

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



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

Report on the Financial Statements

1. We have audited the accompanying financial statements (balance sheet) of Pinar Su Sanayii ve Ticaret A.Ş. ("the Company") as at 31 December 2016 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

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

Independent auditor's responsibility

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

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

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

Opinion

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

Other Matter

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

Other Responsibilities Arising From Regulatory Requirements

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

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



İstanbul, 1 Mart 2017

ORIGINAL COPY ACCEPTED AND SIGNED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

FINANCIAL STATEMENTS

AT 1 JANUARY - 31 DECEMBER 2016

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

| CONTENTS..... | PAGE |
|--|---------------|
| STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)..... | 54-55 |
| STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME..... | 56 |
| STATEMENTS OF CASH FLOWS..... | 57 |
| STATEMENTS OF CHANGES IN EQUITY..... | 58-59 |
| NOTES TO THE FINANCIAL STATEMENTS..... | 60-119 |
| NOTE 1 ORGANISATION AND NATURE OF OPERATIONS | 60 |
| NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS | 60-74 |
| NOTE 3 BUSINESS COMBINATIONS..... | 74 |
| NOTE 4 INTERESTS IN OTHER ENTITIES..... | 74 |
| NOTE 5 SEGMENT REPORTING..... | 74 |
| NOTE 6 CASH AND CASH EQUIVALENTS | 75 |
| NOTE 7 TRANSACTIONS AND BALANCES WITH RELATED PARTIES | 75-79 |
| NOTE 8 TRADE RECEIVABLES AND PAYABLES..... | 80-82 |
| NOTE 9 RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS..... | 82 |
| NOTE 10 OTHER RECEIVABLES AND PAYABLES | 82 |
| NOTE 11 INVENTORIES..... | 83 |
| NOTE 12 BIOLOGICAL ASSETS | 83 |
| NOTE 13 PREPAID EXPENSES AND DEFERRED INCOME..... | 83 |
| NOTE 14 INVESTMENT PROPERTIES | 83 |
| NOTE 15 PROPERTY, PLANT AND EQUIPMENT | 84-86 |
| NOTE 16 RIGHTS TO INTERESTS ARISING FROM DECOMMISSIONING, RESTORATION AND ENVIRONMENTAL REHABILITATION FUNDS..... | 87 |
| NOTE 17 MEMBERS' SHARES IN CO-OPERATIVE ENTITIES AND SIMILAR INSTRUMENTS | 88 |
| NOTE 18 INTANGIBLE ASSETS | 88 |
| NOTE 19 GOODWILL..... | 88 |
| NOTE 20 EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES | 88 |
| NOTE 21 LEASING..... | 88 |
| NOTE 22 SERVICE CONCESSION AGREEMENTS..... | 88 |
| NOTE 23 IMPAIRMENT IN ASSETS..... | 89 |
| NOTE 24 GOVERNMENT GRANTS AND INCENTIVES..... | 89 |
| NOTE 25 BORROWINGS AND BORROWING COSTS | 88-90 |
| NOTE 26 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES | 91-93 |
| NOTE 27 COMMITMENTS | 93 |
| NOTE 28 EMPLOYEE BENEFITS..... | 93-94 |
| NOTE 29 EXPENSES BY NATURE | 95 |
| NOTE 30 OTHER ASSETS AND LIABILITIES..... | 95 |
| NOTE 31 SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS..... | 95-97 |
| NOTE 32 REVENUE | 98 |
| NOTE 33 CONSTRUCTIONS CONTRACTS | 98 |
| NOTE 34 GENERAL ADMINISTRATIVE EXPENSES AND MARKETING, SELLING AND DISTRIBUTION EXPENSES | 98-99 |
| NOTE 35 OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES | 99 |
| NOTE 36 INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES | 100 |
| NOTE 37 EXPENSES BY NATURE | 100 |
| NOTE 38 FINANCIAL INCOME AND EXPENSE | 100 |
| NOTE 39 ANALYSIS OF OTHER COMPREHENSIVE INCOME | 100 |
| NOTE 40 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS | 101 |
| NOTE 41 INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND TAX LIABILITIES)..... | 101-105 |
| NOTE 42 EARNINGS/ (LOSS) PER SHARE..... | 105 |
| NOTE 43 SHARE BASED PAYMENTS..... | 105 |
| NOTE 44 INSURANCE CONTRACTS..... | 105 |
| NOTE 45 EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES | 106 |
| NOTE 46 REPORTING IN HYPERINFLATIONARY ECONOMY | 106 |
| NOTE 47 DERIVATIVE FINANCIAL INSTRUMENTS | 106 |
| NOTE 48 FINANCIAL INSTRUMENTS | 107-108 |
| NOTE 49 NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS..... | 108-117 |
| NOTE 50 FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) | 117-119 |
| NOTE 51 SUBSEQUENT EVENTS..... | 119 |
| NOTE 52 OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS..... | 119 |

