



PINAR SU VE İÇECEK ANNUAL REPORT 2019



Reporting Period

01.01.2019 - 31.12.2019

Trade Name

Pınar Su ve İçecek Sanayi ve Ticaret A.Ş.

Trade Registry and Number

Izmir Trade Registry 45707-K-2016

Authorized Capital

TL 50,000,000

Paid-in Capital

TL 44,762,708.45

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Pinar Su, the leading company in the sector, continues its operations in 2019 with its renewed trade name as “Pinar Su ve İçecek”.

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 21 companies, 25 factories and facilities, 2 foundations and approximately 7,500 employees and stands on “Durmuş Yaşar Enterprise” founded in 1927 by Durmuş Yaşar in Izmir to sell naval materials and coating products.

FOOD AND BEVERAGES GROUP	COATINGS GROUP	TISSUE PAPER GROUP	TRADE AND SERVICE GROUP	FOUNDATIONS
Food <ul style="list-style-type: none"> • Pınar Süt • Pınar Et • Yaşar Birleşik Pazarlama • Pınar Foods GmbH • HDF FZCO • Hadaf Foods Industries LLC Beverage <ul style="list-style-type: none"> • Pınar Su ve İçecek Agriculture, Husbandry and Fishery <ul style="list-style-type: none"> • Çamlı Yem Besicilik 	<ul style="list-style-type: none"> • Dyo Boya Fabrikaları • AO Kemipeks • S.C. Dyo Balkan SRL • Dyo Africa Paints and Varnishes LLC 	<ul style="list-style-type: none"> • Viking Kağıt 	<ul style="list-style-type: none"> • Altın Yunus Çeşme • Bintur • Yaşar Dış Ticaret • Yaşar Bilgi İşlem ve Ticaret • Yadex International GmbH • Desa Enerji • Desa Elektrik 	<ul style="list-style-type: none"> • Yaşar Eğitim ve Kültür Vakfı • Selçuk Yaşar Spor ve Eğitim Vakfı

The most common brands in different sectors

Pınar and DYO, the locomotive brands in the food, beverage and coatings sectors, which are the main business branches of Yaşar Group, are ranked first in the “ranking of the most well known brands by the consumer” in Turkey. The shares of Pınar Süt, Pınar Et, Pınar Su, Dyo Boya, Viking Kağıt and Altın Yunus Çeşme which are subsidiaries of Yaşar Holding A.Ş. operating in the fields of food, beverage and coating as well as cleaning papers, tourism, foreign trade and energy are traded in Istanbul Stock Exchange.

The rooted corporation which has broken many grounds in Turkey,

Yaşar Group has accomplished many “firsts” in Turkey with its innovative approach:

- First coating factory and brand, DYO
- First private sector milk factory in international standards, PINAR SÜT
- First 1,100 beds first class holiday village, ALTIN YUNUS ÇEŞME
- First private sector paper factory, VİKİNG KAĞIT
- Natural spring water in first one way package, PINAR SU VE İÇECEK
- First private sector integrated meat plant, PINAR ET
- First integrated turkey plant,
- First culture fishing plant and first culture fish production, PINAR DENİZ
- First organic fertilizer factory, ÇAMLI YEM

An approach that values the environment and society

Adopting as one of the basic principles of following and minimizing the possible effects of all its activities on Environment and human, Yaşar Group continues its activities in accordance with all 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, which participated in the United Nations Global Compact on November 12, 2007, published a Sustainability Notice Report for 2009 and 2010 and a Sustainability Report for 2011-2018. 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.

Progress notices and sustainability reports published by the Group under the Global Compact can be accessed on the corporate website at www.yasar.com.tr.



Message From Chairperson

With its 36 years of experience in the sector, its ability to position quickly and its strong capital structure, Pınar Su ve İçecek reached a net sales figure of 224.6 million TL in 2019.

Dear Shareholders,

Pınar Su, which is the first packaged water brand of Turkey with TSE certificate, has entered a new path in 2019 in the journey it started in 1984. Our Company, acting with the vision of "Becoming A Beverage Company" has renewed its business name as "Pınar Su ve İçecek". We have announced this update to all our shareholders and stakeholders through the communication projects we organized throughout the year. Our aim is to carry forward our efforts that create added value in the light of the corporate values of Yaşar Group, of which we are a member.

The lowest growth rate since the global financial crisis has occurred in the global economy of 2019 when the trade wars had a negative impact. Seeing signs of continuity in slowing down, OECD keeps its growth expectation at 2.9% for the world economy in 2019 and 2020. Turkey's economy ended 2019 with a relatively better growth compared to the negative expectations at the beginning of the year. The economy, which had a tendency to shrink as of the end of 2018, grew by 0.9% in the third quarter, after the shrinkage of 2.3% in the first quarter and 1.6% in the second quarter. With the effect of the last quarter which had a relatively positive atmosphere, growth estimations of organizations such as OECD, World Bank and IMF are that the annual growth will be positive. While the 2020 growth estimates of the same organizations are announced around 3%, we expect that there will be a more positive atmosphere in Turkey's economy in 2020.

While the packaged water market reached 11.5 billion liters in the challenging 2019, local brands accounted for approximately 60% of the total market. Extraordinary increases in foreign exchange rates in 2018 caused high price increases in beverage products whose cost base is based on raw materials purchased in foreign currencies. This stopped the growing in all beverage categories due to price increases well above the announced inflation and caused the beverage market to shrink. The packaged water market has shrunk by 4.0% in 2019. Despite all these, we, as Pınar Su ve İçecek, have become one of the top 5 companies in terms of turnover in the packaged water sector. In 2019, we achieved 224.6 million TL net sales with 401 thousand sales tonnage. The amount of the investments made was 8 million TL for the year.

Our Export Revenues Increased

Our company continued its export activities without a break, proving that it is also an ambitious player of foreign markets. Pınar Su ve İçecek, having realized 13.3% of total Turkish water exports, increased its export volume to 58 thousand tons and its export revenue to 7.5 million USD. In order to improve our export with almost 20% share in the turnover of Pınar Su ve İçecek, we have established

new business connections by participating in Gulfood 2019 fair held in UAE where the food and its technologies are displayed and in Anuga 2019 fair held in Germany. Thus, we brought our new beverage products to the consumers in the European and Middle Eastern countries which are our export destinations. Our Company plans to increase its export revenues in the coming period by reaching new markets with the value added beverage product segment.

Our Investments Continue For a Better Service

With the responsibility of being the first Turkish beverage brand to receive the International Health and Food Safety Compliance Certificate (NSF), our efforts to increase both our products and our service quality continued throughout the year. The total investment expenditure we made during the past year has reached 8 million TL.

We Received Vegan Certificate in Beverage Category

We continued to follow consumer trends closely throughout the year. The increase in the number of consumers who prefer vegan nutrition with the rise of the healthy life trend shed a different light on our product development efforts. We have identified and worked on growing interest in V-Label certified products, a global symbol developed by the European Association of Vegetarians and recognized by the International Association of Vegetarians and member countries. As a result of these studies, Pinar Su ve İçecek became the brand which has the first V-Label certificate in many products in beverage category in Turkey. We introduced Yeni Nesil Yaşam Pınarım series, the first beverage family in glass bottle with vegan certificate, in 2019 and launched four types of new generation beverages for our consumers. Our studies on functional beverages, the fastest growing category in global beverage industry, will also continue in 2020.

Our Business Models are Becoming Digital

We are constantly improving our technological infrastructure in parallel with digital transformation. In this context, we aim to improve the consumer experience to a better level with our mobile order application renewed in 2019. We also enabled the possibility of payment by credit card to consumers for the first time among the branded water order applications, and we launched loyalty-based campaigns through brand collaborations.

Sustainability is Our Priority

As in all Yaşar Group Companies, the priorities of Pinar Su ve İçecek on sustainability and environment issues are categorized under five main headings: "Energy and Climate Change", "Water Management", "Waste management", "Health and safety" and "Social contribution". Our improvement efforts under these headings continued throughout 2019. The amount of glass packaging recollected with our work and different

collaborations was 2.8 million kg and the amount of Pet packaging was 2.6 million kg. We have decreased the amount of plastics used in packaging and cap materials used in pet bottle production and carried its environmentally conscious production conditions forward by decreasing environmental waste amount. Our packaging reduction activities also contributed to our studies in this direction. Energy efficiency was increased due to the decreased energy consumption for blowing process of light weighted bottles. In this way carbon footprint of production facilities were decreased.

As Pinar brand, our contribution to the society is as important as our contribution to the environment. As our social responsibility efforts continued throughout the year, we have also carried out works which made us proud with our traditionalized projects. Pinar Children's Theater met with 50 thousand theatre lover children with its new play "Game Machine" during the 2018-2019 school year. Around 1,466 school participated in International Pinar Children Painting Contest with 35,496 paintings. Under the frame of Pinar Children's Painting Workshop 3,484 children from 8 provinces were directed to take part at Pinar Children's Painting Contest. 215 thousand children were reached through workshop activities. We, as Pinar, also support sports as well as culture and art, support Pinar Karşıyaka Basketball Team as name sponsor as of 1998 and continue to make significant contributions in the development of basketball in Turkey. We have contributed more than 25 thousand children doing sports with the support we provided to the Karşıyaka Basketball Youth Branch.

We adopt innovative and global practices in human resources management with our understanding that considers qualified human resources as the basis of sustainable growth. Our "Skills Management" program continued for the development of the employees and career planning processes within the Company. In addition, we cooperated with universities and offered students internship opportunities to experience business life. We started studies by establishing Gender Equality Committees. We will develop and maintain our management understanding, which constantly analyzes company and employee needs, creates value and adapts quickly to changing conditions.

I would like to thank our shareholders, consumers, customers, employees and suppliers who contributed to all our business processes throughout 2019.

Best Regards,
Emine Feyhan Yaşar
Chairperson

Board of Directors

EMİNE FEYHAN YAŞAR
CHAIRPERSON



İDİL YİĞİTBAŞI
VICE CHAIRPERSON



MUSTAFA SELİM YAŞAR
MEMBER



KEMAL SEMERCİLER
INDEPENDENT MEMBER



SEZAI BEKGÖZ
INDEPENDENT MEMBER



YILMAZ GÖKOĞLU
MEMBER



CENGİZ EROL
MEMBER



Background information of Board of Directors is given on pages 37-38.

Senior Management and Committees

BOARD OF DIRECTORS AND TERMS OF OFFICES

NAME SURNAME	TITLE	TERM
EMİNE FEYHAN YAŞAR	CHAIRPERSON	28.03.2019 - 1 YEAR
İDİL YİĞİTBAŞI	VICE CHAIRPERSON	28.03.2019 - 1 YEAR
MUSTAFA SELİM YAŞAR	MEMBER	28.03.2019 - 1 YEAR
KEMAL SEMERCİLER	INDEPENDENT MEMBER	28.03.2019 - 1 YEAR
SEZAİ BEKGÖZ	INDEPENDENT MEMBER	28.03.2019 - 1 YEAR
YILMAZ GÖKOĞLU	MEMBER	28.03.2019 - 1 YEAR
CENGİZ EROL	MEMBER	28.03.2019 - 1 YEAR

Limitations of Authorities:

Chairperson of Board of Directors and Board Members have the powers set out in relevant articles of Turkish Commercial Code and Articles 12 and 13 of the Company's Articles of Association.

Corporate Governance Rating:

In 2019, corporate governance rating of Pinar Su ve İçecek was revised upwards to 9.53 out of 10.

SENIOR MANAGEMENT

NAME SURNAME	POSITION
HÜSEYİN KARAMEHMETOĞLU	GENERAL MANAGER
ONUR ÖZTÜRK	FINANCIAL AFFAIRS AND FINANCE DIRECTOR

AUDIT COMMITTEE

NAME SURNAME	POSITION
KEMAL SEMERCİLER	HEAD OF COMMITTEE
SEZAİ BEKGÖZ	MEMBER

CORPORATE GOVERNANCE COMMITTEE

NAME SURNAME	POSITION
KEMAL SEMERCİLER	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

Pinar Su ve İçecek at a Glance

Pinar Su ve İçecek maintained its pioneering position in the sector 2019 as well.



2 million tones
PRODUCTION CAPACITY



More than
400
DEALERS



36 years of
SECTORAL
BACKGROUND

Production Facilities



11.5 billion liters
VOLUME OF PACKAGED WATER
MARKET IN TURKEY
(SUDER)


224.6 million TL
TURNOVER

101.7 million TL
GROSS PROFIT

14.4%
FOREIGN
SALES

EXPORTS
TO **19**
COUNTRIES


406
average
number of employees

8 million TL
Investment expenditures


2019 FINANCIAL PERFORMANCE

(Million TL)	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Net Sales	224.6	234.2
Gross Profit	101.7	97.4
Gross Profit Margin	45.0%	42.0%

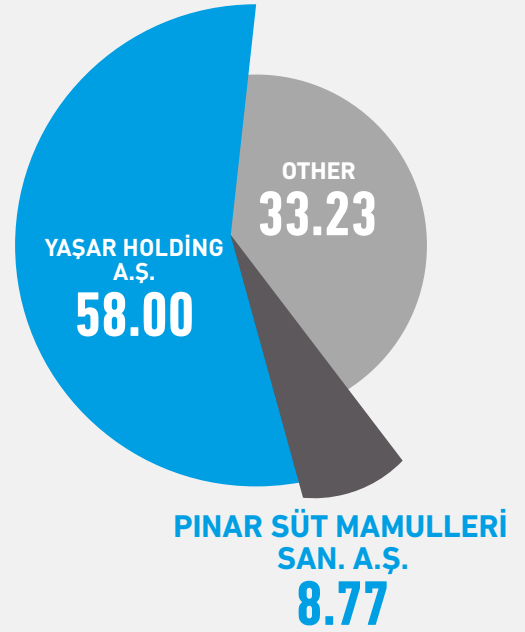
(Million TL)	31.12.2019	31.12.2018
Shareholder's Equity	51.7	64.5
Assets	325.3	293.6
Total Liabilities/Equity Ratio	5.29	3.55



Company Profile

Pınar Su ve İçecek continues its journey, which began 36 years ago as the first packaged water in Turkey, with the vision of “becoming a beverage company”.

PINAR SU VE İÇECEK 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	100.00	44,762,708.45

Shares of Pınar Su ve İçecek are traded at Borsa İstanbul Main Market - Group1 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 ve İçecek, subjecting water to physical, chemical and microbiological tests at every stage of production from source to filling, continues to provide water under the brand "My Life Spring" at the highest quality and with a hygienic environment well above the standards of the sector.

The Company exports the water obtained from the springs of Madran, Gökçeada, Akçaağaç and Uludağ, to 19 countries in addition to domestic market.

VISION TO BECOME A BEVERAGE COMPANY

Pınar Su renewed its trade name as "Pınar Su ve İçecek" with the vision to become a beverage company. The trade name change of Pınar Su ve İçecek was announced at a launch event in 2019 with the participation of company shareholders, the press and business people. Access was provided to more than 5 million people through the launch event and subsequent communications work.

Pınar Su ve İçecek aims to further increase its market share both in and out of Turkey with its new product development efforts in the near future.

STATE-OF-THE-ART PRODUCTION FACILITIES IN GLOBAL STANDARDS

Pınar Su ve İçecek, Turkey's first TSE certified packaged water brand, maintained its leading position in the sector in 2019.

Products are filled untouched at Pınar Su ve İçecek facilities having global standards and state-of-the-art technologies. Water is processed with Class 100 Isolator and Clean Room technology without disrupting its natural structure and changing its mineral balance.

Pınar Su ve İçecek 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.

Pınar Su ve İçecek, which uses the most advanced technologies of the world in all filling facilities and continuously monitors technological developments in the sector, is filling the products without any human touch, in a fully hygienic atmosphere, positively pressurized with sterile air, blocked to air input from outside and the air of which is always cleaned.

The Company's studies carried out within the scope of importance it attaches to food safety, cleanliness and health standards, quality, environment, occupational health and safety and customer satisfaction are also documented with certificates. Pınar Su ve İçecek stands out as the first Turkish beverage brand to register its quality by being eligible to receive the International Certificate of Health and Food Safety conformity (NSF).

The company has recently been certified under BRC, the international food safety standard.



Competitive Superiorities

Pinar Su ve İçecek stands out in competition with its logistical strength and 36 years of experience, delivering spring water with international standards to consumers under hygienic conditions.

WIDE PRODUCT PORTFOLIO

- Production from Madran, Gökçeada, Akçaağaç and Uludağ natural water sources in all packaging formats and volumes of SKUs based on changing needs of consumers
- Simple and flavored mineral water portfolio
- Sugar and sugar-free lemonade
- Pinar Fri product family consisting of a combination of natural spring water and fruit juices
- Pinar Yeni Nesil Yaşam Pınarım (Pinar New Generation My Life Spring) functional beverage family

BRAND AWARENESS

- Strong brand reliability
- Among the brands of Superbrands® Turkey
- High customer satisfaction
- Among 2018 Lovemarks of Turkey
- In 2019, 2nd company in soft drink category of Capital Magazine "Most Admired Companies Survey"
- Pinar Su ve İçecek is among the top brands which increase their reputation in the still drink category at "The ONE awards Integrated Marketing Awards" conducted in 2019 based on the "Reputation and Brand Value Performance Measurement" survey by Marketing Turkey Magazine and Akademetre Research Company.

