle package materials in the last 2.5 years were put on "Pınar YaşamPınarım" (My Life Spring) branded products. With social media communication, Pınar Su aims to increasingly maintain environmental awareness and raise awareness of the consumers in this matter by providing information to them.

Our activities continue to integrate innovative approaches to all production processes which will enable to decrease the costs during shipment to end-users.

Pınar Su contributes to the goal of reducing the water footprint by providing efficient and productive use of process water through the systems that the technological infrastructure of the Uludağ Facility contain.

EFFECTIVE COOPERATION WITH ÇEVKO

Pınar Su aims to make the packaging of the products it sells reusable and recyclable. For this reason, 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.

As the next step, 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.

Towards 2020 Carbon Dioxide Emission Target

Trying to achieve Yaşar Holding's target to decrease the average carbon emission per unit ton production by 15% by 2020, Pınar Su continues to its improvement activities each year.

Pınar Su, which achieved a 21% reduction in carbon emissions in 2014, succeeded in reducing the carbon emission rate compared to the previous year in 2015 as well. The Company makes plans to gradually reduce this rate for future years with its projects to increase energy efficiency.

In 2016, it continued its actions aiming to reduce its carbon footprint with its projects in pet preform blowing process and lighting systems, which are the main energy consumption areas.

Strategies are being followed in 2017 and afterwards in order to reduce both existing infrastructure energy needs with the revisions made and to adopt suitable technologies focused on energy efficiency in investment decisions.

Corporate Social Responsibility

Performing social responsibility activities under the Pınar brand, the Company keeps supporting arts, education, sports and protection of cultural properties.

Traditionalizing its social responsibility projects for years, Yaşar Group performs its such projects covering Pınar Su, Pınar Süt and Pınar Et under the "Pınar" brand.

Pınar Su, acting with the principle of giving back what it receives from the society, carries out social responsibility projects in the fields of arts, education, sports and preservation of cultural assets and considers the continuous support provided as an important and indispensable tool of the principle of giving back to society.

PINAR CHILDREN'S THEATRE

Since its establishment in 1987, Pınar Children's Theatre has reached more than three million children across Turkey for free. It aims to foster a love of theatre among children and contribute to their cultural and personal development.

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

The story of the Pınar Children's Theatre, which was established in 1987 and reached to millions of children until today with 45 different plays, was rewritten in 2017 with the documentary entitled "Adı Çocuk Kendi Büyük Bir Tiyatro" (A Grand Theatre Named Children) from the eyes of Coşkun Aral.

In this documentary, there are interviews where actors like Vahide Perçin, Bülent İnal, Yıldırım Beyazıt, Necmi Yapıcı, Melek Şahin and Evrim Alasya relay the memories of Pınar Children's Theatre.

INTERNATIONAL PINAR CHILDREN PAINTING CONTEST WITH KEEN PARTICIPATION

For 36 years, Pınar has been organizing the International Pınar Children Painting Contest in order to increase the interest of children in the elementary school age on painting and fine arts. Theme of the competition which was held to raise the artists of future was determined as "Health and Sport" in 2017.

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

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

PINAR CHILDREN'S PAINTING WORKSHOP IN ITS 2ND YEAR

Pınar Children's Painting Workshop was held for the second time in 2017 with the aim of bringing children to art again. The workshop took place from 3 March to 16 April. The workshops were successively held in Şanlıurfa on 3-5 March, in Adana on 10-12 March, in Ankara on March 17-19, in İzmir on 24-26 March, in Samsun on March 31 and April 2, and in İstanbul between 7-9 April and 14-16 April. Within the scope of the project, a total of 6 stands were set in 6 cities in total.

236, 450, 246 and 499 paintings were prepared respectively in Şanlıurfa, Adana, Ankara and İzmir. In the workshop of Samsun, 439 and in the workshop of İstanbul 361 paintings were made and the number reached to 2,231 in total. In 2017, 16,900 children were reached with these workshops.

SUPPORT FOR SPORTS

Pınar sponsors the Karşıyaka Basketball Team with the sponsorship of Basketball National Teams. Also, with beverage supply and name sponsorship activities, it contributes greatly to the development of basketball in Turkey.

Within the importance it gives to sports, Pınar Su maintains its support with the title "Official Water Supplier of National Basketball Teams".

Pınar KSK

Pınar brand supprots as main sponsor the Karşıkaya (KSK) Basketball Team which is the basketball team of Karşıyaka Sports Club since 1998. This support for sports continues under the leadership of Group founder and Honorary Chairperson Selçuk Yaşar for 60 years.

Pınar Karşıyaka struggles in the 2017-2018 season with the aim of becoming the champion in Turkey and European leagues as the last 4 years under the captaincy of Aleksandar Trifunoviç. Pınar Karşıyaka Basketball Team, which has achieved great success by winning Basketball Super League, Presidential Cup and Turkish Cup, continues to represent Turkey successfully in Europe as well.

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

16,900
NUMBER OF CHILDREN PARTICIPATED IN PINAR ART WORKSHOP

45
PINAR CHILDREN'S THEATRE NUMBER OF PLAYS

Basketball Team and continues its activities to serve as an example for future generations.

SPONSORSHIPS

Beyond participating in many fairs and congresses each year for the development of sector, Pınar Su sponsors events organized in areas such as quality, food, R&D and marketing. In 2017, Pınar Su took part in many events.

Major Organizations Supported as Sponsors:
- 4th İzmir Occupational Health and Safety Summit
- 4th İzmir Employment Fair
- 14th Aegean Human Resources Management Summit
- Brand Turkey 2017
- İzmir Girls' High School Model United Nations Conference
- 18th Symposium for Excellence
- Karşıyaka Cycling Festival
- Sustainable Food Conference 2017
- Aegean Economic Forum
- 6th International İzmir Theatre Festival
- Sustainable Brand Conference
- Sustainable Food Conference

Participated Fairs:
- 86th İzmir International Fair
- Gourmet İzmir (Olivetech) Fair
- Gastro Entertainment

Awards and Certificates

Pınar brand, which operates under international standards in all its facilities and under the roof of Pınar Su, was deemed worthy of many esteemed prizes for different projects carried out in 2017.

Two Rewards from the Stevie Awards

Pioneer of firsts in Turkey, Pınar was granted award for its 2 projects on social responsibility from Stevie Awards to which more than 3,800 applications are made from more than 60 countries and which is one of the prestigious awards of business world. In 2017, "Pınar Children Painting Contest" and "Pınar Süt FSC Press Kit" projects were awarded the "Bronze Stevie" prize.

One of Leading Companies in "Corporate Social Responsibility"

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

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

To emphasize the importance of quality in tourism sector, Pınar was chosen as "Turkey`s Best Managed Food Production and Supply Company" in QM AWARDS 2017 Awards organized by GM Turizm ve Yönetim Dergisi (Tourism and Management Magazine) and which was the 8th this year. In the competition where selections were made in 45 different categories in 10 branches, winners were determined with QM voting where around 60 thousand tourism industry professional, employees, members and investors attended.

CERTIFICATES

TSE ISO EN 9000 - Quality Management System Certificate
TS ISO 10002 - Customer Satisfaction Management System Certificate
TSE ISO EN 14000 - Environmental Management System Certificate
TSE ISO EN 22000 - Food Safety Management System Certificate
TSE ISG OHSAS 18001 - Occupational Health and Safety Management System Certificate
NSF (National Sanitation Foundation) American 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

Milestones

Pioneer in the Packaged Water Indsutry

1984
- Pınar Su introduces consumers to Turkey's first packaged water under the "Pınar Şaşal" label.

1985
- PVC containers are used for the first time.
- Pınar Su exports goods to Germany for the first time.

1989
- Pınar Su single-handedly accounts for 90% of all of Turkey water exports.

1995
- Bottled water production capacity reaches 100,000 tons a year.

1996
- Pınar Su opens its second factory in Aydın Bozdoğan and introduces its "Pınar Madran" brand to consumers.

1997
- Pınar Su introduces the first PET bottles for its Pınar Madran line of water and is awarded a gold plaque by the Turkish Standards Institute.

1999
- Pınar Su receives ISO 9002 Quality Management System Certification.

2001
- Pınar Su receives TSE ISO 14001 Environmental Management System Certification.

2002
- Pınar 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 "Pınar Yaşam Pınarım" and the "Pınar Denge" labels respectively.
- Pınar Su is awarded TS ISO 9001:2000 Certification.

2005
- Pınar Su is awarded TS 13001 HACCP Food Safety System Certification.
- Pınar Madran plant located in Aydın Bozdoğan is expanded with additional investments made.

2007
- Pınar Madran is the first Turkish beverage brand to be certified with the NSF International Quality Certification.

2009
- Pınar Su is awarded TS ISO EN 9001:2008 Quality Management System Certification.

2010
- The Pınar Su Order Hotline at 444 99 00 launches its service and can be accessed from anywhere in Turkey.
- Pınar Su is awarded TS ISO EN 22000 Food Safety Management System Certification.

2011
- Bottle weights are reduced with the short-neck project.
- Glass container design is revamped.
- Akçaağaç replaces Toros as source of the Company's mineral water in Isparta.
- 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
- Pınar 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 liveried glass bottle packaging formats.
- The season-liveried 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.
- Pınar Su receives BRC (British Retail Consortium) Food Safety Certification.
- According to the results of the Turkish National Customer Satisfaction Index survey, Pınar Su ranked first place in the packaged water industry.

2015
- Pınar Su is the official water provider of the Turkish Basketball Federation and the National Basketball Teams.

2016
- Pınar Su launches 15L glass carboy.
- Uludağ source investment in Bursa / Inegöl is completed and put into operation.

2017
- Pınar Frii fruit flavored segment is added to mineral water category and the portfolio is expanded.
- Lemonade category is released to market.

CORPORATE GOVERNANCE PRACTICES AND FINANCIAL INFORMATION

BOARD OF DIRECTORS

Emine Feyhan Yaşar - Chairperson

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

İdil Yiğitbaşı - Vice Chairperson

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

Mustafa Selim Yaşar - Member

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

Ali Yiğit Tavas - Independent Member

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

BOARD OF DIRECTORS

Kemal Semerciler - Independent Member

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

Yılmaz Gökoğlu - Member

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

Cengiz Erol - Member

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

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

RISK MANAGEMENT, INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT

RISK MANAGEMENT

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

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

Risk Management Policy

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

Works of Early Detection of Risk Committee

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

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

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

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

Along the line;

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

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

- Results of the actions are followed up,

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

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

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

The internal control systems established at the Group companies are intended to ensure the efficiency and effectiveness of operations, reliability of the financial reporting system, compliance with legal regulations, and provide assurance in these aspects. In this respect, all control systems are established by the management as preventive/ detective and curative for the Company to carry out its operations effectively and productively.

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

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

LEGAL DISCLOSURES

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

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

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

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

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

The Company made total TL 104,540 grant to various institutions and corporations in 2017.

Disclosure on Lawsuits Filed Against the Company with a Potential Impact on the Company's Financial Standing and Activities and Possible Results
Disclosure on the matter is stated in footnote 16 of our financial statements issued for the period of 01.01.2017 - 31.12.2017.

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

Amendments of Articles of Association Made During the Year
The amendment of article 4 titled "Head Office and Branches of the Company" and article 6 titled "Registered Capital" of Company's articles of association was approved with the letter of Turkish Republic Prime Ministry Capital Markets Board dated 13.03.2017 and no: 29833736-100-E.3340, and preliminary permission letter of Turkish Republic Ministry of Customs and Trade, Internal Trade General Directorate dated 15.03.2017 and no: 50035491-431.02-E-00023399439, and it was accepted, certified unanimously upon submitting for approval of shareholders at the Ordinary General Assembly meeting for 2016 executed on 30.03.2017.

Financial Rights Provided to the Members of the Board of Directors and Senior Executives
Financial rights provided to Chairperson, Board Members and Senior Executives are determined under wages policy stated in our web site. In the twelve months period that ended on 31.12.2017, remuneration and similar payments made to the members of the Board of Directors and senior executives amounted to TL 1,981,069.