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)

AT 31 DECEMBER 2016 AND 2015

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS)

AT 31 DECEMBER 2016 AND 2015

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

**Other comprehensive
income/ (expense)
to be classified
to profit or loss**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Financial Reporting Standards

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

The financial statements of the Company are prepared as per the CMB relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's financial statements.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

Reporting In Hyper-Inflationary Economy

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

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

2.2.1 Amendments in Turkish Financial Reporting Standards

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

- Amendments to IAS 7 "Statement of cash flows" on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments IAS 12 "Income Taxes", effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.
- IFRS 9 "Financial instruments", effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- IFRS 15 "Revenue from contracts with customers", effective from annual periods beginning on or after 1 January 2018. IFRS 15, "Revenue from contracts with customers" is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Also this standard effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- IFRS 16 "Leases", effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
 - IFRS 1 "First-time adoption of IFRS", regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
 - IFRS 12, "Disclosure of interests in other entities" regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
 - IAS 28, "Investments in associates and joint ventures" regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- IFRIC 22, 'Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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

2.2.2 Comparative information and correction of prior year financial statements

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

2.3 Summary of Significant Accounting Policies

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

2.3.1 Revenue recognition

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

Sales of goods:

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

Interest income:

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

Dividend income:

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

2.3.2 Inventory

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

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

2.3.3 Property, plant and equipment

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

Property, plant and equipment except for land, land improvements and buildings and machinery and equipment acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any.

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

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

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

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

2.3.4 Intangible assets

Intangible assets have finite useful lives and mainly comprise acquired rights. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period of six years from the date of acquisition (Note 18). Costs associated with maintaining computer software programs are recognized as an expense when incurred. Gain or losses on disposals or on impairments of intangible assets with respect to their amounts are included in the related income and expense accounts.

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

2.3.5 Impairment of assets

Impairment of financial assets

- Assets carried at amortized cost

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

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

- Significant financial difficulty of the issuer or obligor,
- A breach of contract, such as a default or delinquency in interest or principal payments,
- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation,

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

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

The Company first assesses whether objective evidence of impairment exists.

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

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

- Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the statement of comprehensive income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, impairment losses recognized in the comprehensive income statement, on equity instruments are not reversed through the statement of comprehensive income.

Impairment of non-financial assets:

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

2.3.6 Borrowing and borrowing cost

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

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

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

2.3.7 Financial assets

The Company classifies its financial assets in categories of financial assets at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. The Company does not have any financial asset - held to maturity or fair value changes accounted through statements of income or expenses.

i. Classification

- Loans and receivables

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

- Available-for-sale financial assets

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale financial assets. These are included in non-current assets unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The Company management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

ii. Recognition and measurement

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

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

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

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

2.3.8 Foreign currency translations and balances

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

2.3.9 Earnings/ (loss) per share

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

2.3.10 Subsequent events

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

2.3.11 Provisions, contingent assets and contingent liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable (Note 26).

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

i. *Employee Benefits/Termination Benefit*

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

ii. *Bonus Provision*

The Company recognizes a liability and an expense for bonus and profit-sharing for the management and board of directors, based on a formula that takes into consideration the profit attributable to the shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.3.12 Accounting policies, errors and changes in accounting estimates

Material changes in accounting policies and accounting errors are applied on a retrospective basis as if a prior period error had never occurred or the policy had always been applied. The effect of change in accounting estimate shall be recognized prospectively by including it in the statements of comprehensive income within the period of the change, if the change affects that period only; or period of the change and future periods, if the change affects both.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

2.3.13 Related parties

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

2.3.14 Segment reporting

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

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

2.3.15 Current and deferred income taxes

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

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

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

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed. Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. To the extent that deferred income tax assets will not be utilized, the related amounts have been deducted accordingly.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

2.3.16 Statement of cash flow

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

2.3.17 Share capital and dividends

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

2.4 Critical accounting estimates and judgments

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

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

The generally accepted valuation techniques used in fair value determination of available-for-sale investments for which there is no quoted market price exists, consist of several assumptions, which are based on the management's best estimates and fair value available-for-sale investments could be different when the purchase/ sales of the transactions incurred (Note 48). If generally adopted valuation techniques are not used, it is assumed that fair value of the asset converges the carrying value.