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 line implementation
- "Online" ordering system
- Mobile ordering app
- Corporate collaborations

PRODUCTION

- Spring water with international standards reaching consumers in 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) in beverage category.
- Sectoral knowledge and experience of 36 years
- Clean Room technology





yeni nesil yaşam pınarım ile,
YAŞAMINA DEĞER KAT

ŞEKER İLAVESİZ



Following the developments in Turkish market as well as the global trends closely, Pınar Su ve İçecek continues its activities with the goal of becoming one of the leading beverage companies in different categories in the sector.





Products of Pinar Su ve İçecek

Products of Pinar Su ve İçecek

MADRAN

0.50L pet bottle
1.50L pet bottle
5L pet bottle
0.33L glass bottle
0.75L glass bottle
19L carboy

GÖKÇEAĞAÇ

0.33L pet bottle
0.50L pet bottle
1L pet bottle
1.50L pet bottle

AKÇAAĞAÇ

0.20L cup
0.33L Minions
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 DENGİ MINERAL WATER

0,20L Plain Mineral Water
0,20L Apple Flavored Mineral Water
0,20L Lemon Flavored Mineral Water
0,20L Watermelon&Strawberry Flavored Mineral Water

PINAR FRIİ

0.25L Frii Lime Soda
0.25L Frii Tangerine Soda
0.25L Frii Red Grape Soda
0.25L Frii Pomegranate Soda
0.25L Frii Melon Soda

PINAR LEMONADE

1L Lemonade
1L Lemonade Sugar Free
0.33L Lemonade
0.33L Lemonade Sugar Free

PINAR NEW GENERATION MY LIFE SPRING FUNCTIONAL BEVERAGE FAMILY

0.25L My Beauty Spring
0.25L My Immune Spring
0.25L My Wellness Spring
0.25L My Comfort Spring

Health from the Highest Quality Sources

Pinar Madran

Sulphate 7.9 mg/L
Sodium 4.9 mg/L
Chloride 3.6 mg/L
pH 7.45
Conductivity 58 µS/cm

Pinar Gökçeağaç

Sulphate 7.7 mg/L
Sodium 5.6 mg/L
Chloride 1 mg/L
pH 8.2
Conductivity 130.3 µS/cm

Pinar Akçaağaç

Sulphate 2.2 mg/L
Sodium 1.5 mg/L
Chloride 2.0 mg/L
pH 8.01
Conductivity 218 µS/cm

Pinar Uludağ

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





MEYVELİ DOĞAL
KAYNAK SULU VİTAMİNLİ



Innovations for Changing Trends

Pınar Su ve İçecek, which monitored consumer behavior and programmed its studies according to changing demands, added new products in different categories to its product portfolio in 2019.

With its innovative vision, Pınar Su ve İçecek carried out many different activities throughout the year. With the launch of Yeni Nesil Yaşam Pınarım (Pınar New Generation My Life Spring) series, the first functional beverage family in glass bottle with vegan certificate in Turkey, four types of new generation beverages were introduced in this category in 2019. With the high consumer appreciation, the product series quickly became the leader in its category.

There is a continuous increase in the number of consumers who prefer vegan nutrition with the rise of the healthy life trend. The increase can also be observed in V-Label certified products, a global symbol developed by the European Association of Vegetarians and recognized by the International Association of Vegetarians and member countries. Pınar Su ve İçecek became the leading brand which has the first V-Label certificate in many products in beverage category in Turkey. Turkey's first vegan certified lemonade, first fizzy drink and first functional beverage were launched and introduced to the consumers.

With its aim to continue growing in glass packaging product category as a environmentally-friendly company, Pınar Su ve İçecek also introduced its natural spring water products in glass bottle to its consumers with concept designs special to new year, Valentine's Day and summer period in addition to recently launched new glass packaged products.

By continuously developing its technological infrastructure in parallel with the digital transformation, Pınar Su ve İçecek aim to improve the consumer experience to a better level with the mobile order application renewed in 2019. Mobile application technology, which offers online ordering opportunities for other products in the beverage portfolio as well as natural spring water, is aimed to be further developed in 2020 and to expand the online sales channel.

Pınar Su ve İçecek, which strengthens its position in the market with innovative works it carried out, will continue to work to increase consumer satisfaction in 2020 with its continuously developed technological infrastructure in existing and new beverage categories.





Sector Overview

The packaged water market, which has the largest share in the beverage category, was realized as 11.5 billion liters tonnage in 2019.

In 2019, packaged water, flavored water and functional beverage categories had a growth trend with the change of product preferences of consumers for healthy life and healthy nutrition. The decrease in sweet and carbonated beverage consumption led to the development of new products that respond to changing consumer preferences in the industry.

PACKAGED WATER MARKET

Packaged water market size reached 11.5 billion liters tonnage in 2019 with a shrinkage of 4% (SUDER). Pınar Su ve İçecek was among the top 5 companies in terms of turnover in the packaged water market (Nielsen Retail Panel, 2019).

Pınar Su ve İçecek maintains its leading position in terms of being the first packaged water brand with TSI certificate in Turkey.





224.6
million TL
NET SALES REVENUE

7.5
million
USD TOTAL
EXPORT

Activities in 2019

Pınar Su ve İçecek achieved a total sale tonnage of 401 thousand tons in 2019.

Position of Pınar Su ve İçecek in the Industry

Having stood out as a company with 100% Turkish capital among the large corporations with nationwide sales, Pınar Su is among the 5 largest companies in the market where the local players are dominant with a share of 60%.

With a total net sales of 224.6 million TL, Pınar Su ve İçecek achieved a total sale tonnage of 401 thousand tons in 2019. While the Company made a gross profit of 101.7 million TL, the amount of the investments made was 8 million TL in 2019.

Sparkling water, lemonade, carbonated drinks with aromas and functional beverages, which are among the beverage portfolio that grows each year with the launch of new products of Pınar Su ve İçecek, are having a larger share in the total sales in 2019.



7.5 MILLION USD EXPORT REVENUE

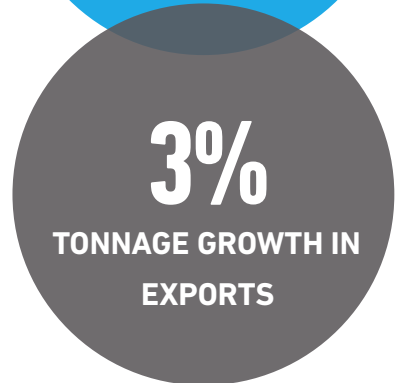
Pinar Su ve İçecek realizes 13.3% of total water export of Turkey. In 2019, Pinar Su, one of the leading companies among the water exporting brands in Turkey, increased its exports made to 19 countries to 58 thousand tons and its export revenue to 7.5 million USD and realized a growth of 3% in tonnage. The share of total exports in turnover increased and reached 18.9%.

The Company made exports to the UK, Germany, TRNC, Iraq, Kuwait, UAE, Azerbaijan, Bahrain, Romania, Ireland, Libya, Singapore, Malta, Kosovo, Trinidad Tobago, Switzerland, USA, Ukraine and Belgium markets in 2019.

The Company realized 14.4% of its total sales to the foreign markets and the share of England, Germany and other surrounding European countries in exports was 81% in 2019. Pinar Su ve İçecek started to export Pinar Frii and Pinar Lemonade products developed for existing and potential markets in 2019.

Pinar Su ve İçecek plans to enter into new markets with the added value drink products segment whose production was started in 2019 in all over the world especially in the markets where it is active and the Company also aims to increase its export revenues in this way.

In 2019, incentives were used within the scope of the Turquality project, which was implemented for the purpose of branding Turkish products abroad and establishing the image of Turkish Goods.





Pınar Su ve İçecek Customers and Consumers

Emphasizing the values of “trust, naturalness, family connection” in brand communication, Pınar Su ve İçecek continues its work with the goal of providing the best to consumers.



Working with the goal of providing the best products to its customers, Pınar Su ve İçecek offered 13 varieties in the water category, 4 varieties in the mineral water category, 4 varieties in the lemonade category, 5 varieties in the fizzy fruit beverage category and 4 varieties in the functional beverage category with its new products added to its portfolio in 2019. In addition to its effective and competitive marketing strategy, the Company also prioritized communication activities and continued its activities throughout the year in line with its goals.

The Company offers 19L polycarbon carboy and 15L glass carboy water solutions for domestic consumption according to different usage needs. Pınar Su ve İçecek also offered glass and pet products with different dimensions to its customers for out of house consumption.

The Company, achieving to make a difference in newly entered fields of beverage sector, gained successful results with functional beverage category added in 2019 to Lemonade and Fruit Soda segments which it entered in previous years.

PINAR LIFE SPRING FILLING FACILITIES

ULUDAĞ

The Pınar Su ve İçecek Uludağ Facility, which was established in Bursa-Inegöl with the latest facility investment, is located at an altitude of approximately 1,600 meters from the residential areas. With a hardness scale of 3.5 Fr, the spring is one of the most qualified springs from taste and content aspect. Investments and projects will be continued in the Facility in order to increase energy efficiency.

MADRAN

The Pınar Su ve İçecek Madran Spring, which is one of the highest quality springs in Turkey, operates in Aydın-Bozdoğan, which lies approximately 1,000 meters above the residential areas. The Madran source has a hardness rating of 1.65 Fr.

AKÇAAĞAÇ

Water obtained from Akçaağaç Spring located in a point far away from Isparta-Eğirdir city center and industrial wastes contains minerals with low sodium, special calcium and magnesium values and it helps to maintain the balance of human metabolism.

GÖKÇEAĞAÇ

Gökçeağaç Spring in Sakarya Hendek is located on an untouched green area.



VALUES HIGHLIGHTED: TRUST, NATURALNESS, FAMILY CONNECTION

In addition to the new products launched in 2019, Pınar Su ve İçecek has strengthened its position in the market through significant marketing efforts during the year.

Emphasizing the values of “trust, naturalness, family connection” in brand communication, the Company’s most important reference is the strength and respectability of the “Pınar” brand in the food and beverage sector. Pınar Su ve İçecek highlights the qualities of healthy and delicious water it provides to its consumers in its brand awareness.

Pınar Su ve İçecek was shown among the most loved brands in water category in “LOVEMARKS of TURKEY 2018” research which was realized for the 11th time in 2018.

Increasing its competitive position in the sector with its strong sales and distribution network, Pınar Su ve İçecek continued to improve its position in the market with its new products and services. In this context, mobile apps were developed on the sales and distribution network side in 2019.

Marketing Activities

- The communication strategy for Pınar Frii, which is included in the fruit fizzy beverage category and one of the largest segments in the beverage category, was determined according to its target group of young people. Digital and social media ads, outdoor advertising investments were realized.
- Products were launched under the name of Pınar Yeni Nesil Yaşam Pınarım (Pınar New Generation My Life Spring) in functional beverage category which is the fastest growing category in the global beverage sector. Organic shares were obtained through digital media, ad shares on social media, and sending launch package to influencers.
- The Mobile Order application of Pınar Su ve İçecek, one of the digitized business models, was renewed in 2019. Among the branded water ordering applications, the possibility of paying by credit card was offered to consumers for the first



time. In order to ensure that the application is used by more consumers, campaigns aimed at consumers were carried out by collaborating with different brands.

- Re-launching communication with the consumers was realized with radio commercials for Pınar Lemonade. During the summer period, product penetration was increased with sales and marketing activities by creating product awareness with the advertising investment made for the Lemonade product portfolio.
- Thanks to the contests organized and ads made via social media, interaction between the brand and the customer was increased.
- Pınar Su ve İçecek stood by consumers by sponsoring many events throughout the year. It supported athletes in many sports activities such as Levent Tennis Club, KSK One Team, Bozcaada Run etc.
- By participating the event held on World Vegan Day, Frii, Lemonade and Functional Drinks, which are the first vegan certified products of Turkey, were brought together with the consumer.



MERCHANDISING TEAMS

After the newly launched products, product range increased to 30 and the product arrangement display teams were established in the modern sales channel. With the actions taken in point sales of teams, actual sales increases were achieved and successful field applications were carried out.



PINAR SU ORDER LINE

Fast and efficient services were continued to be rendered via **444 99 00** Call Center, dealers, mobile application and website. As a result of the regular communication activities realized in 2019; the orders received from digital channels reached up to 22%.

PINAR COMMUNICATION CENTER

Demands and recommendations of consumers noted to Pinar Communication Center (PIM), no: **444 76 27** which can be called anywhere in Turkey without dialling the area code, are carefully analyzed and taken into account at the Company. Pinar Communication Center whose successful call reply ratio is 93.42%, the ratio of calls replied within the first 15 seconds is 91.16%, customer satisfaction ratio is 89.22% according to date of 2019 can be reached through twitter.com/InfoPinar and facebook.com/PinariletisimMerkezi. PIM examines the demands and proposals received from its official Twitter and facebook account in social media, solves them and rapidly replies to customers.

STRONG AND CONTROLLABLE DEALER NETWORK

Pinar Su ve İçecek operates on the principle of always being accessible with more than 400 plastic and carboy dealers, whose legal standards it continuously monitors. Thanks to the renewed technological infrastructure for dealers, the Company renders more dynamic services with controllable quality. Following the criteria that are important for the quality of service, Pinar Su ve İçecek pays special attention to delivery time and availability of stock. The company guarantees customer satisfaction with its strong call center operation.

Pinar Su ve İçecek aims to improve its service quality through innovative practices by making investments in technology and digitalization. It brings the entire product portfolio to the customer's door thanks to its mobile order application, Call Center, web site and wide dealer network.

Quality Department of Pinar Su ve İçecek inspects and evaluates this large dealer network regularly in terms of certifications, legal liabilities, storage conditions and transportation standards. Development, training and information requirements defined as a result of these inspections are shared with the dealers.



Investments of 2019

Pınar Su ve İçecek continued its investments with its commitment to innovation in 2019.

Pınar Su ve İçecek has increased its ability to produce fizzy and still fruit beverage in addition to packaged natural spring water with high technology as a result of its investments in recent years. The Company is constantly developing its infrastructure to deliver innovative and reliable products to consumers.

Pınar Su ve İçecek reinforces its compliance with evolving technology and regulatory conditions through its investments. The Company has spent 8 million TL on investment during 2019.



High Quality

Pınar Su ve İçecek carries out all relevant processes in accordance with national and international standards at every stage of production, starting from water sources with the understanding of a responsible producer.

Following the sectoral and technological developments in Turkey and around the world, Pınar Su ve İçecek takes care of quality and food safety standards as a priority. Pınar Su ve İçecek, which aims at continuous development in the areas of customer satisfaction, energy and environmental management, documents its activities in line with these objectives through national and international standards. Turkey's first TSE certified packaged water brand, Pınar Su ve İçecek, brings its safe, high quality products with its consumers from the past to today.

SUSTAINABLE RELATIONS WITH SUPPLIERS

Pınar Su ve İçecek, sharing its effective are and constant improvement target with its suppliers, Pınar Su ve İçecek considers compliance with standards such as quality, food safety, environmental and occupational health safety as a priority in supplier selection. Compliance with the corporate values of Yaşar Group, public health and responsibilities towards nature are also important criteria for supplier selection.

Suppliers are subjected to audits frequency of which is determined according to critical assessments such as the effectiveness of their management systems, final supplier audit scores, and their performance monitored throughout the year. The compliance of suppliers with respect to quality, food safety, occupational health and safety, environmental systems is questioned by carrying out inspections on-site by the relevant units. Taking these principles into consideration while increasing the number of active suppliers, Pınar Su ve İçecek enables its suppliers to shape their work and production within the framework of this principle.



In 2019, activities to increase productivity were carried out at Aydın Bozdoğan facility, energy, outage, workmanship and production lines. New products were started to be produced in the beverage line with Frii sodas, lemonade and Functional Drinks Group.

In Pinar Su ve İçecek Uludağ Facility, which was designed in compliance with the requirements of Industry 4.0 management system, there are production and filling lines having the highest capacity and the most up-to-date technologic infrastructure in bottled water sector in Turkey. Two separate facilities established on an area of 123,000 m² are managed with production campus model. While returnable dispenser size bottles are filled in one of the facilities, pet bottles are manufactured and filled in the other facility. In this way, production is realized in a very simple manner.

With the modifications on 1.5L product lines at Hendek facility of Pinar Su ve İçecek in 2019, productivity was improved in addition to the capacity increase. Pinar Su plans investments that effect productivity in a positive way with automation projects to improve Industry 4.0 infrastructure in 2019.

Total industrial energy use at all locations decreased by about 10% in 2018 and decreased by about 5% in 2019 compared to 2018 thanks to efforts to increase line productivities, periodic and predictive maintenance activities, and production planning efficiency.

Productivity Activities

With the goal of sustainable growth, Pinar Su ve İçecek made production improvements in 2019.





Pınar Su ve İçecek aims to create competent and committed employees who realize their potential, create values through orientation and adaptation, training and development, skill management, innovative and global applications at company culture. Pınar Su ve İçecek, whose average number of employees reached to 406 in 2019, advances with a management policy which works as strategic business partner with all units, always analyzes requirements of the Company and employees, creates values and rapidly adapts to changing conditions.