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

Disclosure About the Company's Shareholders' Equity
It is seen that existence of issued capital in amount of TL 44,762,708.45 was protected greatly with an equity level of TL 63,987,849 as of 31 December 2017.

AGENDA

AGENDA OF ORDINARY GENERAL ASSEMBLY FOR THE YEAR 2017 OF PINAR SU SANAYİ VE TİCARET A.Ş. HELD ON 30 MARCH 2018

1. Opening and Election of Meeting's Chairman,

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

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

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

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

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

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

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

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

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

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

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

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

14. Wishes and opinions.

STATEMENT OF INDEPENDENCE

28/03/2017

As a candidate for independent member for the Board of Director of PINAR SU SANAYİ VE TİCARET 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

28/03/2017

As a candidate for independent member for the Board of Director of PINAR SU SANAYİ VE TİCARET 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,

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

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

Best Regards,

Kemal SEMERCİLER

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 2017, 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 principles numbered 1.3.11 as their implementation is non-compulsory.

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

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

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

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

PART II - SHAREHOLDERS

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

Contact information for Investor Relations Department is presented below:
Head of the Investor Relations Department: Onur Öztürk (holds Corporate Management Rating License)
Investor Relations Department Officer: Didem Özeğrilmez
Phone: 0 232 495 00 00
Fax: 0 232 489 17 89
E-posta: 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 investors, and responded to more than 50 queries by phone or e-mail. Domestic and foreign analysts were contacted who continue their researches about our Company. The website and investor presentations have been updated regularly to make sure that up-to-date information is made available to the investors at all times. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests

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

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

2.3. General Assembly Meetings
Pursuant to "Article 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.

Within 2017, on March 30, 2017, 2016 ordinary general assembly meeting took place at Pınar Süt Plant located at Kemalpaşa Asfaltı No: 317 Pınarbaşı/İZMİR. At the 2016 ordinary general assembly meeting, 67.71% 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.

No media members attended the meeting. 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 shareholders whose addresses were on record with the Company were sent letters in which they were informed about the meeting date, location, and agenda. Prior to the general assembly meeting, the meeting date, place and agenda, the information that the Informational Document regarding the agenda is posted on the website, and the profit distribution proposal to be submitted by the Board of Directors to the general assembly were publicly disclosed in material event disclosures. The Informational Document drawn up for 2016 Ordinary General Assembly meeting covered detailed descriptions about each general meeting agenda item, as well as all the explanations, information and documents required by the legislation.

The Company's annual report and the informational document for the general assembly meeting were made available for shareholders' information at the Company headquarters and on its corporate website as of 21 days before the General Assembly Meeting date. To facilitate attendance to the Company's general assembly, shuttle buses were provided for transportation to the address of the General Assembly. During the general assembly meeting, issues on the agenda were explained impartially and in detail so as to be clear and intelligible. Shareholders were given equal opportunities to express their thoughts and to ask questions, and a healthy climate of debate was created.
Minutes of General Assembly meetings are kept available for shareholders at all times at the Company headquarters. In addition, the minutes of the Company's General Assembly meetings for the past 12 years are also accessible in the Investor Relations section of the Company website at www.pinar.com.tr.

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

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

2.4. Voting Rights and Minority Rights
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.

Due to the fact that the Company's 2016 operations resulted in loss, no profit will be distributed.

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

PART III - PUBLIC DISCLOSURES AND TRANSPARENCY

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

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

PART IV - STAKEHOLDERS

4.1. Informing Stakeholders
Stakeholders are kept informed about all matters concerning the Company other than those which are considered a trade secret

through CMB material disclosures within the framework of CMB regulations, Turkish Commercial Code, Competition Law, Tax Laws, and Turkish Code of Obligations.

Stakeholders are able to convey any transaction they consider to be illegitimate or unethical to the Corporate Governance Committee or the Audit Committee via Yaşar Group Ethics Committee. The Audit Committee reviews the complains received regarding the Company's accounting and internal control system and independent audit, and handles the notifications of Company employees in relation to the Company's accounting and independent audit, observing the confidentiality principle. Furthermore, the communication mechanism is established with the Corporate Governance Committee and the Audit Committee also via the processes that provide stakeholder participation in management as discussed under Article 4.2 herein below.

4.2. Stakeholders' Participation in the Company's Management

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 and consumers 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. Pınar Su facilitates the access of of customers anywhere in Turkey through its web site renewed in 2017 and a single and easy-to-remember Pınar Su Order Line (444 99 00) that can be dialed from all over the country.

To guarantee customer satisfaction, the feedbacks received through Pınar 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 and consumers, Pınar Su audits and grades its wide web of dealers via the quality departments within the Company over certification, legal obligations, storage, dispatching standards, and supports dealers with briefings and trainings when necessary. 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 of 2017.

Company's basic human resources policies are set forth clearly in the Company's Personnel Regulations, which are issued to all noncontract employees against their individual signature. In addition to basic policies, these regulations also contain information about working hours, hiring principles and processes, termination, and discipline. Job descriptions are devised for all of the Company employees. Performance and rewarding criteria for the white-collar employees are disclosed.

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

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

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, Pınar 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.

Pınar 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.

Pınar Children Painting Contest and Pınar Children's Theatre; sponsorship to Pınar Karşıyaka Basketball Team, official beverage sponsorship of Turkish Basketball Association and National Basketball Teams Pınar 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

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

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

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

5.2. Operating Principles of Activity of the Board of Directors
The operating principles of the Board of Directors are 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.

The details of the 2017 activities and operating principles of the Board of Directors are provided below:
During the reporting period, the Board of Directors convened 35 times. The Board of Directors shall convene upon a summons in the form of a written request made by its chairperson or by any director. Before a meeting, the meeting agenda is sent to the members and meeting invitation is made. Usually, all members attend the meetings. In 2017 operating period, all decisions were passed with the unanimous vote of the members present in the meeting. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights.

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

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

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

Corporate Governance Committee Chairperson is non-executive Independent Board Member Ali Yiğit Tavas, Committee Members are nonexecutive Board Members Yılmaz Gökoğlu, 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 in a report.

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

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

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

According to the Corporate Governance Principles, all members of the Audit Committee and 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.

STATEMENT OF RESPONSIBILITY

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

We declare that according to "Principles Notice Relating Financial Reporting in Capital Market" notice of Capital Market Board (CMB) with no II-14.1, statement of financial position, comprehensive income statement, cash flow statement and statement of changes in equity as well as activity report of board of directors along with the footnotes prepared in accordance with the formats stated by Turkish Accounting Standards/Turkish Financial Reporting Standards (TMS/TFRS) and CMB, prepared by our Company, subjected to independent supervision by PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. and accepted with the Decision of Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş. with date 01.03.2018 and no 2018/7, belonging to financial year of 01.01.2017 - 31.12.2017;

1. Have been examined by our party,

2. Do not contain any deficiency which may result in any misleading situation as of the date when an explanation against the truth in important matters are made within the information which we have within our area of duty and liability in our Company,

3. Within the framework of information we have on our duties and responsibilities in our Company, the financial statements prepared in accordance with the communiqué reflect the true information on active and passive assets, financial status, profit and loss of the enterprise and our activity report honestly reflects the development and performance of work and financial status of the enterprise, including the significant risks and uncertainties.

Best Regards,

PINAR SU SANAYİ VE TİCARET A.Ş.

Onur ÖZTÜRK	Hüseyin KARAMEHMETOĞLU	Kemal SEMERCİLER	Ali Yiğit TAVAS
Financial Affairs and Finance Director	General Manager	Audit Committee Member	Head of Audit Committee

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

To the General Assembly of Pınar Su Sanayi ve Ticaret A.Ş.

1. Opinion

We have audited the annual report of Pınar Su Sanayi ve Ticaret A.Ş. (the "Company") for the 1 January - 31 December 2017 period.

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

2. Basis for Opinion

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

3. Our Audit Opinion on the Full Set Financial Statements

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

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

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

a) to prepare the annual report within the first three months following the balance sheet date and present it to the general assembly;
b) to prepare the annual report to reflect the Company's operations in that year and the financial position in a true, complete, straightforward, fair and proper manner in all respects. In this report financial position is assessed in accordance with the financial statements. Also in the report, developments and possible risks which the Company may encounter are clearly indicated. The assessments of the Board of Directors in regards to these matters are also included in the report.
c) to include the matters below in the annual report:

- events of particular importance that occurred in the Company after the operating year,
- the Company's research and development activities,
- financial benefits such as salaries, bonuses, premiums and allowances, travel, accommodation and representation expenses, benefits in cash and in kind, insurance and similar guarantees paid to members of the Board of Directors and senior management.

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

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

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

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

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

Mehmet Karakurt, SMMM
Partner

İstanbul, 1 March 2018

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

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Pınar Su Sanayi ve Ticaret A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Pınar Su Sanayi ve Ticaret A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2017 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Turkish Accounting Standards ("TAS").

2. Basis for Opinion

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

3. Key Audit Matters

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

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Key audit matters	How our audit addressed the key audit matters
Fair value measurements of land, land improvements, buildings and machinery and equipment **(Refer to the Notes 2 and 11)**	
In accordance with TAS 16, "Property, Plant and Equipment", land and land improvements, buildings and machinery and equipment are carried at fair value on the financial statements. The revaluation gain on property, plant and equipment amounting to TL25.984.887 before tax, was appraised by independent professional valuers at 31 December 2017. The related revaluation gains accounted in the statement of financial position as other comprehensive income under revaluation fund of equity after the deferred tax impact deducted. This was a key audit matter since the total amount of land, land improvements, buildings and machinery and equipment as of 31 December 2017 represents a significant share of the total assets of the Company, and these valuations include estimations and assumptions that are sensitive to the location and zoning status, benchmark prices per m2, and the construction costs per m2.	The following audit procedures were addressed in our audit work on the fair value measurement of land, land improvements, buildings and machinery and equipment: • We assessed the competency, capability and objectivity of the independent professional valuers who were appointed by Company management, in accordance with relevant audit standards. • We checked and confirmed completeness, and reconciled the input data on a sample basis, in terms of m2, location and zoning status of the properties used by the independent professional valuers with the Company's records. • In accordance with the provisions of "SIA 620: Use of Work of Expert", we involved our expert to evaluate the assumptions and methods used by Company management on a sample basis, as an addition to the evaluations performed by the independent professional valuers who were appointed by Company management. • We evaluated the compliance of the disclosures on the fair value determination of land and land improvements, buildings machinery and equipment in the financial statements in accordance with the relevant accounting standards.

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Key audit matters	How our audit addressed the key audit matters
Change in Accounting Policy (Refer to the Note 2):	
The Company changed the accounting policy of returnable polycarbon and glass demijohns and their baskets retrospectively in accordance with TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". Consequently, prior years' financial statements were restated (Note 2). This was a key audit matter since the related accounting policy change has a material effect on the Company's financial statements and due to assumptions and judgements used by the Company Management.	The following audit procedures were addressed in our audit work on the accounting policy change on returnable demijohns and their baskets: • Testing the unit price of deposits received for returnable demijohns by reviewing the contracts between the Company and its dealers and testing the mathematical accuracy of the calculation of total deposit liabilities on a sample basis, • Compare the quantity movements of returnable demijohns and their baskets in respective reporting periods, used in the calculations, with the movements of returnable demijohns, and their baskets in the property plant and equipment register; test of purchase price, residual value and transportation information with invoice, goods dispatch notes and other supporting documents • Compare the purchased and disposed quantities of returnable demijohns and their baskets during their life cycle, with the useful lives of these assets. Assess the useful lives determined by the Company management by comparing regulated useful lives of demijohns and depreciation calculations on a sample basis. • Evaluation of the compliance of the disclosures on change in accounting policy in accordance with TAS 8.