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

Revaluations are performed with the sufficient regularity to ensure that the carrying amounts of the revalued property, plant and equipment and investment properties do not differ materially from that which would be determined using fair value at the end of the reporting periods. The frequency of the revaluation depends upon the changes in the fair values of the items of property, plant and equipment. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is required and revaluation is performed for entire class of revalued item simultaneously. Besides, for items of property, plant and equipment with only insignificant changes in fair value frequent revaluations and fair value measurements are considered unnecessary.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements and machinery and equipment were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.
- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m² sale value was determined for lands subject to the valuation. The similar pieces of land found were compared in terms of location, accessibility, size, settlement status, changes in settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.
- Since a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment. Such machinery and equipment were reviewed and assessed by their line.

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

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

iii) Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. In this respect, the Company did not recognise deferred income tax assets arising from tax losses carried forward and other deductible differences as their future utilisation is not virtually certain. The tax deductions that arise from the investment incentives the Company has and are likely to benefit in the coming periods are reflected in the financial statements as it is highly probable that such incentives will be utilized in the future. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made (Note 41).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

iv) Capitalization of investments

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

2.5 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting. As a result of the transactions in the normal course of business, revenue other than sales are presented as net if the nature of the transaction or the event qualify for offsetting.

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

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority. As Company management, we declare that the current and previous period financial statements together with the summary of the important accounting policies and notes to the financial statements are prepared and presented in accordance with Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority.

NOTE 3 - BUSINESS COMBINATIONS

None (31 December 2015: None).

NOTE 4 - INTERESTS IN OTHER ENTITIES

Please see Note 48.

NOTE 5 - SEGMENT REPORTING

Please see Note 2.3.13.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 6 - CASH AND CASH EQUIVALENTS

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

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

Based on the independent data with respect to the credit risk assessment of the banks at which the Company has deposits, the credit quality of banks is sufficient. The fair values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet dates.

NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2016 and 2015 are as follow:

i) Balances with related parties:

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

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

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

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

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

d) Other payables to related parties:

| | | |
|---------------|----------------|----------|
| YBP | 167.167 | - |
| Yaşar Holding | 83.583 | - |
| Other | 4.037 | - |
| | 254.787 | - |

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

ii) Transactions with related parties:

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

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

b) Service sales:

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

c) Service purchases:

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

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

d) Product purchases:

| | | |
|-----------|---------------|---------------|
| Pınar Süt | 92.791 | 91.094 |
| Other | 28 | 4.872 |
| | 92.819 | 95.966 |

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

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

| | | |
|--|--------------|----------------|
| j) Tangible and intangible asset sales: | | |
| Yaşar Holding | - | 118.812 |
| Other | 1.146 | - |
| | 1.146 | 118.812 |

k) Bails given:

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

l) Bails received:

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

m) Key management compensation:

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES

| | 31 December 2016 | 31 December 2015 |
|---|-------------------|-------------------|
| a) Short-term trade receivables | | |
| Customer current accounts | 16.991.664 | 13.116.492 |
| Cheques and notes receivables | 3.992.724 | 5.531.604 |
| | 20.984.388 | 18.648.096 |
| Less: Provision for impairment of receivables | (2.287.998) | (1.976.010) |
| Unearned finance income | (187.004) | (224.802) |
| | 18.509.386 | 16.447.284 |

At 31 December 2016, the effective weighted average interest rate applied to short-term trade receivables is 9,55% p.a. (31 December 2015: 11,05% p.a.) and average collection terms of trade receivables are within 2 months (31 December 2015: 2 months).

