PINAR SU SANAYİ VE TİCARET A.Ş.

FINANCIAL STATEMENTS
AT 1 JANUARY - 31 DECEMBER 2018
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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

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

INDEPENDENT AUDITOR'S REPORT

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

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Pınar Su Sanayi ve Ticaret A.Ş. (the "Company"), which comprise the statement of financial position as at 31 December 2018 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements comprising a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

2. Basis for Opinion

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

3. Key Audit Matters

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

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Key audit matter	How our audit addressed the key audit matter
Fair value measurements land and land improvements, buildings, machinery and equipment: **(Refer to the Notes 2 and 11)** In accordance with TAS 16, "Property, Plant and Equipment", land and land improvements, buildings, machinery and equipment are measured at fair value on the financial statements. The fair values of land and land improvements and buildings determined based on valuations by an independent professional valuer as of 31 December 2017. As a result of Company management assessment with another external independent professional valuer, the carrying amount of land and land improvements and buildings are assumed to approximate their fair values as of 31 December 2018 after deducting current year depreciation. On the other hand, the Company management has decided to perform valuation works for all machinery and equipment since the carrying values are substantially different from their fair values as of 31 December 2018 and the fair values of machinery and equipment were determined based on valuations by external independent valuer. According to the valuations performed by external independent valuer as at 31 December 2018, increase in the carrying values of machinery and equipment is amounting to TL28 million, before tax. Increases in the carrying amount arising on the revaluation of machinery and equipment are credited to the revaluation reserve in equity, net of applicable deferred income tax in the financial position. The assessment of the carrying values of property, plant and equipment was a key audit matter since the total amount of property, plant and equipment as of 31 December 2018 represents a significant share of the total assets of the Company, and these valuations include significant estimations and assumptions.	The following audit procedures were addressed in our audit work on the fair value measurement of property, plant, equipment: • We assessed the competency, capability and objectivity of the independent professional valuers who were appointed by Company management, in accordance with relevant audit standards. • The frequency of revaluation was evaluated in accordance with the relevant audit standards by taking into consideration of the conditions and periods set forth in TAS 16. • Estimates and assumptions of the Company management are considered together with our external expert in accordance with the relevant auditing standards to ensure that the carrying values of land, land improvements and buildings as of 31 December 2018 approximate to their fair values. • We checked and confirmed completeness, and reconciled the input data on a sample basis, used by the independent professional valuers with the Company's records. • In accordance with the provisions of "SIA 620: Use of Work of Expert" standard, we got our auditor expert involved on a sample basis to evaluate the assumptions and methods used by the Company management and the independent professional valuers who were appointed by the Company management. • The compliance of the disclosures of fair value determination of related assets in the financial statements in accordance with the relevant accounting financial reporting standards were evaluated.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables (Refer to the Note 7): Trade receivables amounting to TL29 million from non-related parties as of 31 December 2018 are material to the financial statements. The Company management takes into account the guarantees received from its customers, past collection performance, maturity analysis and disputes or claims related to receivables when evaluating recoverability. The determination of doubtful receivables together with the respective provisions includes Company management's estimations and assumptions. For these reasons, the recoverability of trade receivables was determined to be a key audit matter.	The following audit procedures were addressed in our audit work on the recoverability of trade receivables: • The Company's credit risk management policy, including credit limit and collection management, were reviewed and assessed. • Trade receivables from non-related parties were tested on a sample basis by sending confirmation letters. • The aging of trade receivable balances from non-related parties were analysed. • The subsequent collections were tested on a sample basis. • The guarantee letters received from customers were tested on a sample basis. • Investigations were made to determine whether there were any disputes or lawsuits regarding the collectability of trade receivables from non-related parties, and evaluations of the ongoing lawsuits were obtained from the Company's legal counsellors. • Based on the meetings held with Company management, the reasonableness of Company management's assumptions and judgements underlying the calculations of impairment of trade receivables were assessed. • The compliance of the disclosures of recoverability of trade receivables from non-related parties in the financial statements with the relevant accounting standards was evaluated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2018 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 28 February 2019.