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Key audit matters	How our audit addressed the key audit matters
Recoverability of trade receivables (Refer to the Note 7): Trade receivables amounting to TL24.428.712 from non-related parties as of 31 December 2017 are material to the financial statements. The Company management takes into account the guarantees received from its customers, past collection performance, maturity analysis and disputes or claims related to receivables when evaluating recoverability. The determination of doubtful receivables together with the respective provisions includes Company management's estimations and assumptions. For these reasons, the recoverability of trade receivables was determined to be a key audit matter.	The following audit procedures were addressed in our audit work on the recoverability of trade receivables: • The Company's credit risk management policy, including credit limit and collection management, were reviewed and assessed. • Trade receivables from non-related parties were tested on a sample basis by sending confirmation letters. • The aging of trade receivable balances from non-related parties were analysed. • The subsequent collections were tested on a sample basis. • The guarantee letters received from customers were tested on a sample basis. • Investigations were made to determine whether there were any disputes or lawsuits regarding the collectability of trade receivables from non-related parties, and evaluations of the ongoing lawsuits were obtained from the Company's legal counsellors. • Based on the meetings held with Company management, the reasonableness of Company management's assumptions and judgements underlying the calculations of impairment of trade receivables were assessed. • The compliance of the disclosures of recoverability of trade receivables from non-related parties in the financial statements with the relevant accounting standards was evaluated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2017 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

2. In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 1 March 2018.

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

Mehmet Karakurt, SMMM
Partner

İstanbul, 1 March 2018

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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PINAR SU SANAYİ VE TİCARET A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)
AT 31 DECEMBER 2017, 2016 AND 2015

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

	Notes	31 December2017	*Restated (*)* 31 December 2016	*Restated (*)* 31 December 2015
ASSETS				
Current Assets				
Cash and Cash Equivalents	5	1.616.562	3.275.795	2.015.677
Trade Receivables		28.136.518	21.468.868	18.418.150
- Due From Related Parties	6	3.707.806	2.959.482	1.970.866
- Other Trade Receivables	7	24.428.712	18.509.386	16.447.284
Other Receivables		1.824.808	1.640.826	6.419.466
- Due From Related Parties	6	14.358	45.950	5.741.057
- Other receivables	8	1.810.450	1.594.876	678.409
Inventories	9	10.093.728	10.990.842	8.177.273
Prepaid Expenses		1.503.414	752.513	739.002
- Prepaid Expenses From Third Parties	10	1.503.414	752.513	739.002
Other Current Assets		13.832.162	11.648.436	6.847.809
- Other Current Assets From Third Parties	19	13.832.162	11.648.436	6.847.809
TOTAL CURRENT ASSETS		**57.007.192**	**49.777.280**	**42.617.377**
Non-Current Assets				
Financial Assets	32	4.047.190	3.695.854	3.986.348
- Available-for-sale Financial Assets		4.047.190	3.695.854	3.986.348
Other Receivables		1.800	1.800	1.800
- Other Receivables	8	1.800	1.800	1.800
Property, Plant and Equipment	11	181.010.588	150.541.000	101.974.547
- Lands		12.425.000	8.119.570	8.097.520
- Land Improvements		9.840.500	11.680.129	2.907.172
- Buildings		47.769.500	41.118.704	24.052.600
- Machinery and Equipments		92.126.628	71.351.267	44.045.175
- Vehicles		69.635	113.505	124.534
- Furniture and Fixtures		18.614.325	17.173.643	15.137.253
- Construction in Progress		165.000	984.182	7.610.293
Intangible Assets	12	2.935.668	1.949.167	249.993
- Computer Programmes		2.935.668	1.949.167	249.993
Prepaid Expenses		-	56.550	4.123.607
- Prepaid Expenses From Third Parties	10	-	56.550	4.123.607
Deferred Tax Assets	28	1.959.521	6.546.240	-
TOTAL NON - CURRENT ASSETS		**189.954.767**	**162.790.611**	**110.336.295**
TOTAL ASSETS		**246.961.959**	**212.567.891**	**152.953.672**

The financial statements at 1 January - 31 December 2017 and for the year then ended have been approved for issue by Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş. on 1 March 2018. The General Assembly and certain regulatory bodies have the authority to make amendments after the publication of statutory financial statements.

(*) See Note 2.2.2.1

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS) AT 31 DECEMBER 2017, 2016 AND 2015

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

	Notes	31 December2017	*Restated (*)* 31 December 2016	*Restated (*)* 31 December 2015
LIABILITIES				
Current Liabilities				
Short Term Borrowings		20.043.521	2.011.090	4.521.185
- Short Term Borrowings to Non-Related Parties	15	20.043.521	2.011.090	4.521.185
- Bank Loans		20.043.521	2.011.090	4.521.185
Short-Term Portion of Long-Term Borrowings		25.606.934	14.905.940	6.389.020
- Short-Term Portion of Long-Term Borrowings	15	25.606.934	14.905.940	6.389.020
- Bank Loans		25.606.934	14.905.940	6.389.020
Trade Payables		44.014.871	42.156.711	48.348.720
- Due to Related Parties	6	1.409.561	1.012.847	887.631
- Other Payables to Non-Related Parties	7	42.605.310	41.143.864	47.461.089
Payables for Employee Benefits	17	785.863	270.800	370.286
Other Payables		11.333.891	8.070.228	6.866.516
- Due to Related Parties	6	2.657.575	254.787	-
- Other Payables to Non-Related Parties	8	8.676.316	7.815.441	6.866.516
Deferred Income		1.042.091	1.028.420	1.111.322
- Deferred Income from Third Parties	10	1.042.091	1.028.420	1.111.322
Short-Term Provisions		1.252.959	1.310.942	1.201.587
Provisions for Employee Benefits	17	327.859	286.775	269.545
- Other Short-Term Provisions	16	925.100	1.024.167	932.042
TOTAL CURRENT LIABILITIES		**104.080.130**	**69.754.131**	**68.808.636**
Non - Current Liabilities				
Long-Term Borrowings		67.665.751	65.599.377	27.520.054
- Long-Term Borrowings to Non-Related Parties	15	67.665.751	65.599.377	27.520.054
- Bank Loans		67.665.751	65.599.377	27.520.054
Trade Payables		9.030.741	11.257.053	2.234.318
- Other Trade Payables	7	9.030.741	11.257.053	2.234.318
Long-Term Provisions		2.197.488	2.372.637	2.062.644
- Provisions for Employee Termination Benefits	17	2.197.488	2.372.637	2.062.644
Deferred Tax Liabilities	28	-	-	921.328
TOTAL NON - CURRENT LIABILITIES		**78.893.980**	**79.229.067**	**32.738.344**
TOTAL LIABILITIES		**182.974.110**	**148.983.198**	**101.546.980**
EQUITY				
Equity Attributable to Owners of Parent		**63.987.849**	**63.584.693**	**51.406.692**
Share Capital	20	44.762.708	44.762.708	12.789.345
Adjustment to Share Capital	20	11.713.515	11.713.515	11.713.515
Share Premiums		88.239	88.239	-
Other accumulated comprehensive income / (loss) that will not be reclassified to profit or loss		40.482.677	22.222.204	23.981.913
- Gains on Revaluation and Remeasurement		40.482.677	22.222.204	23.981.913
- Revaluation of Property, Plant and Equipment	11	42.377.009	23.272.463	24.966.056
- Actuarial loss arising from Defined Benefit Plans		(1.894.332)	(1.050.259)	(984.143)
Other accumulated comprehensive income (loss) that will be reclassified to profit or loss		1.075.488	868.595	1.100.990
- Gains on Remeasuring and/or Reclassification	32	1.075.488	868.595	1.100.990
- Gains on remeasuring and/or reclassification of Available-for-sale financial assets		1.075.488	868.595	1.100.990
Restricted Reserves	20	4.180.008	4.180.008	4.180.008
- Legal Reserves		4.180.008	4.180.008	4.180.008
Retained Losses		(18.598.912)	(766.366)	(2.359.079)
Loss for the Year		(19.715.874)	(19.484.210)	-
TOTAL EQUITY		**63.987.849**	**63.584.693**	**51.406.692**
TOTAL LIABILITIES AND EQUITY		**246.961.959**	**212.567.891**	**152.953.672**

(*) See Note 2.2.2.1

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2017 AND 2016

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

	Notes	1 January - 31 December 2017	Restated (*) 1 January - 31 December 2016
PROFIT (LOSS)			
Revenue	21	198.291.944	162.495.808
Cost of Sales (-)	21	(111.128.901)	(95.224.754)
GROSS PROFIT		**87.163.043**	**67.271.054**
General Administrative Expenses (-)	22	(20.789.733)	(18.963.980)
Marketing Expenses (-)	22	(67.472.185)	(65.903.323)
Other Operating Income	23	2.419.143	1.857.101
Other Operating Expenses (-)	23	(3.226.976)	(2.581.739)
OPERATING LOSS		**(1.906.708)**	**(18.320.887)**
Income from Investment Activities	24	548.023	416.211
Expense from Investment Activities (-)	24	(339.367)	(909.780)
OPERATING LOSS BEFORE FINANCIAL EXPENSE		**(1.698.052)**	**(18.814.456)**
Financial Income	26	516.407	1.863.184
Financial Expenses (-)	26	(18.765.325)	(9.900.658)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**(19.946.970)**	**(26.851.930)**
Tax Income of Continuing Operations		231.096	7.367.720
- Deferred Tax Income	28	231.096	7.367.720
LOSS FROM CONTINUING OPERATIONS		**(19.715.874)**	**(19.484.210)**
LOSS FOR THE PERIOD		**(19.715.874)**	**(19.484.210)**
Loss per Share			
- Loss Per 1 KR Number of 100 Shares From Continuing Operations	29	(0,4405)	(0,6730)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/ expense not to be reclassified to profit or loss		**19.912.137**	**(166.996)**
- Losses on remeasurements of defined benefit plans		(1.055.091)	(82.645)
- Gains on revaluation of property, plant and equipment		25.994.294	(126.100)
- Effect of change in tax rate		(289.768)	-
- Taxes for Other Comprehensive Income/ Expense not to be Reclassified to Profit or Loss		(4.737.298)	41.749
- Gains/ (losses) on revaluation of property, plant and equipment, Tax effect		(4.948.316)	25.220
- Losses on remeasurements of defined benefit plans, Tax effect		211.018	16.529
Other Comprehensive Income/ Expense to be Reclassified to Profit or Loss		**206.893**	**(232.395)**
- Losses on remeasuring and/or reclassification on available-for-sale financial assets	32	(2.358)	(290.494)
- Losses on remeasuring and/or reclassification on available-for-sale financial assets		(2.358)	(290.494)
- Taxes for Other Comprehensive Income/ Expense to be Reclassified to Profit or Loss	32	209.251	58.099
- Losses on revaluation and/or reclassification of vailable-for-sale financial assets, Tax effect		209.251	58.099
OTHER COMPREHENSIVE (LOSS)/ INCOME		**20.119.030**	**(399.391)**
TOTAL COMPREHENSIVE LOSS		**403.156**	**(19.883.601)**

(*) See Note 2.2.2.1

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AT 31 DECEMBER 2017 AND 2016