BASIC HUMAN RESOURCES POLICY

- Personnel positions are determined at the Company by the criteria of business economics.
- The Company conducts intramural and extramural training programs within the framework of plans that are devised for each level in order to ensure the constant progression of its employees.
- Equal opportunities among employees are observed in internal promotions and appointments.
- 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.
- Performance evaluation of personnel is based on their achievement of objectives and competencies.
- Job descriptions and performance standards are documented for each position from top to bottom.
- 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.
- Under the Company's occupational health and safety regulations, legal measures are taken to prevent occupational risks, ensure health and safety, and eliminate risk and accident factors.
- The Company's management style is determined as "... [to] maintain our existence as a company that acts fully respectful of the laws and ethical rules, and embrace total quality philosophy and participatory management."
- The Company works on the principle of equal rights among its employees without distinction based on language, race, colour, sex, political and philosophical thought, religion, sect and similar reasons. Due measures are taken to protect this fundamental constitutional right of employees.

Pınar Su ve İçecek Family

Pınar Su ve İçecek, which considers qualified human resources as the basis of sustainable growth and quality production, constantly supports the development of its employees.





406

AVERAGE NUMBER
OF EMPLOYEES IN
YEAR 2019

Activities Conducted During Human Resources Processes

- * In cooperation with Yaşar University, students and graduates were met up at Career Days in order to create candidate pools.
- * Cooperation with universities was realized, students were offered internship opportunities to experience the work life.
- * Joint projects were started with Yaşar University in order to develop University - Industry Cooperation.
- * Works were actively carried out on LinkedIn's official Pınar Su ve İçecek page. In addition to sharing up-to-date information and activities, announcements for positions were published.
- * Trainings such as Personal Data Protection Law, occupational health safety and food safety, environmental management system, energy management system and sales training for sales teams were carried out.
- * Gender Equality Committees were formed and works started on this subject.

2.6 million kg
RECYCLED PET
PACKAGING QUANTITY

2.8 million kg
RECYCLED GLASS
PACKAGING QUANTITY

Sustainable Environment Understanding

Pinar Su ve İçecek plans its activities in all business processes and investment decisions by taking into account energy efficiency, environmental protection and waste management.

The priorities of Pinar Su ve İçecek on sustainability and environment issues are categorized under five main headings: "Energy and Climate Change", "Water Management", "Waste management", "Health and safety" and "Social contribution". The Company makes improvements under these headings.

Pinar Su ve İçecek carries out its works within the scope of its sustainability strategy, which it has started to implement.

AMOUNT OF PACKAGING WASTE RECOVERED IN 2019

TYPE OF PACKAGING	AMOUNT RELEASED TO MARKET (KG)	AMOUNT COLLECTED (KG)
PET	4,761,571	2,571,248
PE	1,381,718	746,128
CARDBOARD	879,985	475,192
GLASS	5,108,535	2,758,609

Pınar Su ve İçecek continued to work in cooperation with ÇEVKO, the institution authorized to collect package wastes in 2019.

The Company continues its operations in compliance with United Nations Global Principles Convention (KIS) signed by Yaşar Holding in 2007.

Pınar Su ve İçecek aims to leave a healthier geography and social environment for a higher quality life and livable world to the next generations and focuses on efficient and productive usage of limited natural resources. The Company actively continued its activities on environmental protection, avoiding environmental pollution, keeping natural source usages under control and disposing wastes in 2019.

Amount of Environmental Waste was Reduced

Since the second half of 2011, the Company has reduced the amount of plastic for packaging and cover materials used in plastic bottle production. In this way, the amount of environmental waste is reduced and environmentally sensitive production conditions are further improved. In parallel with package decreasing process, energy efficiency was increased due to the decreased energy consumption for blowing process of light weighted bottles. As a result of all this work, the carbon footprint of the manufacturing plants was reduced.

"Pınar Yaşam Pınarım" brand products which meet the customer, together with the environment icon used in the production of PET bottle packaging materials 2.5 in years, indicating the amount of decrease was included in the phrase. Pınar Su ve İçecek also aims to sustain and improve environmental consciousness and to create awareness by informing the consumers about this issue via social media communication. Works to integrate innovative approaches to decrease costs in the process of supplying products to the end users to all production processes are continued.

Pınar Su ve İçecek contributes to the goal of reducing water footprint by providing efficient and effective use of process water through the technological infrastructure at the Uludağ facility.

COOPERATION WITH ÇEVKO

Pınar Su ve İçecek uses such packaging materials causing least waste after production and usage and the least harm to environment for its products presented to consumers. It aims to make product packaging which are reusable and recyclable.

Pınar Su ve İçecek works in cooperation with Environmental Protection and Package Wastes Recycling Foundation (ÇEVKO) in order to collect packaging wastes back. It organizes training activities for consumers and municipalities on the separate collection, recycling and recovering of waste at source.



Towards 2020 Carbon Emission Target

Pınar Su ve İçecek continues its efforts to improve Yaşar holding's target of reducing its average carbon emissions by 15% per ton of production by the end of 2020.

The main activities performed for this purpose:

- Pınar Su ve İçecek reduced its carbon emissions by 21% in 2014 and managed to lower its carbon emission rate in 2015 compared to the previous year.
- In 2016, Pınar Su ve İçecek continued its actions for the target of decreasing carbon print with the projects realized in pet preform blowing process and illumination systems which are the main energy consumption areas.
- In 2018, carbon emissions decreased by 12% compared to 2017, while in 2019, the emission value decreased by 1.1% compared to the previous year.





Corporate Social Responsibility

The Company continues its social responsibility activities under the brand “Pınar” and provides significant support to the community in the fields of education, sports, art, environment and sustainability.

Yaşar Group carries out its social responsibility projects, which have become traditional for many years, under the brand name “Pınar”. Social responsibility projects in different areas have been implemented in 2019 to build a conscious and healthy society.

PINAR CHILDREN'S THEATER

Since its founding in 1987, Pınar Children's Theatre has reached more than three million children across Turkey for free. Pınar Children's Theater aims to contribute cultural and personal developments of children in each play and it has played the role of a school which has brought several famous players in the art of theater.

During the 2018-2019 academic period, Pınar Children's Theater exhibited its new play called “Game Machine” in



various schools in Izmir, giving thousands of little theater lovers a feast. Samsun was the second stop of Oyun Makinesi (Game Machine), which started its first

performance in Izmir at schools in March. It was then staged in different events and cities throughout the year for the little theatre lovers within the scope of cultural events of Denizli Metropolitan Municipality. With the new play Turkey tour, Burdur - Gölhisar, Denizli - Çameli, Muğla - Köyceğiz, Aydın - Hatipkişla, Izmir - Kiraz, Izmir - Ödemiş met with little art lovers. Pınar Children's Theater reached nearly 50 thousand theater lovers in 2019.

INTERNATIONAL PINAR CHILDREN'S PAINTING CONTEST

The theme of International Pınar Children's Painting Contest, which is organized in order to improve the interest of primary and middle school children on painting and fine arts, was “Draw Your Dream” in 2019. About 35,496 paintings and 1,466 schools from seven regions of Turkey and from NCTR, Germany and via social media took part in the contest.

14 little artists who won the award came together at the Pınar Culture & Art Event in Izmir. During the event, children coming from Turkey and abroad had a chance to know İzmir. Award Ceremony for 38th International Pınar Children's Painting Contest was held at Ahmed Adnan Saygun Art Center and the works of little artists were exhibited at Ahmed Adnan Saygun Art Center during 11-28 June 2019. Paintings of the contest winners continued to be exhibited in various areas throughout the year.



PINAR CHILDREN'S PAINTING WORKSHOP

Another project realized with the goal of bringing children together with art was the Pinar Children's Painting Workshop. The workshop conducted for the fourth time in 2019, reached

to the children in 9 different points in 8 provinces- Istanbul, Trabzon, Samsun, Şanlıurfa, Gaziantep, Izmir, Eskişehir and Bursa. Under the frame of Pinar Children's Painting Workshop 3,484 children were directed to take part at Pinar Children's Painting Contest. 215 thousand people were reached with workshop activities.

SUPPORT FOR SPORTS

Supporting young people's interest in sports and development, Pinar has been the main sponsor of the Karşıyaka basketball team since 1998. Pinar has made a significant contribution to the development of basketball in Turkey through its beverage supply and name sponsorship efforts, while continuing its support for different sports branches in Turkey.

Pinar KSK

With the sense of "social citizenship", Pinar contributes education, sports and protection of cultural assets within the scope of sports communication activities. With this corporate culture approach, the Company continues to support Karşıyaka Sports Club under the leadership of Selçuk Yaşar, the Founder and Honorary President of Yaşar Holding. As the main sponsor, thousands of little sportsmen in Karşıyaka Basketball Team and sports infrastructure have been supported since 1998.

The recent achievements of Pinar Karşıyaka which was sponsored with the aim of making Izmir a city of basketball and integrating youth and children with sports include Turkish Cup Championship, Presidency Cup Championship and Turkish Basketball League Championship. Pinar Karşıyaka also successfully represented our country in international organizations such as Turkish Airlines EuroLeague, 7DAYS EuroCup, FIBA Champions League and FIBA Europe Cup, while Karşıyaka basketball branch provided its infrastructure and contributed more than 25 thousand children to play sports.

LIFE WITH PINAR SOCIAL MEDIA ACCOUNTS

Pinar presents useful and up-to-date information to families about mother-children relations via Twitter, Instagram and Facebook accounts and illuminates youth about the issues of sports and environmental consciousness. Pinar includes social responsibility and sustainability issues in its social media accounts and aims to reach different target masses in this way.

35,496 number of paintings
SENT TO PINAR
CHILDREN'S PAINTING
CONTEST

**more than
3
million**
NUMBER OF CHILDREN
WATCHED PINAR
CHILDREN'S
THEATER

SPONSORSHIPS

The Company takes part in and supports several congresses on several areas like R&D, sustainability and marketing in food sector. Furthermore, the Company sponsors activities supporting the development of cooking, gastronomy and cuisine culture. In 2019, Pinar Su ve İçecek continued to participate in many activities in this context.

Main Organizations Sponsored:

- 3rd International Water and Health Congress
- Didim Vegfest
- World Vegan Day Event
- Bozcaada Half Marathon
- Veloturk Grand Fondo Çeşme
- KSKOne Team Running Group
- Izmir Dokuz Eylül University Technology Days
- 4th Koruncuk Surfing Festival Alaçatı
- Outdoor Fest
- Urla Youth Festival
- Levent Tennis Club
- Ayvalık Cunda Music Festival
- Brand & Sport Summit
- ACI Alumni Association Halva Picnic

Fairs Participated:

- Dubai GULFOOD Fair / 17-21 February 2019
- Izmir International Fair / 6-15 September 2019
- Anuga Fair / 5-9 October 2019
- Sirha Fair / 14-16 November 2019



Documents and Certificates

Pınar Su ve İçecek, which certifies its production competence in international standards, received several awards in 2019.

Pınar Su ve İçecek deserved Turkey's Most Admired Companies Award

In the "Most Admired Companies" survey led by Capital Magazine, Pınar Su ve İçecek became the 2nd most admired company in the soft drink category in 2019.

Reputation Award to Pınar Su ve İçecek

Pınar Su ve İçecek achieved to be one of the top 3 brands which increase their reputation in the still drink category at "The ONE Awards Integrated Marketing Awards" conducted in 2019 based on the "Reputation and Brand Value Performance Measurement" survey by Marketing Turkey Magazine and Akademetre Research Company.

DOCUMENTS AND CERTIFICATES

- TSE ISO EN 9000 - Quality Management System Certificate
- TS ISO 10002 - Customer Satisfaction Management System Certificate
- TSE ISO EN 14000 - Environment Management System Certificate
- TSE ISO EN 22000 - Food Safety Management System Certificate
- TS EN ISO 45001 - Occupational Health and Safety Management System Certificate
- NSF International - International Health and Food Safety Competence Certificate
- BRC (British Retail Consortium) British Food Safety Competence Certificate
- TS 266 - Water - (for Human Consumption) - Turkish Standards Competence Certificate
- TS OIC SMIC 1 - Halal Certificate of Conformity
- UEA S. GSO987 - United Arab Emirates Quality Standards Competence Certificate
- IMS CERTIFICATE- Certificate of Conformity to United Arab Emirates Industrial Measurement Standards
- VEGETARIAN CERTIFICATE - European Vegan and Vegetarian Standards Certificate of Compliance

Milestones

Pioneer in the Industry with International Production Standards and Modern Technology

- 1984** • Pinar Su introduces consumers to Turkey's first packaged water under the "Pinar Şaşal" label.
- 1985** • PVC containers are used for the first time.
• Pinar Su exports goods to Germany for the first time.
- 1989** • Pinar Su single-handedly accounts for 90% of all of Turkey water exports.
- 1995** • Bottled water production capacity reaches 100,000 tons a year.
- 1996** • Pinar Su opens its second factory in Aydın Bozdoğan and introduces its "Pinar Madran" brand to consumers.
- 1997** • Pinar Su introduces the first PET bottles for its Pinar Madran line of water and is awarded a gold plaque by the Turkish Standards Institute.
- 1999** • ISO 9001-2008 Quality Management System Certification is received.
- 2001** • Pinar Su receives TSE ISO 14001 Environmental Management System Certification.
- 2002** • Pinar Madran Water is marketed in carboys.
- 2003** • The rights to the Sakarya and Isparta springs are acquired and Marmara Su is set up. Products are presented to consumer's taste under the "Pinar Yaşam Pınarım" and the "Pinar Denge" labels from these two springs.
• Pinar Su is awarded TS ISO 9001:2000 Certification.
- 2005** • Pinar Su is awarded TS 13001 HACCP Food Safety System Certification.
• Pinar Madran plant located in Aydın Bozdoğan is expanded with additional investments made.
- 2007** • Pinar Madran is the first Turkish beverage brand to be certified with the NSF International Quality Certification.
- 2009** • Pinar Su is awarded TS ISO EN 9001:2008 Quality Management System Certification.
- 2010** • The Pinar Su Order Hotline at 444 99 00 launches its service and can be accessed from anywhere in Turkey.
• Pinar Su is awarded TS ISO EN 22000 Food Safety Management System Certification.
- 2011** • Bottle weights are reduced with the short-neck project.
• 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.
- 2013** • Pinar Su order-placement app running on Android and iOS platforms is launched.
• 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.
• Pinar Su receives BRC (British Retail Consortium) Food Safety Certification.
• According to the results of the Turkish National Customer Satisfaction Index survey, Pinar Su ranked first place in the packaged water industry.
- 2015** • Pinar Su is the official water provider of the Turkish Basketball Federation and the National Basketball Teams.
- 2016** • Pinar Su launches 15L glass carboy.
• Uludağ source investment in Bursa / Inegöl is completed and put into operation.
- 2017** • Pinar Fii fruit flavored segment is added to mineral water category and the portfolio is expanded.
• Lemonade category is released to market.
• In addition to filling the water supply, the ability to produce fizzy and still fruit drinks is gained.
• Minions licensed products joins the portfolio.
- 2019** • Trade Name was renewed as "Pinar Su ve İçecek".
• Pinar New Generation My Life Spring functional beverage family was presented for the taste of consumers.

CORPORATE GOVERNANCE PRACTICES AND FINANCIAL INFORMATION

BOARD OF DIRECTORS

Emine Feyhan Yaşar - Chairperson

Feyhan Yaşar started his business career in 1978 as a Human Resources Specialist at DYO which is one of Yaşar Group companies. Later, Feyhan Yaşar served as the Personnel Relations Coordinator of Yaşar Group and took office in various positions in the fields of finance and management, mainly tourism. She then took office as Chairman of the Board of Directors of Yaşar Holding between 2004 and 2009 after Selçuk Yaşar, the founder of Yaşar Group, became the Honorary Chairman. Feyhan Yaşar currently serves as Vice Chairman of the Board of Directors of Yaşar Holding and Hedef Ziraat, while serving as Chairman of the Board of Directors of Pınar Et, Pınar Su, Altın Yunus Çeşme, Yaşar Bilgi, Yadex International, HDF FZCO and HADAF Foods, which are companies of Yaşar Group, and holds offices on the boards of Directors of other Group companies. In addition to her business career, Feyhan Yaşar, taking active part in many non-governmental organizations which support to the development of society in education, culture and sports fields, is the Vice Chairman of Yaşar Education and Culture Foundation Administrative Council, Member of Board of Directors of Selçuk Yaşar Sports and Education Foundation and Member of Board of Trustees of Yaşar University. Feyhan Yaşar, who has been a Member of the Board of Directors of TÜSIAD and Chairman of the Danish Business Council (DEIK) over the years, has participated in the annual DAVOS meetings with her membership of the World Economic Forum (WEF). She is currently a member Turkish Union of Chambers and Exchange Commodities TOBB, Chairman of Beverages Industry Commission, Member of Business Council Execution Board of Foreign Economic Relationships Board (DEIK) in United Arabic Emirates, member of EBSO Council, Member of SEV Board of Trustees, Member of Boğaziçi University Foundation Board of Trustees, and also member of TUSIAD, SETBİR and ESIAD. Feyhan Yaşar has been providing individual support to the excavations of the Ancient City of Teos in Seferihisar, Izmir, carried out by T.R. Ministry of Culture and Tourism since 2011. Feyhan Yaşar is Honorary Izmir Consul of Luxembourg since 2014. After American Girls College in Izmir, Feyhan Yaşar completed her undergraduate studies at Boğaziçi University, Faculty of Administrative Sciences, Department of Business Administration, and her master's degree in Economics Major at Dokuz Eylül University. Feyhan Yaşar speaks English and French, and is mother of two children.