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

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Mehmet Karakurt,
Partner

İstanbul, 28 February 2019

CONTENTS .... PAGE

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS) AT 31 DECEMBER 2018 AND 2017

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

	Notes	31 December 2018	31 December 2017
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	1,381,537	1,616,562
Trade Receivables		34,100,310	28,136,518
- Due From Related Parties	6	5,336,925	3,707,806
- Other Trade Receivables	7	28,763,385	24,428,712
Other Receivables		3,924,569	1,824,808
- Due From Related Parties	6	-	14,358
- Other receivables	8	3,924,569	1,810,450
Inventories	9	17,164,082	10,093,728
Prepaid Expenses		1,841,231	1,503,414
- Prepaid Expenses From Third Parties	10	1,841,231	1,503,414
Other Current Assets		16,363,279	13,832,162
- Other Current Assets From Third Parties	19	16,363,279	13,832,162
TOTAL CURRENT ASSETS		**74,775,008**	**57,007,192**
Non-Current Assets			
Financial Assets	32	4,663,944	4,047,190
Other Receivables		1,800	1,800
- Due From Non Related Parties Other Receivables	8	1,800	1,800
Property, Plant and Equipment	11	210,137,811	181,010,588
- Lands		12,425,000	12,425,000
- Land Improvements		9,546,143	9,840,500
- Buildings		46,566,900	47,769,500
- Machinery and Equipments		122,201,135	92,126,628
- Vehicles		33,288	69,635
- Furniture and Fixtures		18,982,295	18,614,325
- Construction in Progress		383,050	165,000
Intangible Assets	12	4,043,586	2,935,668
- Computer Programmes		4,043,586	2,935,668
Prepaid Expenses		3,621	-
- Prepaid Expenses From Third Parties	10	3,621	-
Deferred Tax Assets	28	-	1,959,521
TOTAL NON - CURRENT ASSETS		**218,850,762**	**189,954,767**
TOTAL ASSETS		**293,625,770**	**246,961,959**

The financial statements at 1 January - 31 December 2018 and for the year then ended have been approved for issue by Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş. on 28 February 2019. The General Assembly and certain regulatory bodies have the authority to make amendments after the publication of statutory financial statements.

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

STATEMENTS OF FINANCIAL POSITIONS (BALANCE SHEETS) AT 31 DECEMBER 2018 AND 2017

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

	Notes	31 December 2018	31 December 2017
LIABILITIES			
Current Liabilities			
Short Term Borrowings		38,018,139	20,043,521
- Short Term Borrowings to Non-Related Parties	15	38,018,139	20,043,521
- Bank Loans	38,018,139	20,043,521	
Short-Term Portion of Long-Term Borrowings		45,678,841	25,606,934
- Short-Term Portion of Long-Term Borrowings	15	45,678,841	25,606,934
- Bank Loans	45,678,841	25,606,934	
Trade Payables	56,471,503	44,014,871	
- Due to Related Parties	6	1,601,967	1,409,561
- Other Payables to Non-Related Parties	7	54,869,536	42,605,310
Payables Related to Employee Benefits	17	910,229	785,863
Other Payables	16,534,081	11,333,891	
- Due to Related Parties	6	5,909,116	2,657,575
- Other Payables to Non-Related Parties	8	10,624,965	8,676,316
Deferred Income	763,902	1,042,091	
- Deferred Income from Third Parties	10	763,902	1,042,091
Short-Term Provisions	1,640,577	1,252,959	
- Provisions for Employee Benefits	17	288,636	327,859
- Other Short-Term Provisions	16	1,351,941	925,100
TOTAL CURRENT LIABILITIES		**160,017,272**	**104,080,130**
Non - Current Liabilities			
Long-Term Borrowings	56,557,499	67,665,751	
- Long-Term Borrowings to Non-Related Parties	15	56,557,499	67,665,751
- Bank Loans	56,557,499	67,665,751	
Trade Payables	7,233,552	9,030,741	
- Due From Non Related Parties	7	7,233,552	9,030,741
Long-Term Provisions	2,596,372	2,197,488	
- Provisions for Employee Termination Benefits	17	2,596,372	2,197,488
Deferred Tax Liabilities	28	2,723,348	-
TOTAL NON - CURRENT LIABILITIES		**69,110,771**	**78,893,980**
TOTAL LIABILITIES		**229,128,043**	**182,974,110**
EQUITY			
Equity Attributable to Owners of Parent		**64,497,727**	**63,987,849**
Share Capital	20	44,762,708	44,762,708
Adjustment to Share Capital	20	11,713,515	11,713,515
Share Premiums	88,239	88,239	
Other accumulated comprehensive income/ (loss) that will not be reclassified to profit or loss		62,112,510	40,482,677
- Gains on revaluation and remeasurement		60,524,257	40,482,677
- Revaluation of property, plant and equipment	11	62,735,634	42,377,009
- Actuarial loss arising from defined benefit plans	17	(2,211,377)	(1,894,332)
- Revaluation or classification earnings of assets at fair value through other comprehensive income	32	1,588,253	-
Other accumulated comprehensive income (loss) that will be reclassified to profit or loss		-	1,075,488
- Gains on Remeasuring and/or Reclassification	32	-	1,075,488
- Gains on remeasuring and/or reclassification of Available-for-sale financial assets		-	1,075,488
Restricted Reserves	20	4,180,008	4,180,008
- Legal Reserves		4,180,008	4,180,008
Accumulated Losses		(36,281,924)	(18,598,912)
Loss for the Year		(22,077,329)	(19,715,874)
TOTAL EQUITY		**64,497,727**	**63,987,849**
TOTAL LIABILITIES AND EQUITY		**293,625,770**	**246,961,959**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED 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 2018 AND 2017