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

	Notes	1 January- 31 December 2017	Restated (*) 1 January - 31 December 2016
CASH FLOWS FROM OPERATING ACTIVITIES		**(1.637.594)**	**(18.255.093)**
Profit (Loss) for the year		(19.715.874)	(19.484.210)
- Profit (Loss) from Continuing Operations		(19.715.874)	(19.484.210)
Adjustments Related to Reconciliation of Net Profit/ Loss for The Year:		**31.174.593**	**12.475.096**
Adjustments for depreciation and amortisation expense	11,12	13.952.387	10.880.345
Adjustments for Impairment loss		719.479	438.491
- Adjustments for Impairement loss of receivables	7	710.072	311.988
- Adjustments for Impairement on fixed assets	11	9.407	126.503
Adjustments for provisions		393.049	1.740.570
- Adjustments for provisions related with employee benefits		492.116	624.278
- Adjustments for (Reversal of) other provisions	16	(99.067)	1.116.292
Adjustment for dividend income		(285.800)	-
Adjustments for interest expense and interest gain		13.681.833	4.665.639
- Adjustments for interest income	23,24,26	(505.912)	(602.816)
- Adjustments for interest expense	26	14.187.745	5.268.455
Adjustments for unrealized foreign currency translation differences		2.791.677	1.468.340
Adjustments for tax income	28	(231.096)	(7.367.720)
Adjustments for losses arised from sale of fixed assets	24	153.064	649.431
Adjustments for losses arised from sale of tangible assets		153.064	649.431
Changes in working capital		**(11.373.957)**	**(10.849.054)**
Adjustments related to (increase)/ decrease in trade receivables		(7.057.396)	(3.052.200)
- Increase in trade receivables from related parties		(427.998)	(744.210)
- Increase in trade receivables from non-related parties		(6.629.398)	(2.307.990)
Adjustments for increase in other receivables with operations		(2.367.708)	(5.656.169)
Decrease in other related party receivables related with operations		31.592	-
Increase in other non-related party receivables related with operations		(2.399.300)	(5.656.169)
Adjustments for decrease/ (increase) in inventories		897.114	(2.813.569)
Adjustments for (decrease)/ increase in trade payable		(3.582.309)	987.725
- Increase in trade payables to related parties		374.801	110.737
- (Decrease)/ increase in trade payables to non-related Parties		(3.957.110)	876.988
Increase in prepaid expenses		(694.351)	(74.436)
Increase/ (decrease) in payables related to employee benefits		515.063	(99.486)
Adjustments for increase in other operating payables		860.875	948.925
Increase in other operating payables to non-related parties		860.875	948.925
Increase/ (decrease) in deferred income		13.671	(1.107.074)
Adjustments for Other Increase in Working Capital		41.084	17.230
Increase in Other Payables Related with Operations		41.084	17.230
Cash Flows from Operating Activities		**84.762**	**(17.858.168)**
Payments related with provisions for employee benefits		(1.722.356)	(396.925)
CASH FLOWS FROM INVESTING ACTIVITIES		**(19.138.635)**	**(48.383.034)**
Cash outflows from subsidiaries and/or joint ventures shares acquired or capital increase		(353.694)	-
Cash inflows from sales of fixed assets		1.116.163	2.615.503
- Cash inflows from sales of tangible assets		1.116.163	2.615.503
Cash outflows due to purchase of fixed assets		(20.692.816)	(61.363.512)
- Cash outflows due to purchase of tangible assets		(19.587.175)	(59.573.159)
- Cash outflows due to purchase of intangible assets	12	(1.105.641)	(1.790.353)
Paybacks from cash advances and loans		-	9.762.159
- Paybacks from cash advances and loans made to related parties		-	5.695.107
-Decrease in non-trade receivables from related parties		-	4.067.052
Interest received	23,24,26	505.912	602.816
Dividend received		285.800	-
CASH FLOWS FROM FINANCING ACTIVITIES		**19.116.996**	**67.898.245**
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		55.600.704	52.868.240
- Cash inflows from loans		55.600.704	52.868.240
Cash outflows from financial liabilities		(24.535.467)	(10.744.126)
- Paybacks of borrowings		(24.535.467)	(10.744.126)
Increase in non-trade payables due to related parties		2.402.788	254.787
Interest paid		(14.351.029)	(6.542.258)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES		**(1.659.233)**	**1.260.118**
Net (Decrease)/ Increase in Cash and Cash Equivalents		**(1.659.233)**	**1.260.118**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**3.275.795**	**2.015.677**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**5**	**1.616.562**	**3.275.795**

(*) See Note 2.2.2.1

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2017, 2016 AND 2015

(Amount 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 Issue Premiums (Discounts)	Gains (Losses) on Revaluation of Property Plant and Equipments	Gains (Losses) on Remeasurements of Defined Benefit Plans
1 January - 31 December 2016					
Balances at beginning – (Before restatement)	**12.789.345**	**11.713.515**	**-**	**24.966.056**	**(984.143)**
Adjustment effect (Note 2.2.2.1)	-	-	-	-	-
Balances at beginning (Revised)	**12.789.345**	**11.713.515**	**-**	**24.966.056**	**(984.143)**
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 20)	31.973.363	-	88.239	-	-
Balances at closing	**44.762.708**	**11.713.515**	**88.239**	**23.272.463**	**(1.050.259)**
1 January - 31 December 2017					
Balances at beginning – (Before restatement)	**44.762.708**	**11.713.515**	**88.239**	**23.272.463**	**(1.050.259)**
Adjustment effect (Note 2.2.2.1)	-	-	-	-	-
Balances at beginning (restatemented)	**44.762.708**	**11.713.515**	**88.239**	**23.272.463**	**(1.050.259)**
Transfers	-	-	-	(1.651.664)	-
Total comprehensive income	-	-	-	20.756.210	(844.073)
- Loss for the year	-	-	-	-	-
- Other comprehensive income	-	-	-	20.756.210	(844.073)
Balances at closing	**44.762.708**	**11.713.515**	**88.239**	**42.377.009**	**(1.894.332)**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2017, 2016 AND 2015

(Amount 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 Adjustment of Available for Sale Financial Assets	**Restricted Reserves**	**Retained Earnings**	**Loss for the Period**	**Total Equity**
1.100.990	**4.180.008**	**(20.757)**	**-**	**53.745.014**
-	-	(2.338.322)	-	(2.338.322)
1.100.990	**4.180.008**	**(2.359.079)**	**-**	**51.406.692**
-	-	1.592.713	-	-
(232.395)	-	-	(19.484.210)	(19.883.601)
-	-	-	(19.484.210)	(19.484.210)
(232.395)	-	-	-	(399.391)
-	-	-	-	32.061.602
868.595	**4.180.008**	**(766.366)**	**(19.484.210)**	**63.584.693**
868.595	**4.180.008**	**1.571.956**	**(21.421.595)**	**63.985.630**
-	-	(2.338.322)	1.937.385	(400.937)
868.595	**4.180.008**	**(766.366)**	**(19.484.210)**	**63.584.693**
-	-	(17.832.546)	19.484.210	-
206.893	-	-	(19.715.874)	403.156
-	-	-	(19.715.874)	(19.715.874)
206.893	-	-	-	20.119.030
1.075.488	**4.180.008**	**(18.598.912)**	**(19.715.874)**	**63.987.849**

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Pınar 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 Izmir.

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 6).

The Company's 32,31% (31 December 2016: 32,31%) of shares are quoted on the "Borsa Istanbul" ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş ("Yaşar Holding") with 58.00% of shares of the Company (2016: 58,00%) (Note 20).

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

Şehit Fethibey Caddesi No: 120
Alsancak/İzmir

The average number of personnel employed during the period at the Company is 461 (2016: 502).

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 ("TFRSI").

The financial statements have been presented in accordance with the "Announcement on TAS Taxonomy" issued by the CMB on 2 June 2016 and the formats specified in the financial statement examples and usage guidelines issued by CMB.

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 interms of Turkish Lira ("TL") which is the functional currency of the Company.

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 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

2.2.1 Amendments in Turkish Financial Reporting Standards

a) Standards, Amendments and TFRSIs applicable to 31 December 2017 year ends:

- 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 clarify certain other aspects of accounting for deferred tax assets.

- Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2017

    • 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. This amendment clarifies that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarized financial information.

b) New standards, amendments and interpretations issued and effective as of 31 December 2017 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

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

- 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. The impact of this standard change on the Company's financial statements continued to be evaluated by the Company Management.

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

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

- Amendment to IAS 40, 'Investment property' relating to transfers of investment property; effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence. The change will not effect the Company's financial statementes.

- Annual improvements 2014-2016; effective from annual periods beginning on or after 1 January 2018.

    - 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,

    - IAS 28, 'Investments in associates and joint venture' regarding measuring an associate or joint venture at fair value.

- TFRSI 22, 'Foreign currency transactions and advance consideration'; effective from annual periods beginning on or after 1 January 2018. This TFRSI addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice. The change will not effect the Company's financial statementes.

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

The new standards, interpretations and amendments in the current TFRS are published by the IASB but not yet effective for the period in which they are presented. However, these new standards, interpretations and amendments have not yet been adapted to the TFRS by the POAASA and therefore do not form part of TFRS. The company will make the necessary changes in its financial statements and footnotes after the adoption of these standards and Interpretations in TFRS.

- Amendment to IFRS 9, 'Financial instruments'; effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39. The change will not effect the Company's financial statementes.

- Amendment to IAS 28, 'Investments in associates and joint venture'; effective from annual periods beginning on or after 1 January 2019. These amendments clarify that companies account for long-term interests in associate or joint venture to which the equity method is not applied using IFRS 9.

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

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

- TFRSI 23, 'Uncertainty over income tax treatments'; effective from annual periods beginning on or after 1 January 2019. This TFRSI clarifies how the recognition and measurement requirements of IAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The IFRS IC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. TFRSI 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. TFRSI 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

  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. The standards and amendments published but not yet effective and not relevant to the Company's activities as of 31 December 2017 are not given above.

2.2.2 Comparative information

The Company's financial statements are prepared comperatively 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. Comperative financial information are reclassified and significant differences are explained when necessary in order to be in line with the current presentation of financial statements.

2.2.2.1 Correction of prior year financial statements

The Company assessed the accounting policies applied in the current period in order to evaluate the presentation of the financial statements with respect to the polycarbon and glass demijohns and their baskets, which were accounted in inventory in the prior periods and accounted revenue and cost of sales when the goods transferred to retailers.

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLYISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

2.2.2.1 Correction of prior year financial statements (Continued)

The Company accounted its polycarbon and glass demijohns with their baskets on inventory line item of financial in prior periods. Accordingly, in accordance with TAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", polycarbon and glass demijohns with their baskets reclassified as tangible assets in accordance with TAS 16, "Property, Plant and Equipment" and corrected the financial statements retrospectively. Additionally, cost of polycarbon and glass demijohns with their baskets accounted in cost of sales in the previous periods is restated and accounted in amortization costs. Revenue from polycarbon and glass demijohns with their baskets sales accounted in sales in the previous periods is restated and accounted as deposit liabilities in short-term other liabilities.

The effects of this correction on the net loss for the years ended 31 December 2016 and 2015, together with the previous years profit/ (loss) in the financial statements for the years ended 31 December 2016 and 2015 are as follows:

	2016	**2015 (*)**
Accumulated losses and net loss for the period		
Previously reported	**(19.849.639)**	**(20.757)**
Decrease in inventories	(1.353.826)	(2.173.869)
Increase in property, plant and equipment	8.009.363	5.553.957
Increase in non-related party other payables	(7.056.474)	(5.718.410)
Effect of correction of returnable demijohn and baskets	(400.937)	(2.338.322)
Accumulated losses and net loss for the period		
Restated	**(20.250.576)**	**(2.359.079)**

(*) The effect of related accounting policy change detected in the opening balances of comperative financial statements and accounted in the scope of TAS 8 in the income statements for the year ending as of 31 December 2015.