İdil Yiğitbaşı - Vice Chairperson

Graduated from Boğaziçi University Business Administration Department in 1986 and completed MBA in Indiana University in 1989. Having started her professional life in Yaşar Group at finance sector in 1986, İdil Yiğitbaşı held office as Vice Coordinator of System and Financial Analysis between 1990-1995, Yaşar Food Group Coordinator in 1995, Yaşar Food Group Vice Chairperson between 1997-2001 and Vice Chairperson responsible for Pınar Food Group Milk and Dairy products between 1 February 2001 - 31 January 2006 and Board Member at Group companies. She acted as Vice Chairperson of Yaşar Holding Board of Directors between 2003-2009, Chairperson of Yaşar Holding between 2009-2015. İdil Yiğitbaşı continues her office as Vice Chairperson of the Board of Yaşar Holding since April 2015, Vice Chairperson of the Board of Hedef Ziraat, Chairperson of the Board at Pınar Süt ve Viking Kağıt companies and Board Member at Yaşar Group companies. İdil Yiğitbaşı is Vice Chairperson of Selçuk Yaşar Sports and Education Foundation, Board Member of Yaşar Education and Cultural Foundation, Pınar Institute Chairperson of the Board, Member of Foreign Economic Relations Board (DEIK), Board Member of Izmir Culture, Art and Education foundation (İKSEV), Board Member of Turkish Industrialists and Businessmen Association (TÜSIAD), Consultation Committee Member of Turkish Milk, Meat, Food industrialists and Producers Union Association (SETBİR), Aegean Industrialists and Businessmen Association (ESIAD), Aegean Young Businessmen Association (EGİAD), Association of Advertisers (RVD) and Turkish Corporate Management Association (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.

BOARD OF DIRECTORS

Kemal Semerciler - Independent Member

He 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. Kemal 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 office term in Yapı Kredi Bank, Kemal Semerciler served as Board Member in Abank between March 2016 and March 2016, and is currently an Independent Board Member of Creditwest Faktoring A.Ş. Kemal Semerciler serves on the board of Directors of some companies within Yaşar Group.

Sezai Bekgöz - Independent Member

After graduating from Ankara University, Faculty of Political Sciences Department of Economics, Bekgöz completed his master's degree in Istanbul University Faculty of Economics, and Ph.D. in banking at Marmara University Institute of Banking and Insurance. Between 1983-1992, he served as an Auditor in the Capital Markets Board Audit Department. Between 1992-1998 he served as the Chairman of the Inspection Board in Borsa Istanbul, and between 1998-2007 he served as the Vice Chairman Responsible for Markets, Risk Management and Member Affairs. Between 1997-2007, he served as a Board Member at Izmir Futures Exchange, Takasbank Clearing and and Custodian Bank and Central Registry Agency. Between 2007-2016, he served as Vice General Manager Responsible for Domestic and International Clearing and Custody Operations, Foreign Relations and Member Affairs at Takasbank Clearing and and Custodian Bank. Sezai Bekgöz currently offers consultancy services both in Turkey and abroad and is an independent board member. Sezai Bekgöz is an independent member according to CMB Corporate Governance Principles. Sezai Bekgöz serves on the board of Directors of some companies within Yaşar Group.

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 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, Yılmaz Gökoğlu also serves as Member of Board of Directors in companies included in the Group, and also has licenses of Independent Auditor and Certified Public Accountant.

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 Izmir 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. Cengiz Erol, who has served on the boards of Directors of companies within Yaşar Group since March 2014, has also been a faculty member at Yaşar University since 2017.

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.

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. In this context, under which conditions should the risk management activities be carried out, the duties and responsibilities related to risk management, processes, reports, confidence procedures and risk management terminology have been established.

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 risks suffered by the Company are;

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

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

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

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

The accounting system of the Company, the public disclosure of financial information, independent auditing and survey of partnerships' internal control system and its activities are conducted through the Audit Committee set up by the 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 28 March 2019 were applied. No Extraordinary General Assembly Meeting was held in 2019.

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 explanatory footnotes of financial statements. In this report prepared by the Company's Board of Directors concluded that in all transactions the Company carried out during 2019 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. In 2019, the Company donated TL 141,377 to various institutions and organizations.

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 15 of our financial statements issued for the period of January 1, 2019 - December 31, 2019.

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

Due to the diversification of the Company's activities in the beverage sector, article 2 of the Company's articles of association entitled "Name of the Company" was amended as "PINAR SU VE İÇECEK SANAYİ VE TİCARET A.Ş."

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 31.12.2019, remuneration and similar payments made to the members of the Board of Directors and senior executives amounted to TL 1,977,136.

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

Ordinary audits were conducted by various public institutions during 2019 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 44,762,708.45 TL was protected greatly with an equity level of TL 51,690,667 as of 31 December 2019.

Voting Rights and Minority Rights

There is no privilege on the 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. Each share is entitled to one vote. 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.

The operating principles of the Board of Directors are regulated 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 details of the 2019 activities of the Board of Directors are provided below:

During the reporting period, the Board of Directors convened 56 times. Meetings are usually attended by all members. Damages which may be caused to the company by the faults of Board Members during their tasks are insured to cover 25% of the capital.

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 formed in our 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 Kemal Semerciler and Committee Member is Sezai Bekgöz. 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 functioning and effectiveness of the company's accounting system, public disclosure of financial information, independent audit and internal control system. It also oversees the selection of the independent audit provider, start of independent audit process and works of the independent audit provider. It 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 Kemal Semerciler, Committee Members are non-executive Board Members Yılmaz Gökoğlu and Cengiz Erol and Investor Relations Department Manager is Onur Öztürk. Corporate Governance Committee meets at least on a quarterly basis and holds at least four meetings in one year. 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. Corporate Governance Committee oversees the activities of the Investor Relations Department.

Within the scope of the duties of the Nominating Committee, the Corporate Governance Committee works on establishing a transparent system in the fields of identifying, evaluating, training and rewarding candidates for the Board of Directors and determining policies and strategies in this regard. In addition, the Committee evaluates the nominations for

LEGAL DISCLOSURES

independent Board membership including the management and shareholders, taking into consideration whether the candidate bears the independence criteria or not, and presents its relevant assessment to the Board of Directors for approval.

Within the scope of the duties of the Remuneration Committee, the Corporate Governance Committee formulates its proposals regarding the principles for compensating the Board directors and senior executives, in view of the long-term goals of the Company.

The Early Detection of Risks Committee is responsible for early detection of risks that may endanger the existence, development and continuity of the Company, taking the necessary measures and managing the risk. The Committee is headed by Kemal Semerciler, a non-executive and independent board member, and its members are Cengiz Erol and Yılmaz Gökoğlu, who are non-executive board members.

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 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.

Profit Distribution Policy

The profit distribution policy for 2013 and subsequent years prepared in accordance with the Capital Market Regulations of Pinar Su ve İçecek Sanayi ve Ticaret A.Ş. has been submitted to the General Assembly for approval and has been publicly disclosed. The said information is available at Company's corporate website (www.pinar.com.tr) in Turkish and English on the investor relations page.

Access to the Company's Corporate Governance Compliance Report and Corporate Governance Fact Sheet

The Company's Corporate Governance Compliance Report (URF), Corporate Governance Information Form (KYBF), and the Corporate Governance Compliance Report (URF), for 2019, prepared as per the decision of CMB dated 10.01.2019 and no: 2/49 are disclosed to public on corporate website of Public Disclosure Platform (KAP) (www.kap.gov.tr).

AGENDA

ORDINARY GENERAL ASSEMBLY AGENDA OF PINAR SU VE İÇECEK SANAYİ VE TİCARET A.Ş. FOR 2019, DATED 25 MARCH 2020

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 2019 prepared by the Company's Board of Directors
4. Reading and negotiating the Independent Audit Report for 2019 fiscal year,
5. Reading, discussion and approval of 2019 Financial Statements,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2019 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, closing.

STATEMENT OF INDEPENDENCE

26.03.2019

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 31/12/1960,
- I possess solid ethic standards, professional reputation and experience which will allow me to make contributions to the Company, maintain its objectivity regarding any conflicts between the Company and its shareholders and make unbiased decisions considering the interests of the beneficiaries,
- I am capable of allocating time for the Company which will allow getting sufficiently engaged in company business and fulfill the requirements of assigned tasks,
- I have not been a board member for more than six years in the last ten years,
- I do not hold the position of independent board member at more than three companies managed by the Company or the shareholders managing the Company or more than five stock-exchange-quoted companies,
- I am not registered and announced as a board member on behalf of the selected legal person,

and therefore I will serve at the board of directors of the Company as an independent member.

Best Regards,

KEMAL SEMERCİLER



STATEMENT OF INDEPENDENCE

26.03.2019

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 31/12/1960,
- 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,

Sezai BEKGÖZ



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

PINAR SU VE İÇECEK SANAYİ VE TİCARET A.Ş.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE PRINCIPLES

a) During the operating period ended 31 December 2019, PINAR SU VE İÇECEK 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.

The explanations to be made by our company in accordance with Article 8 of the Corporate Governance Communiqué on corporate governance principles which have not yet been complied with and which are not mandatory are presented below with required explanations:

- 1.3.11** in the articles of association of our company, there is no article regarding the participation of stakeholders and the media in the General Assembly. Officers of independent auditing firms and officers of corporate governance grading institutions also participate in our General Assembly meetings and no request for participation from the stakeholders or the media has reached to our company.
- 1.5.2** In parallel with general practices, rights were granted to the minority within the framework of the provisions of general regulations. The company's capital structure and public disclosure ratio is expected to continue in this manner.
- 4.3.9** There has been no policy for the proportion of female members in the board of directors, but there is currently 2 female member in the board of directors.
- 4.4.7** The board members of our company are not limited for taking other duties outside the company and the duties of the board members are presented to the shareholders for information by including in the annual report.
- 4.5.5** Since there are two independent members in the company's board of directors, it is impossible for a board member to take part in only one Committee.
- 4.6.1** There is no performance evaluation system for the board of directors.
- 4.6.5** In line with general practices, salaries paid to board members and managers with administrative responsibility are disclosed in the annual activity report collectively.

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.

STATEMENT OF RESPONSIBILITY

STATEMENT OF RESPONSIBILITY ISSUED AS PER ARTICLE 9 OF CAPITAL MARKET BOARD-COMMUNIQUÉ ON PRINCIPALS OF FINANCIAL STATEMENTS IN CAPITAL MARKET NUMBERED II-14.1

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 independent auditing and accepted with the Decision of Board of Directors of Pinar Su ve İçecek Sanayi ve Ticaret A.Ş. dated 28.02.2020 and no 2020/7, belonging to financial year of January 1, 2019 - December 31, 2019;

1. Our company examined the reports,

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,

In accordance with the CMB's decision dated January 10, 2019 No. 2/49, the Corporate Governance Compliance Report ("URF") prepared for the fiscal period January 1, 2019 - December 31, 2019 and the Corporate Governance Information Form ("KYBF") were examined by us and that these reports were prepared in accordance with the procedures and principles specified in the Corporate Governance Communiqué of CMB no: II-17.1 as well as in the decisions taken,

So we declare.

Best Regards,

PINAR SU VE İÇECEK SANAYİ VE TİCARET A.Ş.

Kemal SEMERCİLER
Head of Audit Committee

Sezai BEKGÖZ
Audit Committee Member

Hüseyin KARAMEHMETOĞLU
General Manager



**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 ve İçecek Sanayi ve Ticaret A.Ş.

1. Opinion

We have audited the annual report of Pınar Su ve İçecek Sanayi ve Ticaret A.Ş. (the "Company") for the 1 January - 31 December 2019 period.

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

2. Basis for Opinion

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

3. Our Audit Opinion on the Full Set Financial Statements

We expressed an unqualified opinion in the auditor's report dated 28 February 2020 on the full set financial statements for the 1 January - 31 December 2019 period.

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

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

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

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

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

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

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

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

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

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

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

Mehmet Karakurt, SMMM
Partner

İstanbul, 28 February 2020

PINAR SU VE İÇECEK SANAYİ VE TİCARET A.Ş.

FINANCIAL STATEMENTS

AT 1 JANUARY - 31 DECEMBER 2019

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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



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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the financial statements

1. Our opinion

We have audited the accompanying financial statements of Pınar Su ve İçecek Sanayi ve Ticaret A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for opinion

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

3. Key audit matters

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

Key Audit Matters**How the key audit matter was addressed in the audit****Fair value measurement of land and land improvements and buildings (Refer to Notes 2.5.4 and 11)**

In accordance with TAS 36, "Property, plant and equipment", land and land improvements and buildings are carried at fair value on the financial statements.

The fair value gain before tax amounting to TL 22,019,654 was appraised by the independent professional valuers at 31 December 2019. The fair value gain was recognised as revaluation reserve in equity, net of applicable deferred income tax in the financial position.

This was a key audit matter since the total amount of the land and land improvements and buildings as of 31 December 2019 has a significant share in the assets of the Company and these valuations include estimations and assumptions that are sensitive to discount rates, 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 for the fair value measurement of land and land improvements and buildings:

- We assessed in accordance with relevant audit standards that the competency, capability and objectivity of the independent professional valuers who were appointed by the Company management.
- We checked and agreed the completeness and reconcile the input data in terms of m², location and zoning status, used by the independent professional valuers who were appointed by the Company management, on a sample basis, with the Company's records. In addition to that certain estimates and assumptions such as the discount rates, market reference prices per m² and construction costs per m² were assessed with the help of the external auditor expert.
- In accordance with the provisions of "ISA 620: Use of Work of Expert" standard, we got our external auditor expert involved on a sample basis to evaluate the assumptions and methods used by the Company management and the independent professional valuers who were appointed by the Company management.
- The compliance of the disclosures of fair value determination of land and land improvements and buildings in the financial statements in accordance with the relevant financial reporting standards were evaluated.



Key Audit Matters

How the key audit matter was addressed in the audit

Recoverability of trade receivables (Refer to Note 7)

Trade receivables amounting to TL 24,394,485 from non-related parties as of 31 December 2019 are material to the financial statements.

The Company management considers the guarantees received from its customers, past collection performance, credibility of customers, 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. On the other hand, these estimates are very sensitive to market conditions.

Because of 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 understood and evaluated.
- Trade receivables from non-related parties were tested on a sample basis by sending confirmation letters.
- The agings of trade receivable balances from non-related parties were analysed on a sample basis.
- The subsequent collections were tested on a sample basis.
- The guarantee letters received from customers were tested on a sample basis.
- It was assessed if there is a dispute or litigations regarding collectability of trade receivables from non-related parties, and obtained written assessments of legal counsels on outstanding litigations and disputes.
- 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 regarding recoverability of trade receivables from non-related parties in the financial statements with the relevant financial reporting standards was evaluated.

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

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

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

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

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

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

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

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

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



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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B. Other responsibilities arising from regulatory requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2019 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 28 February 2020.