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

| | | |
|------------------|-------------------|-------------------|
| Overdue | 2.733.120 | 2.574.257 |
| 0 - 30 days | 5.507.074 | 4.800.667 |
| 31 - 60 days | 6.499.202 | 5.689.558 |
| 61 - 90 days | 2.782.701 | 1.942.993 |
| 91 days and over | 987.289 | 1.439.809 |
| | 18.509.386 | 16.447.284 |

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

| | 31 December 2016 | 31 December 2015 |
|---------------|------------------|------------------|
| 0 - 90 days | 2.332.558 | 2.130.765 |
| 91 - 180 days | 400.562 | 443.492 |
| | 2.733.120 | 2.574.257 |

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

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

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

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

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

| | | |
|-------------------------------|-------------------|-------------------|
| Supplier current accounts | 41.447.621 | 47.847.621 |
| Less: Unincurred finance cost | (303.757) | (386.532) |
| | 41.143.864 | 47.461.089 |

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

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

| | | |
|---------------------------------|-------------------|------------------|
| Supplier non - current accounts | 11.257.053 | 2.234.318 |
| | 11.257.053 | 2.234.318 |

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 8 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

| | 31 December 2016 | 31 December 2015 |
|-----------|-------------------|------------------|
| 2017 year | - | 1.489.171 |
| 2018 year | 4.690.439 | 745.147 |
| 2019 year | 2.622.768 | - |
| 2020 year | 2.627.938 | - |
| 2021 year | 1.315.908 | - |
| | 11.257.053 | 2.234.318 |

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

NOTE 9 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (31 December 2015: None).

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

a) Other short-term receivables

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

b) Other long-term receivables

| | | |
|-------------------------------|--------------|--------------|
| Deposits and guarantees given | 1.800 | 1.800 |
| | 1.800 | 1.800 |

c) Other payables

| | | |
|----------------------------------|----------------|------------------|
| Taxes and funds payables | 529.307 | 769.940 |
| Deposits and guarantees received | 224.252 | 374.064 |
| Other | 5.408 | 4.102 |
| | 758.967 | 1.148.106 |

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 11 – INVENTORIES

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

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

NOTE 12 - BIOLOGICAL ASSETS

None (31 December 2015: None).

NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME

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

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

NOTE 14 - INVESTMENT PROPERTY

None (31 December 2015: None).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 15 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

The carrying amounts of each class of property, plant and equipments that would have been recognised if the assets have been carried under the cost model at 31 December 2016 and 2015 are as follow:

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

None (31 December 2015: None).

NOTE 18 - INTANGIBLE ASSETS

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

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

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

NOTE 19 - GOODWILL

None (31 December 2015: None).

NOTE 20 - EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

None (31 December 2015: None).

NOTE 21 - LEASING

None (31 December 2015: None).

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 22 - SERVICE CONCESSION AGREEMENTS

None (31 December 2015: None).

NOTE 23 - IMPAIRMENT IN ASSETS

Please see Note 15.

NOTE 24 - GOVERNMENT GRANTS AND INCENTIVES

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

NOTE 25 - BORROWINGS AND BORROWING COSTS

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 25 - BORROWINGS AND BORROWING COSTS (Continued)

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 25 - BORROWINGS AND BORROWING COSTS (Continued)

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

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

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

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

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

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

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

| | 2016 | 2015 |
|------------------------------|-------------|-------------|
| 1 January | - | - |
| Increase in period (Note 29) | 3.106.135 | 2.093.242 |
| Paid | (3.106.135) | (2.093.242) |
| 31 December | - | - |

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

| | 31 December 2016 | 31 December 2015 |
|-----------------------------|-------------------|-------------------|
| b) Guarantees given: | | |
| Bails | 41.221.111 | 70.613.333 |
| Letters of guarantee | 14.842.460 | 8.738.090 |
| | 56.063.571 | 79.351.423 |

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

| | 31 December 2016 | | | 31 December 2015 | | |
|--|------------------|------------|-------------------|------------------|------------|-------------------|
| | Currency | Amount | TL Equivalent | Currency | Amount | TL Equivalent |
| CPM provided by the Company: | | | | | | |
| A. Total amount of CPM given on behalf of the Company | TL | 14.842.460 | 14.842.460 | TL | 8.738.090 | 8.738.090 |
| B. 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 | | | 41.221.111 | | - | 70.613.333 |
| 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 | | | 41.221.111 | | | 70.613.333 |
| | EUR | 11.111.111 | 41.221.111 | EUR | 22.222.222 | 70.613.333 |
| iii. Total amount of CPM given on behalf of third parties which are not in scope of C | - | - | - | - | - | - |
| | | | - | | - | - |
| | | | 56.063.571 | | | 79.351.423 |
| The ratio of total amount of other CPM to Equity | | | %68 | | | %131 |

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

Guarantees are mainly received from customers.