The effect of the adjustment on the net loss for the year ended 31 December 2016 is as follows:

1 January - 31 December 2016 - previously reported	**(21.421.595)**
Decrease in revenue	(1.461.418)
Increase in cost of sales	3.312.060
Increase in other income from main operations	86.743
1 January - 31 December 2016 - restated	**(19.484.210)**

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

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

2.2.2.1 Correction of prior year financial statements (Continued)

The effects of this related adjustment on the cash flow statements are as follows:

	2016
Net profit/ (loss) for the period 1 January - 31 December 2016 - previously reported	**(21.421.595)**
Profit from continuing operations	1.937.385
Effect of correction of returnable demijohn and baskets	1.937.385
Net profit/ (loss) for the period 1 January - 31 December 2016 - restated	**(19.484.210)**

	2016
Correction Related to Reconciliation of Net Loss for the year 1 January - 31 December 2016 - Previously reported	**10.938.463**
Correction for depreciation and amortisation expense	1.536.633
Effect of correction of returnable demijohn and baskets	1.536.633
Correction Related to Reconciliation of Net Loss for the year 1 January - 31 December 2016 - restated	**12.475.096**

	2016
Changes in working capital 1 January - 31 December 2016 - Previously reported	**(11.367.075)**
Correction for increase in inventories	(820.043)
Correction for increase in other operating payables	1.338.064
Effect of correction of returnable demijohn and baskets	518.021
Changes in working capital 1 January - 31 December 2016 - restated	**(10.849.054)**

	2016
Cash flows from investing activities 1 January - 31 December 2016 - Previously reported	**(44.390.995)**
Cash inflows from sales of tangible assets	1.951.628
Cash outflows due to purchase of tangible assets	(5.943.667)
Effect of correction of returnable demijohn and baskets	(3.992.039)
Cash flows from investing activities 1 January - 31 December 2016 - restated	**(48.383.034)**

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

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.Transactions in which the Company holds performance obligations and in which the ownership of the product is not transferred to the buyer is not considered revenue. Net sales represent the invoiced value of goods shipped less sales returns, sales discounts and commissions given (Note 21). As of balance sheet date, expenses not invoiced yet are estimated and accrued.

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 Inventories

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

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. . Cost elements included in inventories comprise all costs of cost of spring water agreements and it's cost of rent agreements, purchase of material and other costs incurred in bringing the inventories to their present location and condition such as labor and appropriate amount of factory overheads (based on normal operating capacities). The cost of inventories is determined on the monhtly weighted average basis (Note 9).

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

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

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 2017 (Note 11). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset and the net amount is restated to the revalued amount of the asset.

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. (Note11).

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

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 11). Land is not depreciated as it is deemed to have an indefinite life. The annual depreciation rates for property, plant and equipment, which are based on the approximate useful lives of such assets, are as follows:

	Years
Buildings and land improvements	25 - 45
Machinery and equipment (including leased machinery and equipment)	5 - 25
Motor vehicles	5
Furniture and fixtures	5 - 10
Demijohn and basket	3 - 4

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

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

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

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. 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 amortised on a straight-line basis over their estimated useful lives for a period of six years from the date of acquisition (Note 12). Costs associated with maintaining computer software programs are recognized as an expense when incurred. Gain or losses on disposals or on impairments of intangible assets with respect to their amounts are included in the related income and expense accounts.

Residual values of intangible assets are deemed as negligible. Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

2.3.5 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:

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

- Significant financial difficulty of the issuer or obligor,

- A breach of contract, such as a default or delinquency in interest or principal payments,

- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,

- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation,

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

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

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 masured annually. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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 26). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 15).

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.

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 29). 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.

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

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.

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.

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

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. (Note 2.2.2.1).

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 6).

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 28). The adjustments related to prior period tax liabilities are recognised in other operating income and expenses.

Many related transactions and calculations that are not finalized with final tax amounts are made during the normal workflow, and such cases require the use of significant considerations in determining the provision for income tax).The Company records the tax liabilities incurred by the supplementary tax that are estimated to be paid as a result of taxable events.

Deferred income tax income or expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In case, when the tax is related to items recognized directly in equity and other comprehensive income, the tax is also recognized in equity and other comprehensive income.

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

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled as of the balance sheet date.

Deferred income tax 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. In this framework, the Company has not recorded any portion of the financial losses that it could benefit from in the future due to the fact that future use of these assets is not probable. On the other hand, the Company has reflected the deferred tax assets resulting from the investment incentive certificate as of 31 December 2017 in the financial statements as it is highly probable that the future taxable profits will be utilized. Where the ultimate tax consequences arising from these matters differ from the amounts initially recorded, these differences could affect income tax provision and deferred tax liabilities in the periods in which they are set (Note 28).

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.

2.3.18 Received deposits amounts for demijohn and basket

The Company collects the sales amount of demijohn and basket which is delivered to its distributors.These materials is refundable from the distributors in accordance with the terms of the distribution agreement signed between the Company and its distributors. The Company classifies these amounts under other short-term liabilities after the overview of the financial statements (Note 8).

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

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 32).

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;

- 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^2 sale value was determined for lands subject to the valuation. The similar pieces of land found were compared in terms of location, accessibility, size, settlement status, changes in settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.

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

- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. 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. ***Provision for demijohns and baskets***

The Company uses certain estimates and assumptions in the calculation of deposit obligations related to demijohn and baskets in accordance with its past experience and data.

The extent of the data and analyzes used are; the useful life of polycarbone demijohns defined in related regulations, number of units polycarbone and glass demijohns on the market, past statistical data related to amortization rates, turnover rates, unit deposit prices, residual value of policarbone demijohns.

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.

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

NOTE 3 - INTERESTS IN OTHER ENTITIES

See Note 32.

NOTE 4 - SEGMENT REPORTING

See 2.3.14.

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2017	31 December 2016
Cash in hand	6.094	22.723
Banks	199.668	1.277.565
- Demand deposits	199.668	157.565
- Turkish Lira	199.668	157.565
- Time deposits	-	1.120.000
- Turkish Lira	-	1.120.000
Other	1.410.800	1.975.507
	1.616.562	**3.275.795**

As of 31 December 2017, the Company has no time deposits (2016: time deposits within one month and the weighted average interest rate of % 10,5 p.a.). Other cash and cash equivalents includes the credit cards slips with an average term of 30 days (2016: 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 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2017 and 2016 are as follow:

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

a) Trade receivables from related parties:

	31 December 2017	31 December 2016
Yaşar Dış Ticaret A.Ş. ("YDT")	3.060.943	2.722.981
Çamlı Yem Besicilik San. ve Tic. A.Ş.	337.996	118.371
DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("DYO Boya")	16.422	101.735
Other	292.445	16.395
	3.707.806	**2.959.482**

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

NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

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 2017, due from related parties amounting to TL2.126.628 TL (2016: TL1.886.379) were overdue for a period of 3 months (2016: 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.

b) Other receivables from related parties:

	31 December 2017	31 December 2016
Viking Kağıt	14.358	35.527
Other	-	10.423
	14.358	**45.950**

As of 31 December 2017, other receivables from related parties consist of financial expenses and commisions related with the borrowings obtained from international capital markets and financial institutions with the guarantee of the Group (Note 26) and mature within 3-12 months (2016: 3 - 12 months).

c) Trade payables to related parties:

Yaşar Holding	977.739	757.156
Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP")	125.923	153.491
Desa Enerji	94.009	-
Other	211.890	102.200
	1.409.561	**1.012.847**

The effective weighted average interest rate applied to due to related parties is 13,72% p.a. as of 31 December 2017 (2016: 9,10%) due to related parties mature mainly within 2 month (2016: 1 month).

d) Other payables to related parties:

Yaşar Holding	2.509.640	83.583
YBP	143.899	167.167
Other	4.036	4.037
	2.657.575	**254.787**

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

DİPNOT 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

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

a) Product sales:

	1 January - 31 December 2017	1 January - 31 December 2016
YDT	17.710.073	13.749.851
Other	1.416.526	1.175.737
	19.126.599	**14.925.588**

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

b) Service sales:

YDT	264.385	190.916
Desa	259.288	217.028
Viking Kağıt ve Selüloz A.Ş. ("Viking Kağıt")	60.998	53.452
Other	116.608	147.373
	701.279	**608.769**

c) Service purchases:

Yaşar Holding	3.398.683	2.922.606
Yaşar Bilgi İşlem ve Ticaret A.Ş.("Yaşar Bilgi İşlem")	1.641.613	1.330.437
YDT	997.121	788.843
YBP	325.887	288.876
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	278.080	315.769
Other	968.201	528.251
	7.609.585	**6.174.782**

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) Finance expenses:

Yaşar Holding	336.035	227.735
YBP	259.364	223.609
Other	91.340	242.433
	686.739	**693.777**

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

NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2017	1 January - 31 December 2016
e) Financial income:		
Dyo Boya	7.849	33.114
Viking Kağıt	6.279	26.491
YDT	-	245.347
Other	1.569	125.433
	15.697	**430.385**

The other finance income mainly consists of bail and finance commisions 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 (2016: 0,50%) (Note 26).

f) Other income from operations:

YDT	529.712	179.192
Other	75.821	-
	605.533	**179.192**

g) Other expense from operations:

YDT	111.454	5.641
Yaşar Holding	30.061	-
YBP	-	35.821
Other	13.395	44.516
	154.910	**85.978**

h) Tangible and intangible asset purchases:

Yaşar Bilgi İşlem	987.140	1.424.040
Yaşar Holding	33.402	296.461
Other	225.566	238.372
	1.246.108	**1.958.873**

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

ı) Dividend Income

Desa Enerji	285.800	-
Other	-	1.146
	285.800	**1.146**

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

NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

i) Bails given:

As of 31 December 2017 there is not any bails given. (2016: EUR 11.111.111 equivalent of TL 41.221.111 TL).

j) 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 TL75.358.535 and EUR2.951.719, equivalent of TL88.687.021 as of 31 December 2017 (2016: TL61.513.961 and EUR316.620 equivalent of TL62.628.210).

k) 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	1.941.532	1.533.729
Bonus and profit-sharing	-	65.625
Other long-term benefits	39.537	28.455
	1.981.069	**1.627.809**

DİPNOT 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2017	**31 December 2016**
a) Short - term trade receivables		
Customer current accounts	19.026.053	16.991.664
Cheques and notes receivables	8.808.665	3.992.724
	27.834.718	**20.984.388**
Less: Provision for impairment of receivables	(2.998.070)	(2.287.998)
Unearned finance income	(407.936)	(187.004)
	24.428.712	**18.509.386**

At 31 December 2017, the effective weighted average interest rate applied to short-term trade receivables is 14,06% p.a. (2016: 9,55%).

The aging of trade receivables as of 31 December 2017 and 2016 are as follow:

Overdue	3.164.187	2.733.12
0 - 30 days	6.162.839	5.507.074
31 - 60 days	8.882.336	6.499.202
61 - 90 days	4.215.066	2.782.701
91 days and over	2.004.284	987.289
	24.428.712	**18.509.386**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	31 December 2017	31 December 2016
0 - 90 days	2.952.722	2.332.558
91 - 180 days	211.465	400.562
	3.164.187	**2.733.120**

As of 31 December 2017, trade receivables of TL3.164.187 (2016: TL2.733.120) were past due and the Company holds collateral amounting to TL1.154.273 (2016: TL932.355)

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

	2017	2016
1 January	**(2.287.998)**	**(1.976.010)**
Charged to the statement of comprehensive income (Note 23.b)	(1.512.403)	(680.443)
Collections (Notes 23.a)	802.331	368.455
31 December	**(2.998.070)**	**(2.287.998)**

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	43.049.263	41.447.621
Less: Unincurred finance cost	(443.953)	(303.757)
	42.605.310	**41.143.864**

As of 31 December 2017, the effective weighted average interest rates applied to denominated payables are 14,08% p.a. (2016: 9,53%) Trade payables mature within 2 months. (2016: 2 months).

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

Supplier non - current accounts	9.030.741	11.257.053
	9.030.741	**11.257.053**

Long term trade payables consist of the payables to supplier due to machine purchases related to the packaged spring water filling facility in Bursa.

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

The redemption schedules of long-term trade payables as of 31 December 2017 are as follow:

	31 December 2017	**31 December 2016**
2018 year	-	4.690.439
2019 year	3.612.400	2.622.768
2020 year	3.612.400	2.627.938
2021 year	1.805.941	1.315.908
	9.030.741	**11.257.053**

Long term trade payables consist of payables due to property, plant and equipment purchases amounting to EUR1.999.943 (2016: EUR3.034.328)

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

a) **Other short - term receivables**

	31 December 2017	**31 December 2016**
Value added tax ("VAT") receivables	1.678.116	1.481.493
Deposits and guarantees given	79.579	76.373
Other	52.755	37.010
	1.810.450	**1.594.876**

b) Other long - term receivables

Deposits and guarantees given	1.800	1.800
	1.800	**1.800**

	31 December 2017	***Restated (*)*** **31 December 2016**	***Restated (*)*** **31 December 2015**
c) Other payables			
Taxes and funds payables	8.176.216	7.280.726	6.092.474
Taxes and funds payables	500.100	529.307	769.940
Other	-	5.408	4.102
	8.676.316	**7.815.441**	**6.866.516**

(*) See Note 2.2.2.1

A significant portion of the receivable deposits and guarantees consist of the amounts the Company receives in connection with its contracts with the customers for the water supply operation of the demijohn.