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

Mehmet Karakurt, SMMM
Partner

İstanbul, 28 February 2020

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CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU VE İÇECEK SANAYİ VE TİCARET A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)

AT 31 DECEMBER 2019 AND 2018

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

	Notes	31 December 2019	31 December 2018
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	3,298,440	1,381,537
Trade Receivables		34,046,894	34,100,310
- Due From Related Parties	6	9,652,409	5,336,925
- Other Trade Receivables	7	24,394,485	28,763,385
Other Receivables		5,188,953	3,924,569
- Due From Related Parties	8	5,188,953	3,924,569
Inventories	9	17,557,378	17,164,082
Prepaid Expenses		1,197,518	1,841,231
- Prepaid Expenses From Third Parties	10	1,197,518	1,841,231
Other Current Assets		16,825,051	16,363,279
- Other Current Assets From Third Parties	18	16,825,051	16,363,279
TOTAL CURRENT ASSETS		78,114,234	74,775,008
Non-Current Assets			
Financial Assets	27	7,544,201	4,663,944
Other Receivables		1,800	1,800
- Due From Non Related Parties			
Other Receivables		1,800	1,800
Property, Plant and Equipment	11-a	222,196,645	210,137,811
- Lands		17,100,000	12,425,000
- Land Improvements		11,980,000	9,546,143
- Buildings		59,770,000	46,566,900
- Machinery and Equipments		115,449,342	122,201,135
- Vehicles		-	33,288
- Furniture and Fixtures		17,756,397	18,982,295
- Construction in Progress		140,906	383,050
Intangible Assets		4,459,117	4,043,586
- Computer Programmes	12	4,459,117	4,043,586
Prepaid Expenses		407	3,621
- Prepaid Expenses From Third Parties		407	3,621
Right of Use Assets	11-b	12,968,236	-
TOTAL NON - CURRENT ASSETS		247,170,406	218,850,762
TOTAL ASSETS		325,284,640	293,625,770

The financial statements at 1 January - 31 December 2019 and for the year then ended have been approved for issue by Board of Directors of Pinar Su ve İçecek Sanayi ve Ticaret A.Ş. on 28 February 2020. The General Assembly and certain regulatory bodies have the authority to make amendments after the publication of statutory financial statements.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU VE İÇECEK SANAYİ VE TİCARET A.Ş. STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)

AT 31 DECEMBER 2019 AND 2018

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

	Notes	31 December 2019	31 December 2018
LIABILITIES			
Current Liabilities			
Short Term Borrowings		53,940,502	38,018,139
- Short Term Borrowings to Non-Related Parties		53,940,502	38,018,139
- Bank Loans	14	53,940,502	38,018,139
Short-Term Portion of Long-Term Borrowings		45,085,027	45,678,841
Long Term Borrowings to Non-Related Parties			
Short-Term Portion Borrowings		44,451,598	45,678,841
- Bank Loans	14	41,790,792	45,678,841
Lease Liabilities	14	2,660,806	-
- Short Term Portion of Long			
Terms Borrowings to Related Parties		633,429	-
- Bank Loans	6.14	633,429	-
Trade Payables		47,743,771	56,471,503
- Due to Related Parties	6	2,602,330	1,601,967
- Other Payables to Non-Related Parties	7	45,141,441	54,869,536
Payables Related to Employee Benefits	16	895,862	910,229
Other Payables		22,370,168	16,534,081
- Due to Related Parties	6	10,585,045	5,909,116
- Other Payables to Non-Related Parties	8	11,785,123	10,624,965
Deferred Income		393,509	763,902
- Deferred Income from Third Parties	10	393,509	763,902
Short-Term Provisions		1,160,373	1,640,577
- Short-Term Provisions for			
Employee Benefits	16	354,057	288,636
- Other Short-Term Provisions	15	806,316	1,351,941
TOTAL CURRENT LIABILITIES		171,589,212	160,017,272
Non - Current Liabilities			
Long-Term Borrowings		88,181,079	56,557,499
- Long-Term Borrowings to Non-Related Parties		58,480,079	56,557,499
- Bank Loans	14	49,254,779	56,557,499
- Lease Liabilities	14	9,225,300	-
- Long-Term Borrowings to Non-Related Parties		29,701,000	-
- Bank Loans	6	29,701,000	-
Trade Payables	7	2,660,237	7,233,552
- Due From Non Related Parties		2,660,237	7,233,552
Long-Term Provisions		3,143,652	2,596,372
- Long Term Provisions for Employee			
Termination Benefits	16	3,143,652	2,596,372
Deferred Tax Liabilities	24	8,019,793	2,723,348
TOTAL NON - CURRENT LIABILITIES		102,004,761	69,110,771
TOTAL LIABILITIES		273,593,973	229,128,043
EQUITY			
Equity Attributable to Owners of Parent			
Share Capital	19	51,690,667	64,497,727
Adjustment to Share Capital	19	44,762,708	44,762,708
Share Premiums		11,713,515	11,713,515
- Other accumulated comprehensive income/ (loss)		88,239	88,239
that will not be reclassified to profit or loss			
- Gains on revaluation and remeasurement		78,966,439	62,112,510
- Revaluation of property, plant and equipment		74,756,564	60,524,257
- Actuarial loss arising from defined benefit plans	11	77,728,001	62,735,634
Gains/(Loss) on Remeasuring and/or Reclassification		(2,971,437)	(2,211,377)
- Revaluation or classification earnings			
of assets at fair value through other comprehensive income	27	4,209,875	1,588,253
Restricted Reserves	19	4,180,008	4,180,008
- Legal Reserves		4,180,008	4,180,008
Accumulated Losses		(55,268,397)	(36,281,924)
Loss for the Year		(32,751,845)	(22,077,329)
TOTAL EQUITY		51,690,667	64,497,727
TOTAL LIABILITIES		325,284,640	293,625,770

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU VE İÇECEK SANAYİ VE TİCARET A.Ş.

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

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

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
PROFIT (LOSS)			
Revenue	20	224,607,394	234,185,150
Cost of Sales(-)	20	(122,928,505)	(136,755,196)
GROSS PROFIT		101,678,889	97,429,954
General Administrative Expenses (-)	21	(21,879,362)	(20,318,266)
Marketing Expenses(-)	21	(72,311,464)	(74,079,879)
Research and Development Expenses		(300,726)	-
Other Operating Income	22	4,474,222	7,748,323
Other Operating Expenses (-)	22	(4,569,090)	(4,429,501)
OPERATING PROFIT/ (LOSS)		7,092,469	6,350,631
Income from Investment Activities	23	460,459	405,575
Expense from Investment Activities (-)	23	(62,505)	(711,420)
OPERATING PROFIT/ (LOSS) BEFORE FINANCIAL EXPENSE		7,490,423	6,044,786
Financial Income	24	1,192,625	783,356
Financial Expenses (-)	24	(40,143,496)	(29,845,202)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		(31,460,448)	(23,017,060)
Tax Income of Continuing Operations		(1,291,397)	939,731
- Deferred Tax Income	25	(1,291,397)	939,731
LOSS FROM CONTINUING OPERATIONS		(32,751,845)	(22,077,329)
LOSS FOR THE PERIOD		(32,751,845)	(22,077,329)
Loss per Share			
- Loss Per 1 KR Number of 100 Shares			
From Continuing Operations	26	(0,7317)	(0,4932)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/ expense not to be reclassified to profit or loss		19,944,785	22,587,207
Losses on remeasurements of defined benefit plans		(950,075)	(396,306)
Gains on revaluation of property, plant and equipment		22,019,654	27,989,359
Revaluation earnings of assets recorded at fair value through other comprehensive income		2,880,257	616,754
Taxes for Other Comprehensive Expense not to be Reclassified to Profit or Loss		(4,005,051)	(5,622,600)
Gains on revaluation of property, plant and equipment, tax effect		190,015	79,261
Taxes for Other Comprehensive Income/ Expense to be Reclassified to Profit or Loss		(258,635)	(103,989)
Losses on revaluation of property, plant and equipment, tax effect		(3,936,431)	(5,597,872)
OTHER COMPREHENSIVE INCOME		19,944,785	22,587,207
TOTAL COMPREHENSIVE INCOME/EXPENSE		(12,807,060)	509,878

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU VE İÇECEK SANAYİ VE TİCARET A.Ş.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED AT 31 DECEMBER 2019 AND 2018

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

Share	Capital	Adjustment to share capital	Share Issue Premiums (Discounts)	Other comprehensive income/ (expense) not to be reclassified to profit or loss					Restricted Reserves	Accumulated Losses	Loss for the Period	Total Equity
				Gains (Losses) on Revaluation of Property Plant and Equipments	Losses on Remeasurements of Defined Benefit Plans	Revaluation or Classifications Earnings of Assets at Fair Value Through Other Comprehensive Income						
Prior year												
1 January - 31 December 2018												
Balances at beginning	44,762,708	11,713,515	88,239	42,377,009	(1,894,332)	1,075,488	4,180,008	(18,598,912)	(19,715,874)		63,987,849	
Transfers	-	-	-	(2,032,862)	-	-	-	(17,683,012)	19,715,874	-		
Total comprehensive income	-	-	-	22,391,487	(317,045)	512,765	-	-	(22,077,329)		509,878	
- Loss for the year	-	-	-	-	-	-	-	-	(22,077,329)		(22,077,329)	
- Other comprehensive expense	-	-	-	22,391,487	(317,045)	512,765	-	-	-		22,587,207	
Balances at closing	44,762,708	11,713,515	88,239	62,735,634	(2,211,377)	1,588,253	4,180,008	(36,281,924)	(22,077,329)		64,497,727	
Current year												
1 January - 31 December 2019												
Balances at beginning	44,762,708	11,713,515	88,239	62,735,634	(2,211,377)	1,588,253	4,180,008	(36,281,924)	(22,077,329)		64,497,727	
Transfers	-	-	-	(3,090,856)	-	-	-	(18,986,473)	22,077,329	-		
Total comprehensive income	-	-	-	18,083,223	(760,060)	2,621,622	-	-	(32,751,845)		(12,807,060)	
- Loss for the year	-	-	-	-	-	-	-	-	(32,751,845)		(32,751,845)	
- Other comprehensive income	-	-	-	18,083,223	(760,060)	2,621,622	-	-	-		19,944,785	
Balances at closing	44,762,708	11,713,515	88,239	77,728,001	(2,971,437)	4,209,875	4,180,008	(55,268,397)	(32,751,845)		51,690,667	

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU VE İÇECEK SANAYİ VE TİCARET A.Ş.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED

AT 31 DECEMBER 2019 AND 2018

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

	Notes	1 January - 31 December 2019	1 January - 31 December 2018
CASH FLOWS FROM OPERATING ACTIVITIES		9,567,126	8,929,223
Loss for the year		(32,751,845)	(22,077,329)
- Loss from Continuing Operations		(32,751,845)	(22,077,329)
Adjustments Related to Reconciliation		61,329,508	43,847,038
Adjustments for depreciation and amortisation expense	11.12	20,617,754	14,288,302
Adjustments for impairment loss		189,667	335,922
- Adjustments for impairment loss of receivables	7	189,667	335,922
Adjustments for provisions		244,450	1,207,792
- Adjustments for provisions related with employee benefits	16	790,075	780,951
- Adjustments for (Reversal of) other provisions	15	(545,625)	426,841
Adjustment for dividend income		(320,876)	(164,421)
Adjustments for interest expense and interest gain		36,717,665	22,565,967
- Adjustments for interest income		(1,662,960)	(1,022,424)
Adjustments for interest expense		38,380,625	23,588,391
Adjustments for unrealized foreign currency translation differences		2,666,528	6,134,775
Adjustments for tax income	25	1,291,397	(939,731)
Adjustments for losses arised from sale of fixed assets	23	(77,077)	418,432
- Adjustments for losses arised from sale of tangible assets		(77,077)	418,432
Changes in working capital		(17,817,668)	(12,062,109)
Adjustments related to increase in trade receivables		325,375	(5,518,159)
- Increase in trade receivables from related parties		(3,858,953)	(858,731)
- Increase in trade receivables from non-related parties		4,184,328	(4,659,428)
Adjustments for increase in other receivables with operations		(1,726,149)	(4,630,878)
- Decrease in other related party receivables related with operations		(22)	14,358
- Increase in other non-related party receivables related with operations			
Adjustments for other receivables		(1,726,127)	(4,645,236)
Adjustments for (increase)/ decrease in inventories		(393,296)	(7,070,354)
Adjustments for increase/ (decrease) in trade payable		(16,429,213)	3,743,109
- Increase in trade payables to related parties		983,608	150,640
- Increase/ (decrease) in trade payables to non-related parties		(17,412,821)	3,592,469
Increase in prepaid expenses		646,927	(341,437)
Increase in payables related to employee benefits		(14,367)	124,366
Adjustments for increase in other operating payables		78,027	1,948,649
- Increase in other operating payables to non-related parties		78,027	1,948,649
(Decrease)/ increase in deferred income		(370,393)	(278,189)
Adjustments for other (decrease)/ increase in working capital		65,421	(39,216)
- Increase in other payables related with operations		65,421	(39,216)
Cash Flows from Operating Activities		10,759,995	9,707,600
Payments related with provisions for employee benefits		(1,192,869)	(778,377)
CASH FLOWS FROM INVESTING ACTIVITIES		(4,543,744)	(15,765,671)
Cash inflows from sales of fixed assets		1,424,822	543,687
- Cash inflows from sales of tangible assets		1,424,822	543,687
Cash outflows due to purchase of fixed assets		(7,952,403)	(17,496,203)
- Cash outflows due to purchase of tangible assets	11	(7,043,444)	(15,983,351)
- Cash outflows due to purchase of intangible assets	12	(908,959)	(1,512,852)
Interest received	22.24	1,662,960	1,022,424
Dividend received	23	320,877	164,421
CASH FLOWS FROM FINANCING ACTIVITIES		(3,106,479)	6,601,423
Cash inflows from financial borrowings		112,789,437	75,154,030
- Cash inflows from loans		112,789,437	75,154,030
Cash outflows from financial liabilities		(78,356,852)	(44,562,268)
- Paybacks of borrowings		(78,356,852)	(44,562,268)
Increase in non-trade payables due to related parties		5,309,358	3,251,541
Cash outflows from lease liabilities		(7,193,913)	-
Interest paid		(35,654,509)	(27,241,880)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES		1,916,903	(235,025)
NET DECREASE IN CASH AND CASH EQUIVALENTS		1,916,903	(235,025)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	5	1,381,537	1,616,562
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	3,298,440	1,381,537

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD

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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

The Company's trade name "Pınar Su Sanayi ve Ticaret A.Ş." changed as "Pınar Su ve İçecek Sanayi ve Ticaret A.Ş." on 6 March 2019. Pınar Su ve İçecek Sanayi ve Ticaret A.Ş. (the "Company") is engaged in the production of bottled water, pet bottle production, carbonated beverage, noncarbonated beverage and fruit beverage under the brand name "Pınar Yaşam Pınarım". The Company's production facilities are located in Aydın, Isparta, Sakarya and Bursa whereas the Company's headquarter is located in İzmir.

Sales and distribution of the Company's products in the domestic market are performed by its own sales departments and its exports are performed by Yaşar Dış Ticaret A.Ş. ("YDT"), which is Yaşar Group company (Note 6).

Shares of the Company have been traded on the Borsa İstanbul ('BIST'). The ultimate shareholder of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 58.00% of shares of the Company (2018: 58.00%) (Note 20).

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

Kemalpaşa Mah. Kemalpaşa Caddesi No: 262
Bornova/İzmir

The average number of personnel employed during the period at the Company is 406 (31 December 2018: 422).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

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 15 April 2019 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 in terms of Turkish Lira ("TL") which is the functional currency of the Company.

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

2.2 Amendments in Turkish Financial Reporting Standards

a) Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:

- **Amendment to TFRS 9, "Financial instruments";** effective from annual periods beginning on or after 1 January 2019. This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from TAS 39. The Company management believes that this standard will not have a significant impact on the Company's financial statements.
- **TFRS 16, "Leases";** effective from annual periods beginning on or after 1 January 2019, this standard replaces the current guidance in TAS 17 and is a far-reaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right of use asset' for virtually all lease contracts. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 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. Right of use assets will be amortized during the rent period, liability arising from the right of use assets will be carried at its amortized cost. Moreover, amortization expense, interest expense and foreign exchange income/expense will be recognized in the consolidated statement of income instead of rent expenses. Company Management expects that this standard will significantly affect the financial ratios and performance indicators of the Company, and they are in the process of assessment of impacts for the related changes on the consolidated financial statements and performance. Standard change effects are presented in Note 2.4.1.
- **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 TAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments. The TFRS IC had clarified previously that TAS 12, not TAS 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 management believes that this standard will not have a significant impact on the Company's financial statements.

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:
 - TFRS 3, "Business combinations"; - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
 - TFRS 11, "Joint arrangements"; - a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
 - TAS 12, "Income taxes" - a company accounts for all income tax consequences of dividend payments in the same way.
 - TAS 23, "Borrowing costs" - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.
- **Amendments to TAS 19, 'Employee benefits' on plan amendment, curtailment or settlement';** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:
 - use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and;
 - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.
- b) **New standards, amendments and interpretations issued and effective as of 31 December 2019 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.**
- c) **Standards, amendments and interpretations that are issued but not effective as at 31 December 2019:**
 - **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, 'Presentation of financial statements'; and TAS 8, 'Accounting policies, changes in accounting estimates and errors'; and consequential amendments to other TFRSs:
 - i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
 - ii) clarify the explanation of the definition of material; and
 - iii) incorporate some of the guidance in TAS 1 about immaterial information.
 - Amendments to TFRS 3 - definition of a business; effective from Annual periods beginning on or after 1 January 2020. This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations.

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

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

Amendments to TFRS 9, TAS 39 and TFRS 7 - Interest rate benchmark reform; effective from Annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect companies in all industries.

The company will evaluate the effects of the above changes on its operations and apply them as of the effective date. The standards and amendments that were published as of December 31, 2019 but have not come into force yet and are not related to the Company's activities are not given above.

2.3 Changes and Errors in Accounting Policies and Estimates

Any change in the accounting policies resulted from the first time adoption of a new IFRS is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

2.4 Comparative Information

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 December 2019 on a comparative basis with balance sheet at 31 December 2018; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2019 on a comparative basis with financial statements for the period of 1 January - 31 December 2018.

Accounting policies, which are taken as basis in the preparation of the financial statements for the period January 1 - 31 December 2019, have been applied consistently with the financial statements prepared as of 31 December 2018, except for TFRS 16 "Financial Leases" Standard, which is stated below and entered into force on January 1, 2019.