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

	Notes	1 January- 31 December 2018	1 January- 31 December 2017
PROFIT (LOSS)			
Revenue	21	234,185,150	198,291,944
Cost of Sales (-)	21	(136,755,196)	(111,128,901)
GROSS PROFIT		**97,429,954**	**87,163,043**
General Administrative Expenses (-)	22	(20,318,266)	(20,789,733)
Marketing Expenses(-)	22	(74,079,879)	(67,472,185)
Other Operating Income	23	7,748,323	2,419,143
Other Operating Expenses (-)	23	(4,429,501)	(3,226,976)
OPERATING PROFIT/ (LOSS)		**6,350,631**	**(1,906,708)**
Income from Investment Activities	24	405,575	548,023
Expense from Investment Activities (-)	24	(711,420)	(339,367)
OPERATING PROFIT/ (LOSS) BEFORE FINANCIAL EXPENSE		**6,044,786**	**(1,698,052)**
Financial Income	26	783,356	516,407
Financial Expenses (-)	26	(29,845,202)	(18,765,325)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS		**(23,017,060)**	**(19,946,970)**
Tax Income of Continuing Operations		939,731	231,096
- Deferred Tax Income	28	939,731	231,096
LOSS FROM CONTINUING OPERATIONS		**(22,077,329)**	**(19,715,874)**
LOSS FOR THE PERIOD		**(22,077,329)**	**(19,715,874)**
Loss per Share			
- Loss Per 1 KR Number of 100 Shares From Continuing Operations	29	(0,4932)	(0,4405)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/ expense not to be reclassified to profit or loss		**22,587,207**	**19,912,137**
- Loses on remeasurements of defined benefit plans	17	(396,306)	(1,055,091)
- Gains on revaluation of property, plant and equipment	11	27,989,359	25,994,294
- Revaluation earnings of assets recorded at fair value through other comprehensive income	32	616,754	-
- Effect of change in tax rate		-	(289,768)
- Taxes for Other Comprehensive Expense not to be Reclassified to Profit or Loss		(5,622,600)	(4,737,298)
- Gains on revaluation of property, plant and equipment, tax effect		79,261	211,018
- Losses on remeasurements of defined benefit plans, Tax effect	32	(103,989)	-
Losses on revaluation of property, plant and equipment, tax effect		(5,597,872)	(4,948,316)
Other Comprehensive Income/ Expense to be Reclassified to Profit or Loss		**-**	**206,893**
- Losses on remeasuring and/or reclassification on available-for-sale financial assets	32	-	(2,358)
- Losses on remeasuring and/or reclassification on available-for-sale financial assets		-	(2,358)
- Taxes for Other Comprehensive Income/ Expense to be Reclassified to Profit or Loss	32	-	209,251
- Losses on revaluation and/or reclassification of vailable-for-sale financial assets, Tax effect		-	209,251
OTHER COMPREHENSIVE INCOME		**22,587,207**	**20,119,030**
TOTAL COMPREHENSIVE INCOME		**509,878**	**403,156**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