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

NOTE 9 - INVENTORIES

		Restated (*)	*Restated (*)*
	31 December 2017	**31 December 2016**	**31 December 2015**
Raw materials	3.431.165	4.393.448	2.814.706
Pallete and viols	3.999.103	3.883.902	2.356.173
Finished goods	2.012.562	1.421.671	1.886.392
Other	650.898	1.291.821	1.120.002
	10.093.728	**10.990.842**	**8.177.273**

(*) See Note 2.2.2.1

Cost of inventories recognized as expense and included in cost of sales amounted to TL 72.384.925 (2016: TL 51.311.575) (Note 18). 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 10 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2017	**31 December 2016**
a) Prepaid expenses - current		
Prepaid expenses	1.501.264	750.011
Order advances given	2.150	2.502
	1.503.414	**752.513**
b) Prepaid expenses - non - current		
Advances given	-	34.326
Prepaid expenses	-	22.224
	-	**56.550**
c) Deferred income		
Advances received	1.042.091	1.028.420
	1.042.091	**1.028.420**

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment between 1 January - 31 December 2017 was as follows:

	Restated (*) **1 January 2017**	**Additions**	**Disposals**	**Transfers**	**Netting of Accumulated Depreciation Before Valuation**	**Revaluation Increase Decrease (**)**	**31December 2017**
Cost:							
Land	8.119.570	1.800.000	-	-	-	2.505.430	12.425.000
Buildings and land improvements	54.332.237	3.399.941	-	-	(3.956.827)	3.834.649	57.610.000
Machinery and equipment	76.269.050	7.679.092	(4.268.614)	984.182	(8.181.890)	19.644.808	92.126.628
Motor vehicles	219.019	-	(2.681)	-	-	-	216.338
Furniture and fixtures	34.203.135	6.543.142	(2.193.893)	-	-	-	38.552.384
Construction in progress	984.182	165.000	-	(984.182)	-	-	165.000
	174.127.193	**19.587.175**	**(6.465.188)**	**-**	**(12.138.717)**	**25.984.887**	**201.095.350**
Accumulated depreciation:							
Buildings and land improvements	(1.533.404)	(2.423.423)	-	-	3.956.827	-	-
Machinery and equipment	(4.917.783)	(7.226.464)	3.962.357	-	8.181.890	-	-
Motor vehicles	(105.514)	(43.870)	2.681	-	-	-	(146.703)
Furniture and fixtures	(17.029.492)	(4.139.490)	1.230.923	-	-	-	(19.938.059)
	(23.586.193)	**(13.833.247)**	**5.195.961**	-	**12.138.717**	-	**(20.084.762)**
Net book value	**150.541.000**						**181.010.588**

(*) See Note 2.2.2.1

(**) Machinery plant and equipments realized TL 19.654.215 value increase and TL 9.407 value decrease.The amount related to the revaluation impairment is accounted in the income statement.

The Company classifies polycarbonate and glass demijohn together with baskets as tangible assets and their carrying value is TL 9.200.530 (2016: 8.009.363 TL)

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	Restated (*) **1 January 2016**	**Additions**	***Restated (*)*** **Disposals**	**Transfers**	**Impairment(**)**	**31 December 2016**
Cost:						
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	30.284.100	9.028.536	(5.494.399)	384.898	-	34.203.135
Construction in progress	7.610.293	38.361.535	-	(44.987.646)	-	984.182
	117.225.906	**62.873.156**	**(5.573.447)**	**-**	**(398.422)**	**174.127.193**
Accumulated depreciation:						
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	(15.146.847)	(4.147.222)	2.264.577	-	-	(17.029.492)
	(15.251.359)	**(10.789.166)**	**2.308.513**	**-**	**145.819**	**(23.586.193)**
Net book value	**101.974.547**					**150.541.000**

(*) See Note 2.2.2.1

(**) As of 31 December 2017, 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 capitalizated 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.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current year's depreciation and amortisation charges were allocated to cost of production by TL9.700.004 (2016: TL7.476.757) to selling and marketing expenses by TL2.601.199 (2016: TL2.350.743) (Not 22.b) and to general and administrative expenses by TL1.651.184 (31 December 2016: TL1.052.845) (Note 22.a)

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

	2017	2016
1 January	**23.272.463**	**24.966.056**
Depreciation on revaluation reserve transferred to retained earnings-net	(1.582.101)	(1.592.713)
Increase in revaluation reserve of land, land improvements and buildings - net	5.322.606	-
Increase in revaluation reserve of machinery and equipment- net	15.723.372	-
Disposal from revaluation reserve due to sales of property, plant and equipment - net	(69.563)	-
Decrease in revaluation fund resulting from impairment on property, plant and equipment- net	-	(100.880)
Change in tax rates	(289.768)	-
31 December	**42.377.009**	**23.272.463**

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

31 December 2017:	**Land**	**Building and land improvements**	**Machinery and equipment**
Cost	4.124.212	47.429.071	111.137.180
Less: Accumulated depreciation	-	(6.941.163)	(46.959.889)
Net book value	**4.124.212**	**40.487.908**	**64.177.291**
31 December 2016:			
Cost	2.324.212	44.029.130	106.742.520
Less: Accumulated depreciation	-	(5.160.202)	(44.943.993)
Net book value	**2.324.212**	**38.868.928**	**61.798.527**

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

NOTE 12 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the periods 1 January - 31 December 2017 and 2016 were as follow:

	1 January 2017	Additions	Transfers	31 December2017
Costs:				
Rights	1.989.960	118.501	2.411.180	4.519.641
Continuing computer software	1.424.040	987.140	(2.411.180)	-
Accumulated amortisation	(1.464.833)	(119.140)	-	(1.583.973)
Net book value	**1.949.167**	**986.501**	**-**	**2.935.668**

	1 January 2016	Additions	31 December 2016
Costs:			
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)
Net book value	**249.993**	**1.699.174**	**1.949.167**

NOTE 13 - IMPAIRMENT IN ASSETS

Please see Note 11.

NOTE 14 - GOVERNMENT GRANTS AND INCENTIVES

The Company is entitled an investment incentive of TL51,433,546 which includes TL14,433,546 related with the Ministry of the Economy programme supporting production of non-alcoholic beverages, sparkling water, and spring water,in 2013, TL8,308,639 received in 2015 and an additional incentive of TL28,691,361 received in 2016 and had deferred tax assets of TL8,436,709 in 2017 and 2016.

NOTE 15 - BORROWINGS AND BORROWING COSTS

	31 December 2017	31 December 2016
Short term loans	20.043.521	2.011.090
Short term portion of long term loans	25.606.934	14.905.940
Short Term Borrowings	**45.650.455**	**16.917.030**
Long Term Borrowings	**67.665.751**	**65.599.377**
Total Borrowings	**113.316.206**	**82.516.407**

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

NOTE 15 - BORROWINGS AND BORROWING COSTS (Continued)

	Effective weighted average interest rate p.a. (%)		Original currency		TL equivalent	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December2017	31 December 2016
Short term borrowings:						
Borrowings TL (*)	15,33	6,81	20.043.521	2.011.090	20.043.521	2.011.090
Short term portion of long term borrowings:						
Borrowings TL (**)	13,17	12,24	25.311.705	13.963.364	25.311.705	13.963.364
Borrowings EUR (***)	4,75	4,75	65.381	254.070	295.229	942.576
Total short term borrowings					**45.650.455**	**16.917.030**
Long term borrowings:						
Borrowings TL (**)	14,22	12,86	67.665.751	65.358.535	67.665.751	65.358.535
Borrowings EUR (***)	-	4,75	-	64.919	-	240.842
Total long term borrowings					**67.665.751**	**65.599.377**

(*) TL denominated short-term bank borrowings consist of borrowings with spot loans fixed interest rates of 15,33% (2016: Interest rates of 6,81%).

(**) As of 31 December 2017, TL borrowings amounting TL88.234.218 with spot loans fixed interest rate 13,86%, TL4.743.238 denominated bank borrowings consist of semi-annually repricing floating interest rate TRLIBOR+2,70% p.a (2016: borrowings amounting TL 72.273.098 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.).

(***) EUR denominated short-term portion of long-term bank borrowings and long-term bank borrowings consist of borrowings with fixed interest rates of 4,75% (2016: 4,75%)

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NOTE 15 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings at 31 December 2017 and 2016 are as follow:

	31 December 2017	**31 December 2016**
2018 year	-	22.933.625
2019 year	44.663.805	19.663.806
2020 year	10.608.054	10.608.054
2021 year	10.801.902	10.801.902
2022 year	1.591.990	1.591.990
	67.665.751	**65.599.377**

As of 31 December 2017 and 2016, 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**
31 December 2017:		
Borrowing with variable interest rates	4.743.238	4.743.238
Borrowings with fixed interest rates	-	108.572.968
	4.743.238	**113.316.206**
31 December 2016:		
Borrowing with variable interest rates	7.048.801	7.048.801
Borrowings with fixed interest rates	-	75.467.606
	7.048.801	**82.516.407**

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

	Carrying amount		**Fair value**	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
Bank borrowings	113.316.206	82.516.407	115.879.579	83.817.052

The fair values are based on cash flows discounted using the rate of 2% p.a. and 13,04% p.a. for EUR denominated bank borrowings and TL denominated bank borrowings, respectively (31 December 2016: 2,03% p.a. and 10,55% p.a. for EUR denominated bank borrowings and TL denominated bank borrowings, respectively).

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NOTE 15 - BORROWINGS AND BORROWING COSTS (Continued)

For the period 1 January - 31 December 2017 and 2016 the carrying amount of net borrowings are as follows:

	2017	2016
1 January	**82.516.407**	**38.430.259**
Cash inflows from loans	55.600.704	52.868.240
Cash outflows from paybacks of borrowings	(24.535.467)	(10.744.126)
Foreign currency translation difference	(102.154)	(64.159)
Effect of accrual of interest	(163.284)	2.026.193
31 December	**113.316.206**	**82.516.407**

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2017	31 December 2016
a) Other short - term provisions:		
Provision of advertising and promotion	837.010	1.024.167
Other	88.090	-
	925.100	**1.024.167**

Movements of the provision the spring water fee provision during the years 2017 and 2016 are as follows:

	2017	2016
1 January	-	-
Increase in period (Note 18)	2.211.295	3.106.135
Paid	(2.211.295)	(3.106.135)
31 December	**-**	**-**

Aydın Bozdoğan Municipality charged a total of TL2.211.295 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 2017 and this amount is paid by the Company during the year 2017. As of 30 July 2015, Company's Aydın Bozdoğan spring water usage right has been renegotiated and usage right expanded for 5 years.

b) Guarantees given:		
Bails	-	41.221.111
Letters of guarantee	12.611.407	14.842.460
	12.611.407	**56.063.571**

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 EUR11.111.111 equivalent of TL41.221.111

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NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

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

	31 December 2017			31 December 2016		
	Currency	**Amount**	**TL equivalent**	**Currency**	**Amount**	**TL equivalent**
CPM provided by the Company:						
A. Total amount of CPM given on behalf of the Company	TL	12.611.407	12.611.407	TL	14.842.460	14.842.460
B. Total amount of CPM given on behalf of fully consolidated companies		-	-		-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parites		-	-		-	-
D. Total amout of other CPM		-	-		-	41.221.111
i. Total amount of CPM given on behalf of the main shareholder		-	-		-	-
		-	-		-	-
		-	-			
ii. Total amount of CPM given on behalf other group companies which are not in scope of B and C		-	-		-	41.221.111
		-	-	*EUR*	*11.111.111*	*41.221.111*
iii. Total amount of CPM given on behalf of third parties which are not inscope of C		-	-		-	-
		-	-		-	-
			12.611.407			**56.063.571**
The ratio of total amount of other CPM to Equity			%0			%65

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NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

	31 December 2017	31 December 2016
c) Guarantees received:		
Bails	88.687.021	62.688.590
Letters of guarantee	31.897.925	26.848.587
Mortgages	8.031.874	6.837.574
Guarantee notes	4.676.502	3.576.503
Guarantee cheques	1.355.000	240.000
Other	1.382.728	646.447
	136.031.050	**100.837.701**

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 matuirty of these loans.