2.4.1 IFRS 16 Leases

The Company has adopted IFRS 16 "Leases" as at 1 January 2019 for the first time, in line with the transition provisions of the standard. Impacts of the first time adoption of IFRS 16 on the condensed interim consolidated financial statements of the company are as below:

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

2.4.1 IFRS 16 Leases (Continued)

The Company - as a lessee

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

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

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

Right of use asset

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

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

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

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

The Company applies IAS 16 "Property, Plant and Equipment" to amortize the right of use asset and to assess for any impairment.

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

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

2.4.1 IFRS 16 Leases (Continued)

Lease Liability

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

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

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

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

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

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Company determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, The Company remeasure the lease liability to reflect changes to the lease payments. The Company recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Extension and early termination options

The lease obligation is determined by considering the extension and early termination options in the contracts. Most of the extension and early termination options included in the contracts consist of options that are jointly applicable by the Company and the lessor. The Company determines the rental period by including the extension and early termination options in the Company's initiative according to the relevant contract and if the options are reasonably accurate, it is included in the rental period. If the conditions change significantly, the assessment is reviewed by the Company.

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

2.4.1 IFRS 16 Leases (Continued)

Facilitating applications

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

First adoption to IFRS 16

The Company has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition method defined in the standard. With this method, use of rights are measured based on the leasing debts (which are adjusted according to leasing costs paid in cash or accrued) in the transition period. On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lease obligation in question was measured at the present value of the lease payments that were not realized as of the date of transition, discounted by using the alternative borrowing interest rate on the Company's first application date. On the other hand, the right of use assets are accounted for at an amount equal to the lease obligations (accrued or adjusted according to the amount of the rental payments accrued) within the scope of the simplified transition application in the relevant standard.

The reconciliation of operating lease commitments followed under TAS 17 before the first implementation date and the lease obligations recognized in the financial statements under TFRS 16 as of 1 January 2019 are as follows:

	1 January 2019
Operating lease commitments within the scope of TAS 17	21,554,994
- Evaluations for regarding to continuation options	685,639
Total lease liabilities within the scope of TFRS 16(non discounted)	22,240,633
Total lease liabilities within the scope of TFRS 16 (discounted with alternative borrowing rate)	17,436,044
- Short term lease liabilities	8,296,525
- Long-term lease liabilities	9,139,529

As of January 1, 2019, the weighted average of the alternative borrowing rates applied to the lease obligations is 25.86%.

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

2.4.1 IFRS 16 Leases (Continued)

As of January 1, 2019 and December 31, 2019, details of the right of use assets that are accounted in summary financial statements are as follows:

	31 December 2019	1 January 2019
Buildings and land improvements	11,414,050	14,664,629
Machinery and equipment	839,241	1,678,481
Motor vehicles	714,945	1,092,934
Total right of use asset	12,968,236	17,436,044

2.5.1 Revenue Recognition

The Company recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods is counted to be transferred when the control belongs to the customer.

The Company recognizes revenue based on the following main principles:

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

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

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

- a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customer business practices) and are committed to perform their respective obligations,
- b) The Company can identify each party's rights regarding the goods or services to be transferred.
- c) The Company can identify the payment terms for the goods or services to be transferred.
- d) The contract has commercial substance,
- e) It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, the Company shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

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

2.5.1 Revenue Recognition (Continued)

Revenue from product sales

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

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

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

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

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

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

2.5.2 Financial assets

Classification and measurement

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

(a) Financial assets recognized at amortized cost;

Financial assets with fixed or determinable payments that are not quoted in an active market and which are not traded in an active market are classified as assets that are accounted at amortized cost value. If the maturities are less than 12 months from the balance sheet date, the current assets are classified as non-current assets if they are longer than 12 months. Assets that are accounted for at amortized cost include "trade receivables, cash and cash equivalents and other receivables" in the statement of financial position.

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

2.5.2 Financial assets (Continued)

Impairment

The Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. The stage dictates how the Company measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component.

(b) Financial assets whose fair value is reflected in other comprehensive income

Assets that management adopts contractual cash flows and / or sales business model are classified as assets that are recognized at fair value. Such assets are classified as non-current assets unless management intends to dispose of the related assets within 12 months after the balance sheet date. The Company makes an invariable choice as investment in equity investments reflected to the other comprehensive income or profit or loss statement of the fair value difference of the investment at initial recognition for investments in equity-based financial assets.:

Financial assets at fair value through other comprehensive income include financial investments in the statement of financial position. In the event that the assets recorded in other comprehensive income are sold in the fair value difference, the valuation difference classified in other comprehensive income is classified into prior year profits.

2.5.3 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 monthly weighted average basis (Note 9).

2.5.4 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 as of 31 December 2018 and machinery and equipment as of 31 December 2019 are stated at fair value less accumulated depreciation, based on valuations by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş. (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 are carried at cost, less accumulated amortisation and impairment losses, if any (Note 11).

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

2.5.4 Property, plant and equipment (Continued)

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

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

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

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;

	<u>Years</u>
Buildings and land improvements	25-45 years
Machinery and equipment	5-25 years
Motor vehicles	5 years
Furniture and fixtures	5-10 years
Demijohn and basket	3-4 years

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

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

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

2.5.4 Property, plant and equipment (Continued)

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

2.5.5. Intangible assets

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

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 12). 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;

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

2.5.6 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 24). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 14).

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.

2.5.7 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.

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

2.5.8 Loss per share

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

2.5.9 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.

2.5.10 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 15).

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.

2.5.11 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).

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

2.5.11 Related parties (Continued)

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

The person concerned,

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

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

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

2.5.12 Employee and termination benefits

Provision for termination benefits means present value of estimated total provision of future potential obligations which will arise from the retirement of personnel as per Turkish Labour Law. In line with the social legislation and Turkish Labour Law which are effective in Turkey, the Company is obliged to collectively pay the termination benefits to each personnel who completed their one-year service period at minimum and is laid off because of the reasons other than resigning voluntarily or acting improperly or to those who retire. The provision for termination benefits has been reduced to the net present value of the obligation amounts which will arise in the future due to the retirement of all personnel in line with the actuarial assumptions determined by the Company management and reflected to the financial statements

2.5.13 Statement of cash flow

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

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

2.5.14 Share capital and dividends

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

2.5.15 Trade Receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant (Note 7).

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The receivables in process of lawsuit or enforcement or in a prior stage, the customer having material financial difficulties, the receivable turning default or the possibility of material and unforeseeable delay in the future collection are included under objective evidences.

2.5.16 Going concern

The company has prepared its financial statements according to the continuity principle of the business.

2.5.17 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).

2.6 Significant accounting assessments, estimates and assumptions

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

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

The frequency of revaluation studies is determined to ensure that the carried values of the tangible fixed assets and investment properties are not significantly different from their fair values as of the end of the relevant reporting period. The frequency of the revaluation studies depends on the change in the fair value of the tangible assets.

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

2.6 Significant accounting assessments, estimates and assumptions (Continued)

In cases where the fair value of a revalued asset is considered to be significantly different from its carrying value, the revaluation study needs to be repeated, and this study is carried out for the entire class of assets with the revaluated asset as of the same date. On the other hand, it is not necessary to repeat the revaluation studies every year for the tangible fixed assets whose fair value changes are insignificant.

In this context, as a result of the evaluations made by the Company management, land and land improvements and buildings and investment properties as of 31 December 2019, property, plant and equipment as of 31 December 2018, on the fair value determined by the valuation studies carried out by an independent professional valuation company. is reflected in the tables. However, it has been assumed that the fair values determined in the valuation studies of property, plant and equipment as of 31 December 2018 will converge to the relevant fair values as of 31 December 2019 after the current period depreciation is deducted.

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

- The most effective and efficient uses assessment was made in fair value calculations and the current intended uses objectives were determined as the most effective and efficient uses..
- Cost approach method was used in valuation of property, plant and equipment. Due to the fact that valuation is an integrated industrial plant valuation as a whole, in the light of market data to the extent that it is applicable in valuation of property, plant and equipment; It was built on active and operational values within the integrated plant and the property, plant and equipment in question were examined on a line basis.

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

In accordance with the provisions of TAS 36 Impairment of Assets, as of the date of initial recognition of the values determined by the cost approach method and at the end of the related period, whether there is any indication of impairment, it is concluded that there is no impairment .

2.7 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 offsetting. As a result of the transactions in the normal course of business, revenue except for the revenue identified are presented as net if the nature of the transaction or the event qualify for offsetting.

2.8 TFRS Compliance declaration to resolutions published by POAASA

The Company Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Financial Reporting Standards published by the POAASA. 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 TFRS published by the POAASA.

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NOTE 3 - INTERESTS IN OTHER ENTITIES

Please see Note 27.

NOTE 4 - SEGMENT REPORTING

Please see 2.3.

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash in hand	33,296	15,641
Banks	975,567	861,141
- Demand deposits	370,567	311,141
- Turkish Lira	370,567	311,141
- Time deposits	605,000	550,000
- Turkish Lira	605,000	550,000
Other	2,289,577	504,755
	3,298,440	1,381,537

As of 31 December 2019 the company has time deposit less than one week with an 11.50% weighted interest rate in TL. Other cash and cash equivalents includes the credit cards slips with an average term of 30 days (2018: 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 2019 and 2018 are as follow:

i) *Balances with related parties:*

a) *Trade receivables from related parties:*

	31 December 2019	31 December 2018
YDT	9,100,643	4,428,299
Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş. ("Çamlı Yem")	286,474	685,352
DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("DYO Boya")	58,011	125,919
Other	207,281	97,355
	9,652,409	5,336,925

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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 2019, due from related parties amounting to TL728,813 (2018: TL653,102) were overdue for a period of 3 months (2018: 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 2019	31 December 2018
Yaşar Holding	925,809	836,951
Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP")	715,820	484,523
Desa Elektrik ve Tedarik Toptan Satış ve Tic. A.Ş. ("Desa Elektrik")	403,013	-
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yaşar Bilgi İşlem")	384,507	22,577
Pınar Foods GmbH ("Pınar Foods")	166,265	154,618
Other	6,916	103,298
	2,602,330	1,601,967

31 December 2019 due to related parties mature mainly within a month (2018: 2 month).

c) Trade payables to related parties:

Yaşar Holding	633,429	-
	633,429	-

d) Other payables to related parties:

Yaşar Holding	10,300,408	5,694,745
YBP	280,601	210,335
Other	4,036	4,036
	10,585,045	5,909,116

As of 31 December 2019, the Company has non-commercial debts to Yaşar Holding and the annual effective interest rate applied to these debts is 15.50 percent weighted interest rate annually (December 31, 2018: 26.15).

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

e) Long term borrowings related to parties

	31 December 2019	31 December 2018
Yaşar Holding	29,701,000	-
	29,701,000	-

As of 31 December 2019, financial liabilities consist of principal amounts of long-term loan payables obtained by Yaşar Holding from a financial institution and transferred to the Company under the same conditions.

ii) Transactions with related parties:

a) Product Sales:

	1 January - 31 December 2019	1 January - 31 December 2018
YDT	29,934,516	23,631,283
Other	1,767,135	1,733,795
	31,701,651	25,365,078

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

b) Service sales:

Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	369,951	324,685
YDT	271,920	255,095
Viking Kağıt ve Selüloz A.Ş. ("Viking Kağıt")	-	22,543
Other	27,766	47,182
	669,637	649,505

	31 December 2019	31 December 2018
c) Service purchases		
Yaşar Holding	3,996,852	3,751,397
Yaşar Bilgi İşlem	2,402,696	2,069,708
YDT	1,411,968	1,274,887
YBP	389,633	407,577
Desa Elektrik	341,536	-
Pınar Süt Mamulleri Sanayi A.Ş. ("Pınar Süt")	264,049	-
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	251,139	210,450
Desa Enerji	30,305	1,207,045
Other	719,428	655,618
	9,807,606	9,576,682

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.

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

	31 December 2019	31 December 2018
d) Finance expenses:		
Yaşar Holding	548,663	486,702
YBP	317,102	372,144
YDT	186,050	241,600
	1,051,815	1,100,446

e) Other income from operations:		
YDT	925,538	2,083,176
Other	399,462	157,600
	1,325,000	2,240,776

The Company's operating income due from related parties mostly TL consist of foreign translation gains.

	1 January - 31 December 2019	1 January - 31 December 2018
f) Other expense from operations:		
YDT	454,812	654,713
YBP	255,891	148,480
Yaşar Holding	139,568	115,981
Other	180,491	78,750
	1,030,762	997,924

The Company's operating expenses due from related parties mostly consist of foreign translation transactions.

g) Tangible and intangible asset purchases:		
Yaşar Bilgi İşlem	778,549	891,809
YBP	123,977	100,886
Yaşar Holding	8,081	9,789
Other	142,055	63,590
	1,052,662	1,066,074

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

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

	1 January - 31 December 2019	1 January - 31 December 2018
h) Dividend income:		
Desa Enerji	320,877	164,421
	320,877	164,421

i) Bails received:

Bails received are mainly related with the bails provided by YDT, Yaşar Group company, for repayment of borrowings obtained from a domestic financial institution amounting to TL103,498,451 and EUR1,218,600 equivalent of TL111,602,872 as of 31 December 2019 (2018: TL99,485,751 and EUR2,046,500 equivalent of TL111,822,053).

j) 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	1,955,763	1,882,144
Other long-term benefits	21,373	24,694
	1,977,136	1,906,838

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2019	31 December 2018
a) Short - term trade receivables		
Customer current accounts	21,731,274	23,935,172
Cheques and notes receivables	6,186,870	8,162,205
	27,918,144	32,097,377
Provision for doubtful receivables	(3,523,659)	(3,333,992)
	24,394,485	28,763,385

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

The aging of trade receivables as of 31 December 2019 and 2018 are as follow:

	31 December 2019	31 December 2018
Overdue	5,045,922	4,877,510
0 - 30 days	7,600,063	8,559,503
31 - 60 days	7,917,188	10,251,374
61 - 90 days	3,292,659	3,893,252
91 days and over	538,653	1,181,746
	24,394,485	28,763,385

The aging of overdue receivables as of 31 December 2019 and 2018 are as follow:

0 - 90 days	4,096,075	4,796,020
91 - 180 days	949,847	81,490
	5,045,922	4,877,510

As of 31 December 2018, trade receivables of TL5,045,922 (2018: TL4,877,510) were past due and the Company holds collateral amounting to TL1,365,369 (2018: TL2,463.67)

The aging of overdue receivables as of 31 December 2019 and 2018 are as follow:

	2019	2018
1 January	(3,333,992)	(2,998,070)
Charged to the statement of comprehensive income (Note 22.b)	(424,467)	(958,425)
Collections (Notes 22.a)	234,800	622,503
31 December	(3,523,659)	(3,333,992)

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.

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NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	31 December 2019	31 December 2018
Supplier current accounts	45,141,441	54,869,536
	45,141,441	54,869,536

As of 31 December 2019, the average terms of trade payables to unrelated parties are within 2 months (2018: 2 months).

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

Supplier non current accounts	2,660,237	7,233,552
	2,660,237	7,233,552

The redemption schedules of long-term trade payables as of 31 December 2019 are as follow:

	31 December 2019	31 December 2018
2020 year	-	4,915,834
2021 year	2,660,237	2,317,718
	2,660,237	7,233,552

Long term trade payables consist of payables due to property, plant and equipment purchases amounting to EUR400,000 (2018: EUR1,999,992)

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

a) Other short - term receivables:

	31 December 2019	31 December 2018
Value added tax ("VAT") receivables	4,904,373	3,751,777
Deposits and guarantees given	82,155	81,637
Other	202,425	91,155
	5,188,953	3,924,569

b) Other long - term receivables due to non-related parties:

Deposits and guarantees receivable	11,134,725	10,015,051
Taxes and funds payables	650,398	604,167
Other	-	5,747
	11,785,123	10,624,965

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NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

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.

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 polycarbonate demijohns defined in related regulations, number of units polycarbonate and glass demijohns on the market, past statistical data related to amortization rates, turnover rates, unit deposit prices, residual value of polycarbonate demijohns.

NOTE 9 - INVENTORIES

	31 December 2019	31 December 2018
Raw materials	6,103,015	7,222,784
Pallets and vials	5,309,034	4,351,055
Finished goods	3,848,653	3,964,430
Other	2,296,676	1,625,813
	17,557,378	17,164,082

Cost of inventories recognized as expense and included in cost of sales amounted to TL78,810,088 (2018: TL95,849,478) (Note 17). 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 2019	31 December 2018
a) Short term prepaid expenses		
Prepaid expenses	1,196,650	1,835,602
Order advances given	868	5,629
	1,197,518	1,841,231
b) Long term term prepaid expenses		
Prepaid expenses	-	3,208
Advances given	407	413
	407	3,621
c) Deferred income		
Advances received	393,509	763,902
	393,509	763,902

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

a) Tangible Assets:

Movements of property, plant and equipment between 1 January - 31 December 2019 was as follows:

	1 January 2019	Additions	Disposals	Transfers	Netting of Accumulated Depreciation Before Valuation	Revaluation Increase Decrease	31 December 2019
Cost/Revaluation:							
Land	12,425,000	-	-	-	-	4,675,000	17,100,000
Buildings and land improvements	58,876,887	827,705	-	-	(5,299,246)	17,344,654	71,750,000
Machinery and equipment	122,201,135	1,286,664	(415,739)	383,050	-	-	123,455,110
Motor vehicles	200,705	-	(68,873)	-	-	-	131,832
Furniture and fixtures	39,641,233	4,788,168	(2,241,665)	-	-	-	42,187,736
Construction in progress	383,050	140,906	-	(383,050)	-	-	140,906
	233,728,010	7,043,443	(2,726,277)	-	(5,299,246)	22,019,654	54,765,584
Accumulated depreciation:							
Buildings and land improvements	(2,763,844)	(2,535,402)	-	-	5,299,246	-	-
Machinery and equipment	-	(8,380,960)	375,192	-	-	-	(8,005,768)
Motor vehicles	(167,417)	(2,295)	37,880	-	-	-	(131,832)
Furniture and fixtures	(20,658,938)	(4,737,861)	965,460	-	-	-	(24,431,339)
	(23,590,199)	(15,656,518)	1,378,532	-	5,299,246	-	(32,568,939)
Net book value	210,137,811						222,196,645

The Company classifies polycarbonate and glass demijohn together with baskets as tangible assets and their carrying value is TL11,876,459 (2018: TL16,796,194).