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

NOTE 27 - COMMITMENTS

None. (31 December 2015: None).

NOTE 28 - EMPLOYEE BENEFITS

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 28 - EMPLOYEE BENEFITS (Continued)

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

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

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL4.426,16 which is effective from 1 January 2017 (1 January 2016: TL 4.092,53) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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

| | 31 December 2016 | 31 December 2015 |
|-------------------------------|------------------|------------------|
| Discount rate (p.a) (%) | 3,95 | 3,95 |
| Probability of retirement (%) | 97,09 | 96,74 |

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 29 - EXPENSES BY NATURE

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

NOTE 30 - OTHER ASSETS AND LIABILITIES

| | 31 December 2016 | 31 December 2015 |
|-----------------------------|-------------------|------------------|
| Other current assets | | |
| VAT receivable | 11.625.533 | 6.767.218 |
| Other | 22.903 | 80.591 |
| | 11.648.436 | 6.847.809 |

NOTE 31 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

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

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

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

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

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

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

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

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

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 32 - REVENUE

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

NOTE 33 - CONSTRUCTION CONTRACTS

None (31 December 2015: None).

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

NOTE 35 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 36 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

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

NOTE 37 - EXPENSES CLASSIFIED BY CLASS

Please see Note 29.

NOTE 38 - FINANCIAL INCOME AND EXPENSE

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

NOTE 39 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please see Statements of Income and Other Comprehensive Income.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

None (31 December 2015: None).

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

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

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

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

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

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

Apart from the exemptions mentioned in the preceding paragraphs, the deductions granted in 14th and recurring 8th articles of Corporate Tax Law and 40th 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.

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

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

| | 31 December 2016 | 31 December 2015 |
|---------------------------|-------------------------|-------------------------|
| Deferred tax income | 7.367.720 | 1.869.413 |
| Taxation on income | 7.367.720 | 1.869.413 |

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

| | 1 January - 31 December 2016 | 1 January - 31 December 2015 |
|---------------------------|---------------------------------|---------------------------------|
| Corporate tax provision | - | - |
| Deduction: Prepaid tax | - | 60.925 |
| Taxation on income | - | 60.925 |

Reconciliation of taxation on income is as follows:

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

Deferred taxes

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

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

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

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

| Expiration years | 31 December 2016 | 31 December 2015 |
|------------------|-------------------|------------------|
| 2018 | 2.908.300 | - |
| 2020 | 3.265.010 | - |
| 2021 | 10.383.427 | - |
| | 16.556.737 | - |

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

| Expiration years | 31 December 2016 | 31 December 2015 |
|------------------|-------------------|-------------------|
| 2018 | - | 5.816.599 |
| 2020 | - | 6.537.761 |
| 2021 | 19.955.673 | - |
| | 19.955.673 | 12.354.360 |

NOTE 42 - EARNINGS/ (LOSS) PER SHARE

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

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

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

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

NOTE 43 - SHARE BASED PAYMENTS

None (31 December 2015: None).

NOTE 44 - INSURANCE CONTRACTS

None (31 December 2015: None).

NOTE 45 - EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 46 - REPORTING IN HYPERINFLATIONARY ECONOMIES

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

NOTE 47 - DERIVATIVE FINANCIAL INSTRUMENTS

None (31 December 2015: None).