PINAR SU SANAYİ VE TİCARET A.Ş.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED AT 31 DECEMBER 2018 AND 2017

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

	Notes	1 January - 31 December 2018	1 January- 31 December 2017
CASH FLOWS FROM OPERATING ACTIVITIES		**8,929,223**	**(1,637,594)**
Loss for the year		(22,077,329)	(19,715,874)
- Loss from Continuing Operations		(22,077,329)	(19,715,874)
Adjustments Related to Reconciliation		**43,847,038**	**31,174,593**
Adjustments for depreciation and amortisation expense	11.12	14,288,302	13,952,387
Adjustments for Impairment loss		335,922	719,479
- Adjustments for Impairement loss of receivables	7	335,922	710,072
- Adjustments for Impairement on fixed assets	11	-	9,407
Adjustments for provisions		1,207,792	393,049
- Adjustments for provisions related with employee benefits	17	780,951	492,116
- Adjustments for (Reversal of) other provisions	16	426,841	(99,067)
Adjustment for dividend income		(164,421)	(285,800)
Adjustments for interest expense and interest gain		22,565,967	13,681,833
-Adjustments for interest income	23.24.26	(1,022,424)	(505,912)
Adjustments for interest expense	23.26	23,588,391	14,187,745
Adjustments for unrealized foreign currency translation differences		6,134,775	2,791,677
Adjustments for tax income	28	(939,731)	(231,096)
Adjustments for losses arised from sale of fixed assets	24	418,432	153,064
Adjustments for losses arised from sale of tangible assets		418,432	153,064
Changes in working capital		**(12,062,109)**	**(11,373,957)**
Adjustments related to increase in trade receivables		(5,518,159)	(7,057,396)
- Increase in trade receivables from related parties		(858,731)	(427,998)
- Increase in trade receivables from non-related parties		(4,659,428)	(6,629,398)
Adjustments for increase in other receivables with operations		(4,630,878)	(2,367,708)
- Decrease in other related party receivables related with operations		14,358	31,592
- Increase in other non-related party receivables related with operations		(4,645,236)	(2,399,300)
Adjustments for (increase)/ decrease in inventories		(7,070,354)	897,114
Adjustments for increase/ (decrease) in trade payable		3,743,109	(3,582,309)
- Increase in trade payables to related parties		150,640	374,801
- Increase/ (decrease) in trade payables to non-related parties		3,592,469	(3,957,110)
Increase in prepaid expenses		(341,437)	(694,351)
Increase in payables related to employee benefits		124,366	515,063
Adjustments for increase in other operating payables		1,948,649	860,875
- Increase in other operating payables to non-related parties		1,948,649	860,875
(Decrease)/ increase in deferred income		(278,189)	13,671
Adjustments for Other (Decrease)/ Increase in Working Capital		(39,216)	41,084
- Increase in Other Payables Related with Operations		(39,216)	41,084
Cash Flows from Operating Activities		**9,707,600**	**84,762**
Payments related with provisions for employee benefits		(778,377)	(1,722,356)
CASH FLOWS FROM INVESTING ACTIVITIES		**(15,765,671)**	**(19,138,635)**
Cash outflows from subsidiaries and/ or joint ventures shares acquired or capital increase	32	-	(353,694)
Cash inflows from sales of fixed assets		543,687	1,116,163
- Cash inflows from sales of tangible assets		543,687	1,116,163
Cash outflows due to purchase of fixed assets		(17,496,203)	(20,692,816)
- Cash outflows due to purchase of tangible assets	11	(15,983,351)	(19,587,175)
- Cash outflows due to purchase of intangible assets	12	(1,512,852)	(1,105,641)
Interest received	23.24.26	1,022,424	505,912
Dividend received	24	164,421	285,800
CASH FLOWS FROM FINANCING ACTIVITIES		**6,601,423**	**19,116,996**
Cash inflows from financial borrowings		75,154,030	55,600,704
- Cash inflows from loans		75,154,030	55,600,704
Cash outflows from financial liabilities		(44,562,268)	(24,535,467)
- Paybacks of borrowings		(44,562,268)	(24,535,467)
Increase in non-trade payables due to related parties		3,251,541	2,402,788
Interest paid		(27,241,880)	(14,351,029)
NET DECREASE IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF FOREIGN CURRENCY TRANSLATION DIFFERENCES		**(235,025)**	**(1,659,233)**
Net Decrease in Cash and Cash Equivalents		**(235,025)**	**(1,659,233)**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**5**	**1,616,562**	**3,275,795**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**5**	**1,381,537**	**1,616,562**