NOTE 17 - EMPLOYEE BENEFITS

	31 December 2017	31 December 2016
a) Payables for employee benefits		
Social security premiums	785.643	270.603
Payables to employees	220	197
	785.863	**270.800**
b) Short - term provisions for employee benefits		
Management bonus accrual	220.000	220.000
Seniority incentive bonus	107.859	66.775
	327.859	**286.775**
c) Long - term provisions for employee benefits		
Provision for employment termination benefits	2.010.185	2.165.616
Seniority incentive bonus	187.303	207.021
	2.197.488	**2.372.637**

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NOTE 17 - 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 TL4.732,48 (2016: TL4.297,21) for each year of service as of 31 December 2017.

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL5.001,76 which is effective from 1 January 2018 (1 January 2017: TL4.426,16) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

The following actuarial assumptions were used in the calculation of the total liability:

	31 December 2017	31 December 2016
Discount rate (p.a) (%)	4,50	3,95
Probability of retirement (%)	96,71	97,09

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

	2017	2016
1 January	**2.165.616**	**1.921.790**
Interest costs	231.171	243.199
Actuarial loss	1.055.091	82.645
Current service cost	280.663	314.907
Paid during the year	(1.722.356)	(396.925)
31 December	**2.010.185**	**2.165.616**

The total of interest cost and current service cost amounting to TL511.834 (2016: TL558.106 were totally allocated to general administrative expenses (Note 22).

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NOTE 18 - EXPENSES BY NATURE

	1 January- 31 December 2017	1 January - 31 December 2016
Raw material, direct material and finished goods	63.945.556	43.380.749
Transportation and export	35.053.142	30.604.246
Personnel	21.170.930	20.706.152
Depreciation and amortisation	13.952.387	10.880.345
Outsourced services	12.431.347	11.976.691
Advertising	9.682.494	13.924.308
Merchandise goods	8.439.369	7.930.826
Rent	8.151.949	6.323.046
Energy	5.718.476	6.327.622
Maintenance	4.598.187	6.840.804
Consultancy	3.207.132	3.107.340
Fee of mineral resource	2.211.295	3.106.135
Travel	550.260	624.068
Employment termination benefits	511.834	558.106
Communication	476.314	381.070
Representation	338.619	339.192
Other	8.951.528	13.081.357
	199.390.819	**180.092.057**

NOTE 19 - OTHER ASSETS AND LIABILITIES

	31 December 2017	31 December 2016
Other current asssets		
VAT receivable	13.820.201	11.625.533
Other	11.961	22.903
	13.832.162	**11.648.436**

NOTE 20 - 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 authorised registered share capital at 31 December 2017 and 2016 is as follows:

	31 December 2017	31 December 2016
Registered share capital (historical values)	50.000.000	50.000.000
Paid-in share capital with nominal value	44.762.708	44.762.708

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NOTE 20 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

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

	31 December 2017		31 December 2016	
Share owners	**Share (%)**	**Share amount (TL)**	**Share (%)**	**Share amount (TL)**
Yaşar Holding	58,00	25.961.414	58,00	25.961.414
Publicly traded shares	32,31	14.463.978	32,31	14.463.978
Pınar Süt	8,77	3.927.525	8,77	3.927.525
YBP	0,80	356.973	0,80	356.973
Hedef Ziraat Tic. ve San. A.Ş.	0,09	39.614	0,09	39.614
YDT	0,03	13.204	0,03	13.204
Total share capital (*)	**100,00**	**44.762.708**	**100,00**	**44.762.708**
Adjustment to share capital		11.713.515		11.713.515
Total paid in capital		**56.476.223**		**56.476.223**

(*) 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 (2016: TL11.713.515) 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 (2016: 4.476.270.800) units of shares with a face value of Kr1 each as of 31 December 2017.

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 avantable 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 tje 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.

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 (2016: TL4.180.008) as of 31 December 2017. The unrestricted extraordinary reserves the Company amount to TL11.673.135 (2016: TL11.673.135), and classified in the retained earnings..

NOTE 20 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

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 legistlations. 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 distribured 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 determineed 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 dividens 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 21 - REVENUE

	1 January - 31 December 2017	*Restated (*)* 1 January - 31 December 2016
Domestic sales	310.625.478	213.044.676
Export sales	22.203.627	17.513.425
Trade goods sales	11.359.110	9.790.267
Gross sales	**344.188.215**	**240.348.368**
Less: Discounts	(143.826.156)	(76.259.863)
Return	(2.070.115)	(1.592.697)
Net sales	**198.291.944**	**162.495.808**
Cost of sales	**(111.128.901)**	**(95.224.754)**
Gross Profit	**87.163.043**	**67.271.054**

(*) See Note 2.2.2.1

NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES

	1 January - 31 December 2017	1 January - 31 December 2016
a) General administrative expenses:		
Personnel	6.904.669	7.041.135
Outsourced services	5.574.716	4.238.123
Consultancy	2.184.040	2.279.292
Depreciation and amortisation	1.651.184	1.052.845
Rent	1.048.163	719.895
Employment termination benefit	511.834	558.106
Energy	493.173	455.380
Travel	337.477	397.016
Representation	312.625	314.705
Communication	182.333	159.652
Other	1.589.519	1.747.831
	20.789.733	**18.963.980**

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NOTE 22 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES (Continued)

	1 January - 31 December 2017	1 January - 31 December 2016
b) Marketing, selling and distribution expenses:		
Transportation and export expenses	35.053.142	30.604.246
Advertising	9.682.494	13.924.308
Personnel	6.945.850	5.498.665
Oursourced services	4.376.500	5.288.070
Rent	3.184.665	2.776.835
Amortization and depreciation cost	2.601.199	2.350.743
Export commission	1.742.501	2.062.348
Consultancy	1.023.092	828.048
Maintenance	989.149	898.707
Enerji	897.540	932.761
Other	976.053	738.592
	67.472.185	**65.903.323**

NOTE 23 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	Restated (*) 1 January - 31 December 2017	1 January - 31 December 2016
a) Other income from operating activities:		
Foreign exchange gain arising from commercial activities	850.098	576.762
Reversal of provision for impairment of receivables	802.331	368.455
Interest income due to time difference	395.633	-
Unearned financial income	147.174	154.306
Other	223.907	757.578
	2.419.143	**1.857.101**

(*)See Note 2.2.2.1

b) Other expense from operating activities:		
Provision for doubtful receivables	(1.512.403)	(680.443)
Foreign exchange loss arising from commercial activities	(820.769)	(621.423)
Unearned financial expense	(276.432)	(255.156)
Fees and aid	(104.540)	(112.095)
Other	(512.832)	(912.622)
	(3.226.976)	**(2.581.739)**

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NOTE 24 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2017	1 January - 31 December 2016
a) Income from investment activities:		
Dividend income	285.800	-
Gain on sale of property plant and equipment	155.843	260.349
Interest income	106.380	155.862
	548.023	**416.211**
b) Expense from investment activities:		
Loss on sale of property plant and equipment	(308.907)	(909.780)
Other	(30.460)	-
	(339.367)	**(909.780)**

NOTE 25 - EXPENSES BY NATURE

Please see Note 18.

NOTE 26 - FINANCIAL INCOME AND EXPENSE

	1 January - 31 December 2017	1 January - 31 December 2016
Foreign exchange gain	496.811	814.259
Bail income	15.697	601.971
Interest income	3.899	446.954
	516.407	**1.863.184**
Interest expense	(14.187.745)	(5.268.455)
Foreign exchange loss	(3.417.933)	(2.888.674)
Bank commissions and overdue charges	(1.159.647)	(1.743.529)
	(18.765.325)	**(9.900.658)**

NOTE 27 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please see Statements of Income and Other Comprehensive Income.

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND TAX LIABILITIES)

In Turkey, the corporation tax rate of the fiscal year 2017 is 20% (31 December 2016: 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 2016: 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 2016: 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% (2016: 20%) on their corporate income. Advance tax is is declared by 14th (2016: 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.

According to the Law No. 5520 on Corporate Income Tax, 50% of the income derived from the sales of the real estates which are included in the assets of the institutions for at least two full years are exempted from the corporation tax starting from 5 December 2017. In order to benefit exclusively, the earning must be kept in a passive fund account and not withdrawn for 5 years. The sales price must be collected by the end of the second calendar year following the year of sale.

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

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

Apart from the exemptions mentioned in the preceding paragraphs, the deductions granted in 14th and recurring 8th articles of Corporate Tax Law and 40 th article of the Income Tax Law together with the 10th article of Corporate Tax Law have been taken into consideration in calculation of the Company's corporate tax.

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NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND TAX LIABILITIES) (continued)

Transfer Pricing

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

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially, 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 2017 and 2016 are summarised as follow :

	31 December 2017	**31 December2016**
Deferred tax income	231.096	7.367.720
Taxation on income	**231.096**	**7.367.720**

Reconciliation of taxation on income is as follows:

Loss before tax	**(19.946.970)**	**(26.851.930)**
Tax calculated at rates applicable to the (loss)/ profit	3.989.394	5.370.386
Recognition of deferred income tax asset on investment incentive	-	4.303.704
Tax losses for which no deferred income tax asset was recognized	(3.275.410)	(3.991.135)
Change in tax credits and tax losses for which deferred income tax asset was recognized	(612.367)	1.234.662
Income not subject to tax	57.150	84.321
Non - deductible expenses	(299.404)	(192.886)
The effect of change in tax rates on tax income	119.180	-
Other	252.553	558.668
Taxation on income	**231.096**	**7.367.720**

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

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND TAX LIABILITIES) (Continued)

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. (2016: %20).

The Law regarding amendments on Certain Tax Laws was approved in the Parliament on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate for all companies will be increased from 20% to 22% for the years 2018, 2019 and 2020. Therefore, deferred tax assets and liabilities shall be measured at the tax rate of 22% that are expected to apply to these periods when the assets is realised or the liability is settled, based on the Law that have been enacted. For the periods 2021 and after, the reversals of temporary differences will be measured by 20%.

The deferred tax effect of temporary differences expected to be realized for the years 2018, 2019 and 2020 is TL119.180.

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2017 and 2016 were as follows:

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Revaluation of land, land improvements, buildings, machinery and equipment	51.959.229	27.906.367	(9.582.220)	(4.633.904)
Difference between carrying value (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	3.782.391	6.991.986	(760.021)	(1.415.329)
Deducted accumulated loss	(12.899.995)	(16.556.737)	2.698.980	3.311.347
Deduction of investment incentive	(51.433.546)	(51.433.546)	8.436.709	8.436.709
Provision for employment termination benefits	(2.010.185)	(2.165.616)	402.037	433.123
Difference between carrying value and tax bases of available-for-sale investments	(2.738.035)	(2.091.879)	567.401	358.150
Other	(983.175)	(280.720)	196.635	56.144
Deferred tax assets/ (liabilities) - net			**1.959.521**	**6.546.240**

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

1 January	**6.546.240**	**(921.328)**
Credited to statement of comprehensive income	231.096	7.367.720
Charged to actuarial loss arising from defined benefit plans	211.018	16.529
Charged to fair value reserve of available-for-sale investments	209.251	58.099
Revaluation of property, plant and equipment	(4.948.316)	-
Change in tax rates	(289.768)	-
Impairment of property, plant and equipment	-	25.220
31 December	**1.959.521**	**6.546.240**

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

NOTE 28 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND TAX LIABILITIES) (Continued)

The exemption to be applied on the capital gains derived from the sale of real estates held by corporate taxpayers for at least two years has been reduced from 75% to 50% In accordance with the regulation published in the Official Gazette dated 5 December 2017. Based on this, corporate tax and deferred tax calculations for earnings generated by the sale of property plants in 2018, 2019 and 2020 will be calculated as 22% of the remaining 50%, 20% of the remaining 50% for 2021 and later periods .