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment between 1 January - 31 December 2018 was as follows:

	1 January 2018	Additions	Disposals	Transfers	Netting of Accumulated Depreciation Before Valuation	Revaluation Increase Decrease	31 December 2018
Cost:							
Land	12,425,000	-	-	-	-	-	12,425,000
Buildings and land improvements	57,610,000	1,307,392	(40,505)	-	-	-	58,876,887
Machinery and equipment	92,126,628	2,381,957	(324,244)	6,763,753	(6,736,318)	27,989,359	122,201,135
Motor vehicles	216,338	-	(15,633)	-	-	-	200,705
Furniture and fixtures	38,552,384	5,312,199	(4,223,350)	-	-	-	39,641,233
Construction in progress	165,000	6,981,803	-	(6,763,753)	-	-	383,050
	201,095,350	15,983,351	(4,603,732)	-	(6,736,318)	27,989,359	233,728,010
Accumulated depreciation:							
Buildings and land improvements	-	(2,785,860)	22,016	-	-	-	(2,763,844)
Machinery and equipment	-	(6,922,485)	186,167	-	6,736,318	-	-
Motor vehicles	(146,703)	(36,347)	15,633	-	-	-	(167,417)
Furniture and fixtures	(19,938,059)	(4,138,676)	3,417,797	-	-	-	(20,658,938)
	(20,084,762)	(13,883,368)	3,641,613	-	6,736,318	-	(23,590,199)
Net book value	181,010,588						210,137,811

The Company classifies polycarbonate and glass demijohn together with baskets as tangible assets and their carrying value is TL16,796,194 (2018: TL9,200,530).

The main part of the additions to property, plant and equipments in the year was bottled water filling facilities in Bursa and purchase of refrigerators.

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

b) Right of Use Rights:

	1 January 2019 (*)	Additions	31 December 2019
Cost/Revaluation:			
Buildings and land improvements	14,664,629	-	14,664,629
Machinery and equipment	1,678,481	-	1,678,481
Motor vehicles	1,092,934	-	1,092,934
	17,436,044	-	17,436,044
Accumulated depreciation:			
Buildings and land improvements	-	(3,250,579)	(3,250,579)
Machinery and equipment	-	(839,240)	(839,240)
Motor vehicles	-	(377,989)	(377,989)
	-	(4,467,808)	(4,467,808)
Net book value	17,436,044		12,968,236

* Please see Note 2.4.1

Current year's depreciation and amortisation charges were allocated to cost of production by TL14,289,810 (31 December 2018: TL9,721,772) production costs TL4,499,275 (31 December 2018: TL2,771,546) to selling and marketing expenses by (Note 21.b) and TL 1,811,184 (31 December 2018: TL1,794,984) to general and administrative expenses by (Note 21.a), TL17,487 (31 December 2018: None) and research and developments expenses.

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2019 and 2018 were as follows:

	2019	2018
1 January	62,735,634	42,377,009
Depreciation on revaluation reserve transferred to retained earnings-net	(3,090,856)	(2,142,689)
Increase in revaluation reserve of land, land improvements and buildings - net	18,083,223	-
Increase in revaluation reserve of machinery and equipment- net	-	22,391,487
Disposal from revaluation reserve due to sales of property plant and equipment - net	-	109,827
31 December	77,728,001	62,735,634

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NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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 2019 and 2018 are as follow:

	Land	Building and land improvements	Machinery and equipment
31 December 2019:			
Cost	4,124,212	49,523,663	115,297,682
Less: Accumulated depreciation	-	(11,324,519)	(54,409,862)
Net book value	4,124,212	38,199,144	60,887,820
31 December 2018:			
Cost	4,124,212	48,695,958	113,627,967
Less: Accumulated depreciation	-	(8,789,117)	(46,028,902)
Net book value	4,124,212	39,906,841	67,599,065

NOTE 12 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the periods 1 January - 31 December 2019 and 2018 were as follow:

	1 January 2019	Additions	31 December 2019
Costs:			
Rights	6,032,493	908,959	6,941,453
Accumulated amortisation	(1,988,907)	(493,429)	(2,482,336)
Net book value	4,043,586	415,530	4,459,117
	1 January 2018	Additions	31 December 2018
Costs:			
Rights	4,519,641	1,512,852	6,032,493
Accumulated amortisation	(1,583,973)	(404,934)	(1,988,907)
Net book value	2,935,668	1,107,918	4,043,586

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NOTE 13 - GOVERNMENT GRANTS AND INCENTIVES

The Company is entitled an investment incentive of TL56,743,546 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, TL5,310,000 and had deferred tax assets of TL6,921,299 (31 December 2018: TL9,498,709). Investment incentive rates of the Ministry of Economy to the investment for the years 2013 20%, for the year 2015 and 2016 15%, for the year 2018 20%, for the year 2019 %22, respectively (Note.25).

NOTE 14 - BORROWINGS AND BORROWING COSTS

	31 December 2019	31 December 2018
Short term loans	53,940,502	38,018,139
Lease liabilities	2,660,806	-
Short term portion of long term loans	41,790,792	45,678,841
Short term portion of long term borrowings due to related parties	633,429	-
Short Term Borrowings	99,025,529	83,696,980
Long term loans	49,254,779	56,557,499
Long term portion of short term loans	9,225,300	-
Long term borrowings to related parties	29,701,000	-
Long Term Borrowings	88,181,079	56,557,499
Total Borrowings	187,206,608	140,254,479

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NOTE 14 - BORROWINGS AND BORROWING COSTS (Continued)

Details of bank loans as of 31 December 2019 and 2018 are presented below:

	Effective weighted average interest rate p.a. (%)		Original currency		TL equivalent	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Short term borrowings:						
Borrowings TL (*)	16.22	26.50	53,940,502	38,018,139	53,940,502	38,018,139
Short term portion of long term borrowings:						
Borrowings TL (**)	16.13	15.80	41,790,792	45,678,841	41,790,792	45,678,841
Total short term borrowings					95,731,294	83,696,980
Long term borrowings:						
Borrowings TL (**)	14.87	15.02	49,254,779	56,557,499	49,254,779	56,557,499
Total long term borrowings					49,254,779	56,557,499
Total borrowings					144,986,073	140,254,479

(*) As of 31 December 2019, TL denominated short-term bank borrowings consist of borrowings with spot loans fixed interest rates of 16.22% p.a. (2018: Interest rates of 26.50% p.a.)

(**) As of 31 December 2019, TL borrowings amounting TL88,804,393 with spot loans fixed interest rate 15.31% p.a., TL2,441,179 denominated bank borrowings consist of semi-annually repricing floating interest rate TRLIBOR+4% p.a (2018: borrowings amounting TL91,045,571 with spot loans fixed interest rate 15.41% p.a., TL2,443,317 denominated bank borrowings consist of semi-annually repricing floating interest rate TRLIBOR+2.70% p.a.).

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NOTE 14 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings at 31 December 2019 and 2018 are as follow:

	31 December 2019	31 December 2018
2020 year	-	33,052,500
2021 year	34,508,686	15,246,348
2022 year	16,338,430	6,036,429
2023 year	11,908,116	2,222,222
2024 year	5,400,182	-
2025 year	5,400,182	-
2026 year	5,400,182	-
	78,955,778	56,557,499

As of 31 December 2019 and 2018, 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:

	Less than 3 months	3 months to 1 year	Total
31 December 2019:			
Borrowing with variable interest rates	168,359	558,762	2,239,952
Borrowings with fixed interest rates	-	-	172,447,120
	558,762	174,687,072	
31 December 2018:			
Borrowing with variable interest rates	-	2,443,317	2,443,317
Borrowings with fixed interest rates	-	-	137,811,162
	-	2,443,317	140,254,479

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

	Carrying amount		Fair value	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Bank borrowings	174,686,844	140,254,479	192,902,959	145,856,015

The fair values of bank loans are determined using the discounted cash flow method using effective weighted interest rates of 11.65% and 1.75% (31 December 2018: 18.07% annually for TL loans), respectively for TL and US Dollars

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NOTE 14 - BORROWINGS AND BORROWING COSTS (Continued)

For the period 1 January - 31 December 2019 and 2018 the carrying amount of net borrowings are as follows:

	2019	2018
1 January	138,872,942	111,699,644
Cash inflows from loans	112,789,446	75,154,030
Cash outflows from paybacks of borrowings	(78,356,855)	(44,562,268)
Effect of accrual of interest	(226)	(3,653,489)
Effect of change in cash and cash equivalents	(1,916,903)	235,025
31 December	171,388,404	138,872,942

NOTE 15 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
a) Other short - term provisions:		
Provision for premium to customer	530,543	199,917
Provisions for litigation (*)	275,773	275,773
Provision of advertising and promotion	-	876,251
	806,316	1,351,941

(*) The provisions related to the lawsuits filed against the Company by the employees who quit their job.

b) Guarantees given:

Letters of guarantee	23,286,045	14,025,336
	23,286,045	14,025,336

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

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2019 and 2018 were as follow:

	31 December 2019			31 December 2018		
	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	23,286,045	23,286,045	TL	14,025,336	14,025,336
B. Total amount of CPM given on behalf of fully consolidated companies		-	-		-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties		-	-		-	-
D. Total amount of other CPM			-		-	-
i. Total amount of CPM given on behalf of the main shareholder		-	-		-	-
ii. Total amount of CPM given on behalf of other group companies which are not in scope of B and C		-	-		-	-
iii. Total amount of CPM given on behalf of third parties which are not inscope of C		-	-		-	-
			23,286,045			14,025,336

The ratio of total amount of other CPM to Equity

0%

0%

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

	31 December 2019	31 December 2018
c) Guarantees received:		
Bails	111,602,872	99,485,751
Letters of guarantee	30,381,138	39,852,140
Mortgages	7,469,174	7,294,874
Guarantee notes	3,270,003	3,206,502
Guarantee cheques	1,315,000	755,000
Other	6,563,988	5,648,708
	160,602,175	156,242,975

A significant part of the guarantees received consists of the guarantees received from the customers.

NOTE 16 - EMPLOYEE BENEFITS

	31 December 2019	31 December 2018
a) Payables for employee benefits		
Social security premiums	895,862	910,042
Payables to employees	-	187
	895,862	910,229
b) Short - term provisions for employee benefits		
Management bonus accrual	220,000	220,000
Seniority incentive bonus	134,057	68,636
	354,057	288,636
c) Long - term provisions for employee benefits		
Provision for employment termination benefits	2,869,561	2,356,931
Seniority incentive bonus	274,091	239,441
	3,143,652	2,596,372

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NOTE 16 - 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 TL6,379.86 (2018: TL5,434.42) for each year of service as of 31 December 2019.

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. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL6,730.15 which is effective from 1 January 2020 (1 January 2019: TL6,017.60) 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 2019	31 December 2018
Discount rate (p.a) (%)	5.00	5.00
Probability of retirement (%)	95.32	95.60

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

	2019	2018
1 January	2,356,931	2,010,185
Interest costs	350,373	388,422
Actuarial loss	950,075	396,306
Current service cost	405,051	340,395
Paid during the year	(1,192,869)	(778,377)
31 December	2,869,561	2,356,931

The total of interest cost and current service cost amounting to TL755,424 (2018: TL728,817) were allocated to general administrative expenses for TL405,051 (31 December 2018: TL340,395) (Note 21) and to financial expense for TL350,373 (31 December 2018: TL388,422) (Note 24).

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NOTE 17 - EXPENSES BY NATURE

	1 January - 31 December 2019	1 January - 31 December 2018
Raw material, direct material and finished goods	73,570,829	87,856,831
Transportation and export	31,259,754	35,285,775
Personnel	24,922,141	23,831,570
Depreciation and amortisation	20,617,755	14,288,302
Outsourced services	13,582,447	13,413,805
Advertising	9,048,971	9,775,017
Energy	7,402,409	6,549,976
Repair and Maintenance	6,972,359	5,679,512
Merchandise goods	5,239,259	7,992,647
Consultancy	4,662,111	4,203,452
Rent	3,835,147	8,651,642
Fee of mineral resource	1,071,763	1,541,991
Travel	561,133	468,192
Communication	528,393	543,544
Employment termination benefits	338,003	338,113
Other	13,807,583	10,732,972
	217,420,057	231,153,341

NOTE 18 - OTHER ASSETS AND LIABILITIES

	31 December 2019	31 December 2018
Other current assets		
VAT receivable	16,774,201	16,265,691
Other	50,850	97,588
	16,825,051	16,363,279

NOTE 19 - 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 2019 and 2018 is as follows:

	31 December 2019	31 December 2018
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 19 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

The compositions of the Company's share capital at 31 December 2019 and 2018 were as follow:

Share owners	31 December 2019		31 December 2018	
	Share (%)	Share amount (TL)	Share (%)	Share amount (TL)
Yaşar Holding	58.00	25,961,415	58.00	25,961,414
Public Quotation	32.31	14,463,977	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

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 (2018: 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 (2018: 4,476,270,800) units of shares with a face value of Kr1 each as of 31 December 2019.

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

The legal reserves consists of first and second legal reserves appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserves reaches a maximum of 20% of the company's share capital. The second legal reserve is 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 (2018: TL4,180,008) as of 31 December 2019.

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NOTE 19 - 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 legislations. The communicate does not state a minimum dividend rate. Companies distribute dividends in accordance with the method defined in their dividend policy or articles of association. Additional, dividend can be distributed in fixed or variable installments and dividends advances can be paid over the profit on interim financial statements.

In line with Article 27 of the Company's Articles of Association, previous year losses, if any, are deducted from the net period profit and then overall legal reserve and the first dividend are allocated according to the Capital Markets Board legislation. Of the remaining amount, 10% of the portion is allocated in order to be distributed to founder shareholders in proportion with their shares. Of the remaining portion, an amount up to 5% can be set aside as allocation provision for the members of board of directors and for other items which the board of directors will determine and deem necessary in line with the decision made by the General Assembly.

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

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

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NOTE 20 - REVENUE

	1 January 31 December 2019	1 January 31 December 2018
Domestic sales	315,285,937	343,284,584
Export sales	41,360,029	32,762,495
Trade goods sales	6,526,114	10,169,476
Gross sales	363,172,080	386,216,555
Less: Discounts	(135,653,717)	(147,994,236)
Return	(2,910,969)	(4,037,169)
Net sales	224,607,394	234,185,150
Cost of sales	(122,928,505)	(136,755,196)
Gross Profit	101,678,889	97,429,954

NOTE 21 - GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES

	1 January - 31 December 2019	1 January - 31 December 2018
a) General administrative expenses:		
Personnel	6,590,373	6,513,261
Outsourced services	6,137,676	5,740,247
Consultancy	3,538,235	3,033,490
Depreciation and amortisation	1,811,184	1,794,984
Energy	502,085	496,749
Representation and hospitality	286,195	285,496
Rent	278,661	495,366
Travel	216,307	182,768
Communication	147,026	160,370
Other	2,371,620	1,615,535
	21,879,362	20,318,266
b) Marketing, selling and distribution expenses:		
Transportation and export expenses	31,259,754	35,285,775
Personnel	11,849,249	10,284,284
Advertising	9,048,971	9,775,017
Outsourced services	4,882,534	4,984,538
Amortization and depreciation cost	4,499,275	2,771,546
Export commission	3,326,579	2,403,238
Rent	1,875,494	3,692,606
Repair and Maintenance	1,549,466	1,302,348
Energy	1,368,671	1,269,289
Consultancy	1,123,877	1,169,962
Other	1,527,594	1,141,276
	72,311,464	74,079,879

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NOTE 22 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2019	1 January - 31 December 2018
a) Other income from operating activities		
Foreign exchange gain arising from commercial activities	1,793,516	5,211,529
Interest income due to time difference	547,835	536,643
Scrap sales income	369,926	-
Reversal of provision for impairment of receivables	234,800	622,503
Other	1,528,145	1,377,648
	4,474,222	7,748,323

b) Other expense from operating activities:

Foreign exchange loss arising from commercial activities	(3,394,009)	(1,290,852)
Provision for doubtful receivables	(424,467)	(958,425)
Fees and aid	(141,377)	(68,825)
Maturity difference interest expenses	(226)	(46,302)
Provision expense for lawsuits	(275,773)	(275,773)
Other	(333,238)	(1,789,324)
	(4,569,090)	(4,429,501)

NOTE 23 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2019	1 January - 31 December 2018
a) Income from investment activities:		
Dividend income	320,877	164,421
Gain on sale of property plant and equipment	139,582	241,154
	460,459	405,575

b) Expense from investment activities:

Loss on sale of property plant and equipment	(62,505)	(659,586)
Other	-	(51,834)
	(62,505)	(711,420)

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NOTE 24 - FINANCIAL INCOME AND EXPENSE

a) Financial Income

	1 January - 31 December 2019	1 January - 31 December 2018
Interest income	1,115,125	646,020
Foreign exchange loss	77,500	137,336
	1,192,625	783,356

b) Financial Expense:

Interest expense	(35,654,284)	(23,542,089)
Bank commissions and overdue charges	(2,441,807)	(2,028,058)
Foreign exchange loss	(1,063,300)	(3,886,633)
Other	(984,105)	(388,422)
	(40,143,496)	(29,845,202)

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

In Turkey, the corporation tax rate for 2019 is 22% (31 December 2018: 22%). The corporate tax rate is applied to the tax base to be found as a result of the addition of expenses that are not allowed to be deducted in accordance with the tax laws, the exemptions (such as participation earnings exception, investment discount exemption etc.) and discounts (such as R&D discount) in the commercial income of the institutions. No other tax is payable unless profit is distributed (except withholding at the rate of 19.8% (2018: 19.8%) calculated and paid over the amount of the exempted benefit in case there is an investment allowance exempted under Article 61 of the Income Tax Law).