NOTE 48 - FINANCIAL INSTRUMENTS

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

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

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

NOTE 48 - FINANCIAL INSTRUMENTS (Continued)

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

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

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

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

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

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

NOTE 49 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

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

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

a) Credit risk:

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

31 December 2016:

| | Receivables | | | | | |
|--|-----------------------|-------------------|--------------------|------------------|------------------|-------------------|
| | Trade Receivables (1) | | Other Receivables | | Bank Deposits | Total |
| | Related Parties | Third Parties | Related Parties | Third Parties | | |
| Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2) | 2.959.482 | 18.509.386 | 45.950 | 1.594.876 | 3.253.072 | 26.362.766 |
| - The part of maximum credit risk covered with guarantees | - | 6.687.545 | - | - | - | 6.687.545 |
| A. Net book value of financial assets not due or not impaired | 1.073.103 | 15.776.266 | 45.950 | 1.594.876 | 3.253.072 | 21.743.267 |
| B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired | - | - | - | - | - | - |
| C Net book value of assets past due but not impaired (3) | 1.886.379 | 2.733.120 | - | - | - | 4.619.499 |
| - The part covered by guarantees etc | - | 932.355 | - | - | - | 932.355 |
| D. Net book value of assets impaired | - | - | - | - | - | - |
| - Past due (gross book value) | - | 2.287.998 | - | - | - | 2.287.998 |
| - Impairment amount (-) | - | (2.287.998) | - | - | - | (2.287.998) |
| - The part of net value covered with guarantees etc | - | - | - | - | - | - |
| - Not due (gross book value) | - | - | - | - | - | - |
| - Impairment amount (-) | - | - | - | - | - | - |
| - The part of net value covered with guarantees etc. | - | - | - | - | - | - |
| E. Off balance items exposed to credit risk | - | - | - | - | - | - |

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

31 December 2015:

| | Receivables | | | | | Total |
|---|-----------------------|-------------------|-------------------|----------------|------------------|-------------------|
| | Trade Receivables (1) | | Other Receivables | | Bank Deposits | |
| | Related Parties | Third Parties | Related Parties | Third Parties | | |
| Maximum amount of credit risk exposed as of reporting date | | | | | | |
| (A+B+C+D+E) (2) | 1.970.866 | 16.447.284 | 5.741.057 | 678.409 | 2.010.975 | 26.848.591 |
| - The part of maximum credit risk covered with guarantees | - | 11.187.134 | - | - | - | 11.187.134 |
| A. Net book value of financial assets not due or not impaired | 1.237.305 | 13.873.027 | 5.741.057 | 678.409 | 2.010.975 | 23.540.773 |
| B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired | - | - | - | - | - | - |
| C. Net book value of assets past due but not impaired (3) | 733.561 | 2.574.257 | - | - | - | 3.307.818 |
| - The part covered by guarantees etc. | - | 706.630 | - | - | - | 706.630 |
| D. Net book value of assets impaired | - | - | - | - | - | - |
| - Past due (gross book value) | - | 1.976.010 | - | - | - | 1.976.010 |
| - Impairment amount (-) | - | (1.976.010) | - | - | - | (1.976.010) |
| - The part of net value covered with guarantees etc. | - | - | - | - | - | - |
| - Not due (gross book value) | - | - | - | - | - | - |
| - Impairment amount (-) | - | - | - | - | - | - |
| - The part of net value covered with guarantees etc. | - | - | - | - | - | - |
| E. Off balance items exposed to credit risk | - | - | - | - | - | - |

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

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

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

31 December 2016:

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

31 December 2015:

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

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.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

31 December 2016

Table of Sensitivity Analysis for Foreign Currency Risk

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

31 December 2015

Table of Sensitivity Analysis for Foreign Currency Risk

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

ii) Interest Risk

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

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

iii) Price risk

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

d) Capital risk management:

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Company monitors capital on the basis of the gearing ratio and changes in the earnings before interest depreciation and amortization ("EBITDA"). Gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings due to related parties - non trade less cash and cash equivalents. EBITDA is calculated as operational profit/ (loss) less depreciation, amortization, employment termination benefits and other nonrecurring expenses.

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

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

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments:

Financial Assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties, are considered to approximate their respective carrying values due to their short-term nature. The cost of financial assets available for sale investments less, if any, impairments are considered to approximate their fair values.

Financial Liabilities

Fair values of bank borrowings are disclosed in Note 25.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

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

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

31 December 2016

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

31 December 2015

| | | | | |
|--------------------------------|----------------|----------|------------------|------------------|
| Available-for-sale investments | 601.615 | - | 3.384.733 | 3.986.348 |
| Total assets | 601.615 | - | 3.384.733 | 3.986.348 |

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

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

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS
ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

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

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

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

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

NOTE 51 - SUBSEQUENT EVENTS

None.

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

None (31 December 2015: None).

.....