The accompanying notes are an integral part of these financial statements

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED 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 2018 AND 2017

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

					Other comprehensive income/ (expense) not to be reclassified to profit or loss	
	Share Capital	Adjustment to share capital	Share Issue Premiums (Discounts)	Gains (Losses)on Revaluation of Property Plant and Equipments	Loses on Remeasurements of Defined Benefit Plans	Revaluation or Classifications Earnings of Assets at Fair Value Through Other Comprehensive Income
Prior year						
1 January- 31 December 2017						
Balances at beginning	**44,762,708**	**11,713,515**	**88,239**	**23,272,463**	**(1,050,259)**	**-**
Transfers	-	-	-	(1,651,664)	-	-
Total comprehensive income	-	-	-	20,756,210	(844,073)	-
- Loss for the year	-	-	-	-	-	-
- Other comprehensive expense	-	-	-	20,756,210	(844,073)	-
Balances at closing	**44,762,708**	**11,713,515**	**88,239**	**42,377,009**	**(1,894,332)**	**-**
Current year						
1 January- 31 December 2018						
Balances at beginning	**44,762,708**	**11,713,515**	**88,239**	**42,377,009**	**(1,894,332)**	**-**
Classifications on Mandatory Changes in Accounting Policies (Note 2)	**-**	**-**	**-**	**-**	**-**	**1,075,488**
- Adjustments related to required Required changes in TFRS 9	-	**-**	**-**	**-**	**-**	1,075,488
Balances at beginning (restatemented)	**44,762,708**	**11,713,515**	**88,239**	**42,377,009**	**(1,894,332)**	**1,075,488**
Transfers	-	-	-	(2,032,862)	-	-
Total comprehensive income	-	-	-	22,391,487	(317,045)	512,765
- Loss for the year	-	-	-	-	-	-
- Other comprehensive income	-	-	-	22,391,487	(317,045)	512,765
Balances at closing	**44,762,708**	**11,713,515**	**88,239**	**62,735,634**	**(2,211,377)**	**1,588,253**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED 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 2018 AND 2017

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

Other comprehensive income/ (expense) to be classified to profit or loss				
Revaluation and/or Reclassification Adjustment of Available for Sale Financial Assets	**Restricted Reserves**	**Accumulated Lossess**	**Loss for the Period**	**Total Equity**
868,595	**4,180,008**	**(766,366)**	**(19,484,210)**	**63,584,693**
-	-	(17,832,546)	19,484,210	-
206,893	-	-	(19,715,874)	403,156
-	-	-	(19,715,874)	(19,715,874)
206,893	-	-	-	20,119,030
1,075,488	**4,180,008**	**(18,598,912)**	**(19,715,874)**	**63,987,849**
1,075,488	**4,180,008**	**(18,598,912)**	**(19,715,874)**	**63,987,849**
(1,075,488)	**-**	**-**	**-**	**-**
(1,075,488)	**-**	**-**	**-**	**-**
-	**4,180,008**	**(18,598,912)**	**(19,715,874)**	**63,987,849**
-	-	(17,683,012)	19,715,874	-
-	-	-	(22,077,329)	509,878
-	-	-	(22,077,329)	(22,077,329)
-	-	-	-	22,587,207
-	**4,180,008**	**(36,281,924)**	**(22,077,329)**	**64,497,727**

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

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

The Company's 32.31% (31 December 2017: 32.31%) of shares are quoted on the "Borsa Istanbul" ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş ("Yaşar Holding") with 58.00% of shares of the Company (2017: 58.00%) (Note 20).