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 2018: 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 22% (2018: 22%) on their corporate income. Advance tax is declared by 14th (2018: 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.

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

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.

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.

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

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially, 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 2019 and 2018 are summarised as follow:

	1 January- 31 December 2019	1 January- 31 December 2018
Deferred tax income/(expenses)	(1,291,397)	939,731
Taxation on income/(expenses)	(1,291,397)	939,731

Reconciliation of taxation on income is as follows:

Loss before tax	(31,460,448)	(23,017,060)
Tax calculated at rates applicable to the loss	6,921,299	5,063,753
Tax losses for which no deferred income tax asset was recognized	(8,311,337)	(4,576,713)
Deductible incomes	181,311	9,218
Non-deductible expenses	(391,779)	(227,712)
Additional deferred tax asset calculated on investment incentive	-	1,062,000
Other	309,109	(390,815)
Taxation on income	(1,291,397)	939,731

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. (2018: 22%).

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%.

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

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2019 and 2018 were as follows:

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
Revaluation of land, land improvements, buildings, machinery and equipment	95,461,786	77,305,701	(17,733,784)	(14,570,067)
Difference between carrying value (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	4,802,873	3,919,768	(958,697)	(782,076)
Deducted accumulated loss	-	(8,980,338)	-	1,833,889
Deduction of investment incentive (*)	(56,743,546)	(56,743,546)	9,498,709	9,498,709
Provision for employment termination benefits	(2,869,561)	(2,356,931)	573,912	471,386
Difference between carrying value and tax bases of available-for-sale investments	(4,523,706)	(2,121,281)	308,766	463,412
Other	(1,456,507)	(1,806,995)	291,301	361,399
Deferred tax assets			(10,672,688)	(2,723,348)
Deferred tax liabilities			(18,692,481)	-
Deferred tax assets/ (liabilities) - net			(8,019,793)	(2,723,348)

(*) (31 December 2019: TL12,239,725) deferred tax asset The contribution of the Ministry of Economy to investment incentives is 20% for 2013, 15% for 2015 and 2016, 20% for 2018, and %22 for 2019 respectively. (Note 13).

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

1 January	(2,723,348)	1,959,521
Credited to statement of comprehensive income	(1,291,397)	939,731
Charged to actuarial loss arising from defined benefit plans	190,015	79,261
Charged to fair value reserve of available-for-sale investments	(258,635)	(103,989)
Revaluation of property, plant and equipment	(3,936,431)	(5,597,872)
31 December	(8,019,796)	(2,723,348)

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

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

Expiration years	31 December 2019	31 December 2018
2020	-	1,824,065
2021	-	2,812,797
2022	-	4,343,476
	-	8,980,338

Years of expiration of tax losses carried forward over which no deferred income tax assets were not recognised as of 31 December 2019 and 2018 are as follows:

Expiration years	31 December 2019	31 December 2018
2020	3,265,010	1,440,945
2021	14,107,253	11,294,456
2022	8,208,664	3,865,188
2023	16,196,006	16,871,007
2024	26,731,994	-
	68,508,927	33,471,596

NOTE 26 - 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.

		1 January - 31 December 2019	1 January - 31 December 2018
Net loss for year	A	(32,751,845)	(22,077,329)
Weighted average number of shares (Note 20)	B	4,476,270,800	4,476,270,800
Loss per 100 shares with a Kr1 face value	A/B	(0,7317)	(0,4932)

There are no differences between basic and diluted loss per share.

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NOTE 27 - FINANCIAL INSTRUMENTS

Financial assests at fair value through other comprehensive income:

	31 December 2019	31 December 2018
Financial assests at fair value through other comprehensive income	7,544,201	4,663,944
	7,544,201	4,663,944

	31 December 2019		31 December 2018	
	Carrying amount (TL)	Share (%)	Carrying amount (TL)	Share (%)
Desa Enerji	4,849,344	6.07	2,733,236	6.07
YDT	1,365,718	0.93	1,148,862	1.76
Viking Kağıt	1,329,139	1.69	781,846	1.69
	7,544,201		4,663,944	

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. As of 31 December 2019, nominal discount and growth rates were used in the fair value calculations.

The discount and growth rates used in discounted cash flow models as at 31 December 2019 and 2018 are as follows

	Discount rate		Growth rate	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
YDT	19.01%	23.28%	1%	1%
Desa Enerji	18.41%	22.68%	1%	0%

Movements of available-for-sale investments in 1 January and 31 December are as follows:

	2019	2018
1 January	4,663,944	4,047,190
Fair value (decrease)/ increase :		
Viking Kağıt	547,293	(71,078)
Desa Enerji	2,116,108	129,081
YDT	216,856	558,751
31 December	7,544,201	4,663,944

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NOTE 27 - FINANCIAL INSTRUMENTS (Continued)

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

	2019	2018
1 January	1,588,253	1,075,488
Increase/ (decrease) in fair value	2,880,257	616,754
Deferred income tax on fair value reserves of available-for-sale investments	(258,635)	(103,989)
31 December	4,209,875	1,588,253

Where there is no fair value of available-for-sale financial assets, the generally accepted valuation methods used in the calculation of the fair value include certain assumptions based on the best estimates of the management.

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

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow, 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;

- 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 2019 and 2018:

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

31 December 2019:

	Receivables						Bank Deposits	Total
	Trade Receivables (1)		Other Receivables					
	Related Parties	Third Parties	Related Parties	Third Parties				
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	9,652,409	24,394,485	-	5,188,953	3,265,144	42,500,991		
- The part of maximum credit risk covered with guarantees		4,953,487				4,953,487		
A. Net book value of financial assets not due or not impaired	8,923,596	19,348,563	-	5,188,953	3,265,144	36,726,256		
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)	728,813	5,045,922	-	-	-	5,774,735		
- The part covered by guarantees etc	-	1,365,369	-	-	-	1,365,369		
D. Net book value of assets impaired	-	-	-	-	-	-		
- Past due (gross book value)	-	3,523,659	-	-	-	3,523,659		
- Impairment amount (-)	-	(3,523,659)	-	-	-	(3,523,659)		
- The part of net value covered with guarantees etc	-	-	-	-	-	-		
- Not due (gross book value)	-	-	-	-	-	-		
- Impairment amount (-)	-	-	-	-	-	-		
- The part of net value covered with guarantees etc	-	-	-	-	-	-		
E. Off balance items exposed to credit risk	-	-	-	-	-	-		

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

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

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

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

31 December 2018:

31 December 2018:	Receivables				Bank Deposits	Total
	Trade Receivables (1)		Other Receivables			
	Related	Third	Related	Third		
	Parties	Parties	Parties	Parties		
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	5,336,925	28,763,385	-	3,924,569	1,365,896	39,390,775
- The part of maximum credit risk covered with guarantees	-	22,958,938	-	-	-	22,958,938
A. Net book value of financial assets not due or not impaired	4,683,823	23,885,875	-	3,924,569	1,365,896	33,860,163
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)	653,102	4,877,510	-	-	-	5,530,612
- The part covered by guarantees etc	-	2,463,676	-	-	-	2,463,676
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	3,333,992	-	-	-	3,333,992
Impairment amount (-)	-	(3,333,992)	-	-	-	(3,333,992)
- The part of net value covered with guarantees etc	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

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

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

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

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

31 December 2019	Receivables		Total
	Trade Receivables	Other Receivables	
1 - 30 days overdue	3,254,070	-	3,254,070
1 - 3 months overdue	842,005	-	842,005
3 - 12 months overdue	949,847	-	949,847
The part covered by guarantees	(1,365,369)	-	(1,365,369)
	5,045,922	-	5,045,922

31 December 2018	Receivables		Total
	Trade Receivables	Other Receivables	
1 - 30 days overdue	4,175,503	-	4,175,503
1 - 3 months overdue	1,200,415	-	1,200,415
3 - 12 months overdue	154,694	-	154,694
The part covered by guarantees	(2,463,676)	-	(2,463,676)
	5,530,612	-	5,530,612

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 2019 and 2018 are as follows:

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

31 December 2019:

	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	186,573,178	207,793,205	85,310,426	16,251,584	106,231,195
Trade Payables	50,404,008	53,117,529	38,974,487	11,429,521	2,713,522
Other Payables	23,003,597	23,003,597	23,003,597	-	-
	259,980,783	283,914,331	147,288,510	27,681,105	108,944,717

31 December 2018:

	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	140,254,479	159,292,624	20,910,194	78,206,058	60,176,372
Trade Payables	63,705,055	64,550,726	30,710,647	26,494,389	7,345,690
Other Payables	16,534,081	16,534,081	16,534,081	-	-
	220,493,615	240,377,431	68,154,922	104,700,447	67,522,062

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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PINAR SU VE İÇECEK SANAYİ VE TİCARET A.Ş.

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BETWEEN 1 JANUARY - 31 DECEMBER 2019

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

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

	Foreign Currency Position							
	31 December 2019				31 December 2018			
	TL Equivalent	USD	EUR	Other TL Equivalent	TL Equivalent	USD	EUR	Other TL Equivalent
1. Trade Receivables	8,181,042	189,961	709,616	2,333,260	4,205,305	125,684	428,890	958,746
2a. Monetary Financial Assets (Cash, Bank accounts included)	-	-	-	-	-	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	15,704	-	2,361	-	13,864	-	2,300	-
4. Current Assets (1+2+3)	8,196,746	189,961	711,977	2,333,260	4,219,169	125,684	431,190	958,746
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)	8,196,746	189,961	711,977	2,333,260	4,219,169	125,684	431,190	958,746
10. Trade Payables	21,801,402	2,433,973	865,857	1,584,644	25,766,470	3,664,139	929,405	887,346
11. Financial Liabilities	-	-	-	-	-	-	-	-
12a. Monetary Other Liabilities	29,701,000	5,000,000	-	-	-	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short Term Liabilities (10+11+12)	51,502,402	7,433,973	865,857	1,584,644	25,766,470	3,664,139	929,405	887,346
14. Trade Payables	2,660,237	-	400,000	-	7,233,552	-	1,199,992	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	2,660,237	-	400,000	-	7,233,552	-	1,199,992	-
18. Total Liabilities (13+17)	54,162,639	7,433,973	1,265,857	1,584,644	33,000,022	3,664,139	2,129,397	887,346
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)	(45,965,898)	(7,244,012)	(553,880)	748,616	(28,780,853)	(3,538,455)	(1,698,207)	71,400
21. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (UFRS 7.B23)								
(=1+2a+5+6a-10-11-12a-14-15-16a)	(45,981,600)	(7,244,012)	(556,241)	748,616	(28,794,717)	(3,538,455)	(1,700,507)	71,400
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging								
23. Export	42,494,453	1,073,775	1,890,913	23,540,312	33,613,496	797,564	2,020,573	17,237,576
24. Import	1,771,302	-	266,337	-	2,219,301	-	368,165	-

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

31 December 2019

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	(4,303,088)	4,303,088	(4,303,088)	4,303,088
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	(4,303,088)	4,303,088	(4,303,088)	4,303,088
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR	(368,363)	368,363	(368,363)	368,363
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	(368,363)	368,363	(368,363)	368,363
Change of other currencies by 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies	74,862	(74,862)	74,862	(74,862)
8- The part of other foreign currency risk hedged (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	74,862	(74,862)	74,862	(74,862)
TOTAL (3+6+9)	(4,596,589)	4,596,589	(4,596,589)	4,596,589

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PINAR SU VE İÇECEK SANAYİ VE TİCARET A.Ş.

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

31 December 2018

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	(1,861,546)	1,861,546	(1,861,546)	1,861,546
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	(1,861,546)	1,861,546	(1,861,546)	1,861,546
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR	(1,025,066)	1,025,066	(1,025,066)	1,025,066
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	(1,025,066)	1,025,066	(1,025,066)	1,025,066
Change of other currencies by 10% against TL				
7- Assets/ Liabilities denominated in other foreign currencies	7,140	(7,140)	7,140	(7,140)
8- The part of other foreign currency risk hedged (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	7,140	(7,140)	7,140	(7,140)
TOTAL (3+6+9)	(2,879,472)	2,879,472	(2,879,472)	2,879,472

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NOTE 28 - 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 2019	31 December 2018
Financial instruments with fixed interest rate		
Financial assets	42,534,309	38,026,679
Financial liabilities	257,320,547	218,050,298
Financial instruments with floating interest rate		
Financial liabilities	2,239,952	2,443,317

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 2019	31 December 2018
Total financial liabilities	186,573,178	140,254,479
Less: Cash and cash equivalents (Note 5)	(3,298,440)	(1,381,537)
Net debt	183,274,738	138,872,942
Total equity	51,690,664	64,497,727
Debt/ equity ratio	355%	215%

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NOTE 29 - 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 14.

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)

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2019 and 2018:

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

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2019 and 2018:

31 December 2019

	Level 1	Level 2	Level 3 (*)	Total
Available-for-sale investments	1,329,139	-	6,215,062	7,544,201
Total assets	1,329,139	-	6,215,062	7,544,201

31 December 2018

	Level 1	Level 2	Level 3 (*)	Total
Available-for-sale investments	781,846	-	3,882,098	4,663,944
Total assets	781,846	-	3,882,098	4,663,944

(*) Please see Note 27 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 2019

	Level 1	Level 2	Level 3	Total
Property, Plant and Equipment:				
Land	-	17,100,000	-	17,100,000
Buildings and land improvements	-	71,750,000	-	71,750,000
Machinery and equipment	-	115,449,342	-	115,449,342
Total assets	-	204,299,342	-	204,299,342

31 December 2018

	Level 1	Level 2	Level 3	Total
Property, Plant and Equipment:				
Land	-	12,425,000	-	12,425,000
Buildings and land improvements	-	56,113,043	-	56,113,043
Machinery and equipment	-	122,201,135	-	122,201,135
Total assets	-	190,739,178	-	190,739,178

NOTE 30 - SUBSEQUENT EVENTS

At the meeting of the Company's Board of Directors dated 15 January 2020, it has been decided to cease the operations of the Company's plant in Isparta Akçaağaç. As of 31 December 2019, the net book value of the tangible assets in Akçaağaç plant (including IFRS 16) is TL6,845,389. According to the "TAS 36 - Impairment of Assets" standard regarding these assets, no impairment was identified.

INFORMATION FOR INVESTORS

Stock Exchange

Shares of Pınar Su ve İçecek Sanayi ve Ticaret A.Ş. are traded at Borsa İstanbul Main Market - Group 1 under ticker symbol PNSUT.

Initial Public Offering Date: 03.02.1986

Ordinary General Assembly Meeting

Pınar Su ve İçecek Sanayi ve Ticaret A.Ş. in accordance with the resolution taken by the Board of Directors, Ordinary General Assembly Meeting of the Company will be held on 25 March 2020 Wednesday at 10:00 at the factory building located at Yunus Emre Mah. Kemalpaşa Cad. No: 317 Bornova/İZMİR.

Profit Distribution Policy

The profit distribution policy for 2013 and subsequent years prepared in accordance with the Capital Market Regulations of Pınar Su ve İçecek Sanayi ve Ticaret A.Ş. has been submitted to the General Assembly for approval and has been publicly disclosed. The relevant information is available at Company's corporate website (www.pinar.com.tr) in Turkish and English on the investor relations page.

Since the Company showed a loss as a result of its 2019 operations, the Board of Directors resolved at the Board Meeting dated March 2, 2020 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 ve İçecek Share Performance (Compared to BIST ALL Index)