As the deferred tax effects of the temporary differences expected to be realized in 2018, 2019 and 2020 are expected to be insignificant, the temporary differences calculated over the land and land within the scope of the exemption are subject to deferred tax calculation with a rate of 10% and the effect on the deferred tax amount of the Company is TL 289.768 have been accounted for under other comprehensive income revaluation measurement gains accumulated under equity.

Years of expiration of tax losses carried forward which were not recognized as of 31 December 2017 and 2016 are as follows:

Expiration years	**31 December 2017**	**31 December 2016**
2018	2.749.141	2.908.300
2019	1.440.945	-
2020	1.758.959	3.265.010
2021	2.678.365	10.383.427
2022	4.272.585	-
	12.899.995	**16.556.737**

Years of expiration of tax losses carried forward over which no deferred income tax assets were not recognised as of 31 December 2017 and 2016 are as follows:

Expiration years	**31 December 2017**	**31 December 2016**
2018	159.159	-
2020	65.106	-
2021	25.536.142	19.955.67
2022	12.104.464	-
	37.864.871	**19.955.673**

NOTE 29 - LOSS PER SHARE

Basic loss per share is calculated by dividing the 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.

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

NOTE 29 - LOSS PER SHARE (Continued)

		1 January - 31 December 2017	*Restated (*)* 1 January - 31 December 2016
Net loss for the year	A	(19.715.874)	(19.484.210)
Weighted average number of shares (Note 20)	B	4.476.270.800	2.895.074.433
Loss per 100 shares with a Kr1 face value	**A/B**	**(0,4405)**	**(0,6730)**

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

(*) See Note 2.2.2.1

NOTE 30 - EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

The foreign exchange risk of the Company is presented in Note 33.c.i.

NOTE 31 - 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 32 - FINANCIAL INSTRUMENTS

The breakdown of available-for-sale investments for the years ended 31 December 2017 and 2016 are as follows:

	31 December 2017		**31 December 2016**	
	Carrying amount (TL)	**Share (%)**	**Carrying amount (TL)**	**Share (%)**
Desa Enerji	2.604.155	6,07	2.727.432	6,07
YDT	590.111	1,76	580.037	1,76
Viking Kağıt	852.924	1,69	388.385	1,69
	4.047.190		**3.695.854**	

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.

The discount and growth rates used in discounted cash flow models as at 31 December 2017 and 2016 are as follows:

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NOTE 32 - FINANCIAL INSTRUMENTS (Continued)

	Discount rate		Growth rate	
	31 December 2017	**31 December 2016**	**31 December 2017**	**31 December 2016**
YDT	%18,30	%17,80	%1	%1
Desa Enerji	%17,70	%17,20	%0	%0

Movements of available-for-sale investments in 2017 and 2016 are as follows:

	2017	**2016**
1 January	**3.695.854**	**3.986.348**
Participation of Viking Kağıt capital increase	353.694	-
Fair value increase/ (decrease):		
Viking Kağıt	110.845	(213.230)
Desa Enerji	(123.277)	(76.262)
YDT	10.074	(1.002)
31 December	**4.047.190**	**3.695.854**

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

	2017	**2016**
1 January	**868.595**	**1.100.990**
Decrease in fair value	(2.358)	(290.494)
Deferred income tax on fair value reserves of available-for-sale investments (Note 28)	209.251	58.099
31 December	**1.075.488**	**868.595**

NOTE 33 - 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.

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;

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

- 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 counter party 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 2017 and 2016:

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NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2017:	Receivables					
	Trade Receivables (1)		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**3.707.806**	**24.428.712**	**14.358**	**1.810.450**	**1.610.468**	**31.571.794**
- The part of maximum credit risk covered with guarantees	-	23.984.456	-	-	-	23.984.456
A. Net book value of financial assets not due or not impaired	1.581.178	21.264.525	14.358	1.810.450	1.610.468	26.280.979
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)	2.126.628	3.164.187	-	-	-	5.389.135
- The part covered by guarantees etc	-	1.154.273	-	-	-	1.154.273
D. Net book value of assets impaired		-	-	-	-	-
- Past due (gross book value)	-	2.998.070	-	-	-	2.998.070
- Impairment amount (-)	-	(2.998.070)	-	-	-	(2.998.070)
- 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 reliabilty 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.

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

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2016:	Receivables					
	Trade Receivables (1)		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits	Total
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
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 reliabilty 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 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	Receivables		
31 December 2017	**Trade Receivables**	**Other Receivables**	**Total**
1 - 30 days overdue	2.755.369	-	2.755.369
1 - 3 months overdue	2.162.571	-	2.162.571
3 - 12 months overdue	372.875	-	372.875
The part covered by guarantees	(1.154.273)	-	(1.154.273)
	5.389.135	**-**	**5.389.135**

	Receivables		
31 December 2016	**Trade Receivables**	**Other Receivables**	**Total**
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)
	4.619.499	-	**4.619.499**

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.

The Company's liquidity analysis in respect of categories of financial liabilities as of 31 December 2017 and 2016 are as follows:

31 December 2017:

	Book value	**Total cash outflows per a agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Contract terms:					
Non - derivative financial liabilities					
Bank borrowings	113.316.206	136.014.291	14.669.494	40.891.651	0.453.166
Trade payables	53.045.612	53.437.816	26.533.032	5.564.964	21.339.820
Other payables	11.333.891	11.333.891	11.333.891	-	-
	177.695.709	**200.785.998**	**52.536.417**	**46.456.615**	**101.792.986**

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

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

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)**
Contract terms:					
Non - derivative financial liabilities					
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	8.070.228	8.070.228	8.070.228	-	-
	144.000.399	**152.977.830**	**49.073.123**	**18.704.095**	**85.200.612**

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

	Foreign Currency Position							
	31 December 2017				31 December 2016			
	TL Equivalent	USD	EUR	Other TL Equivalent	TL Equivalent	USD	EUR	Other TL Equivalent
1. Trade Receivables	2.669.149	155.207	328.045	602.437	2.693.687	296.428	325.536	442.792
2a. Monetary Financial Assets (Cash, Bank accounts included)	-	-	-	-	-	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	3.051	-	676	-		-	-	-
4. Current Assets (1+2+3)	**2.672.200**	**155.207**	**328.721**	**602.437**	**2.693.687**	**296.428**	**325.536**	**442.792**
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	**2.672.200**	**155.207**	**328.721**	**602.437**	**2.693.687**	**296.428**	**325.536**	**442.792**
10. Trade Payables	6.379.159	21.571	1.322.617	325.520	5.720.509	42.196	1.469.115	121.743
11. Financial Liabilities	295.229	-	65.381	-	942.574	-	254.070	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short Term Liabilities (10+11+12)	**6.674.388**	**21.571**	**1.387.998**	**325.520**	**6.663.083**	**42.196**	**1.723.185**	**121.743**
14. Trade Payables	9.240.971	-	2.046.500	-	11.579.711	-	3.121.300	-
15. Financial Liabilities	-	-	-	-	240.843	-	64.919	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	**9.240.971**	**-**	**2.046.500**	**-**	**11.820.554**		**3.186.219**	**-**
18. Total Liabilities (13+17)	**15.915.359**	**21.571**	**3.434.498**	**325.520**	**18.483.637**	**42.196**	**4.909.404**	**121.743**
19. Net Asset/ (Liability) Position of Off Balance Sheet Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19a Amount of Asset Nature Off-Balance Sheet Derivative Instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
19b. Amount of Liability Nature Off-Balance Sheet Derivative Instruments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
20. Net Foreign Asset/ Liability Position (9+18+19)	**(13.243.159)**	**133.636**	**(3.105.777)**	**276.917**	**(15.789.950)**	**254.232**	**(4.583.868)**	**321.049**
21. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(13.246.210)**	**133.636**	**(3.106.453)**	**276.917**	**(15.789.950)**	**254.232**	**(4.583.868)**	**321.049**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
23. Export	**22.203.627**	**1.032.520**	**1.838.357**	**10.007.966**	**17.513.424**	**890.631**	**3.685.117**	**707.700**
24. Import	**2.999.133**	**-**	**664.186**	**-**	**4.679.301**	**-**	**1.261.301**	**-**

NOTE 33 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2017	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
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD	50.406	(50.406)	50.406	(50.406)
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**50.406**	**(50.406)**	**50.406**	**(50.406)**
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR	(1.402.719)	1.402.719	(1.402.719)	1.402.719
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**(1.402.719)**	**1.402.719**	**(1.402.719)**	**1.402.719**
Change of other currencies by 10% against TL :				
7- Assets/ Liabilities denominated in other foreign currencies	27.692	(27.692)	27.692	(27.692)
8- The part of other foreign currency ris k hedged (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**27.692**	**(27.692)**	**27.692**	**(27.692)**
TOTAL (3+6+9)	**(1.324.621)**	**1.324.621**	**(1.324.621)**	**1.324.621**

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

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NOTE 33 - 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
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD	89.469	(89.469)	89.469	(89.469)
2- The part of USD risk hedged (-)				
3- USD Effect - net (1+2)	**89.469**	**(89.469)**	**89.469**	**(89.469)**
Change of EUR by 10% against TL:				
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 (-)				
6- EUR Effect - net (4+5)	**(1.700.569)**	**1.700.569**	**(1.700.569)**	**1.700.569**
Change of other currencies by 10% against TL :				
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 (-)				
9- Other Foreign Currency Effect - net (7+8)	**32.105**	**(32.105)**	**32.105**	**(32.105)**
TOTAL (3+6+9)	**(1.578.995)**	**1.578.995**	**(1.578.995)**	**1.578.995**

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

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NOTE 33 - 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 2017	**31 December 2016**
Financial instruments with fixed interest rate		
Financial assets	31.372.126	25.085.201
Financial liabilities	172.952.471	136.951.598
Financial instruments with floating interest rate		
Financial liabilities	4.743.238	7.048.801

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.

	31 December 2017	**31 December 2016**
Total financial liabilities	113.316.206	82.516.407
Less: Cash and cash equivalents (Note 5)	(1.616.562)	(3.275.795)
Net debt	111.699.644	79.240.612
Total equity	63.987.849	63.584.693
Debt/ equity ratio	**%175**	**%125**

NOTE 34 - 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 15.

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

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

- 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).

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

NOTE 34 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2017 and 2016:

31 December 2017

	Level 1	Level 2	Level 3 (*)	Total
Available-for-sale investments	852.924	-	3.194.266	4.047.190
Total assets	**852.924**	**-**	**3.194.266**	**4.047.190**

31 December 2016

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

(*) Please see Note 32 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 2017

	Level 1	Level 2	Level 3	Total
Property, Plant and Equipment:				
Land	-	12.425.000	-	12.425.000
Buildings and land improvements	-	57.610.000	-	57.610.000
Machinery and equipment	-	92.126.628	-	92.126.628
Total assets	**-**	**162.161.628**	**-**	**162.161.628**

31 December 2016

	Level 1	Level 2	Level 3	Total
Property, Plant and Equipment:				
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
Total assets	**-**	**132.269.670**	**-**	**132.269.670**

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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, 2018, Friday 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) in Turkish and English.

Since the company showed a loss as a result of its 2017 operations, the Board of Directors resolved at the Board Meeting dated March 5, 2018 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)