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

Kemalpaşa Mah. Kemalpaşa Caddesi Desa - Otak Kazan Üretimi Apt. No: 262
Bornova/ İzmir

The average number of personnel employed during the period at the Company is 422 (2017: 461).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation

2.1.1 Financial Reporting Standards

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

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

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

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

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

2.1.1 Financial Reporting Standards (Continued)

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 Informations and Correction of Prior Year Financial Statements

2.2.1 Amendments in Turkish Financial Reporting Standards

a) Standards, Amendments and TFRSIs applicable to 31 December 2018 year ends:

- **TFRS 9, 'Financial instruments';** effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model. The effects of the standard change are explained in Note 2.2.2.1.2.

- **TFRS 15, 'Revenue from contracts with customers';** effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the TASB 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. The effects of the standard change are explained in Note 2.2.2.1.1.

- **Amendment to TFRS 15, 'Revenue from contracts with customers'**, effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The TASB has also included additional practical expedients related to transition to the new revenue standard. The effects of the standard change are explained in Note 2.2.2.1.1.

- **Annual improvements 2014-2016;** effective from annual periods beginning on or after 1 January 2018. These amendments impact 2 standards:

    - TFRS 1, 'First time adoption of TFRS', regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19 and TFRS 10.

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

- **TFRSI 22, 'Foreign currency transactions and advance consideration';** effective from annual periods beginning on or after 1 January 2018. This TFRSI addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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

2.2.1 Amendments in Turkish Financial Reporting Standards (Continued)

b) New standards, amendments and interpretations issued and effective as of 31 December 2018 have not been presented since they are not relevant to the operations of the Company or have insignificant impact on the financial statements.

c) Standards, amendments and interpretations that are issued but not effective as at 31 December 2018:

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

- The Company plans not to use the simplified migration application and to rearrange the comparable amounts for the year prior to the first implementation. Thus, all usage right assets will be measured in the amount of leasing debts (adjusted for prepaid or accrued rental costs). As of the date of this report, the Company continues to work on the effects of TFRS 16 on its financial statements. The Company's operations as lessor are unimportant.

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

- **Annual improvements 2015-2017;** effective from annual periods beginning on or after 1 January 2019. These amendments include minor changes to:

  • TFRS 3, 'Business combinations', – a company remeasures its previously held interest in a joint operation when it obtains control of the business.

  • TFRS 11, 'Joint arrangements', – a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.

  • TAS 12, 'Income taxes' – a company accounts for all income tax consequences of dividend payments in the same way.

  • TAS 23, 'Borrowing costs' – a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

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

2.2.1 Amendments in Turkish Financial Reporting Standards (Continued)

- **Amendments to TAS 19, ‘Employee benefits’ on plan amendment, curtailment or settlement’;** effective from annual periods beginning on or after 1 January 2019. These amendments require an entity to:

  - use updated assumptions to determine current service cost and net interest for the reminder of the period after a plan amendment, curtailment or settlement; and;

  - recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

- **Amendments to TAS 1 and TAS 8 on the definition of material;** effective from Annual periods beginning on or after 1 January 2020. These amendments to TAS 1, ‘Presentation of financial statements’,and TAS 8, ‘Accounting policies, changes in accounting estimates and errors’, and consequential amendments to other TFRSs:

  i) use a consistent definition of materiality throughout TFRSs and the Conceptual Framework for Financial Reporting;
  ii) clarify the explanation of the definition of material; and
  iii) incorporate some of the guidance in TAS 1 about immaterial information.

The Company will evaluate the effects of the above amendments on its operations and apply them from the effective date. As of December 31, 2018, the standards and amendments that have been published but not yet effective and not related to the Company’s operations have not been stated above.

2.2.2 Comparative Information

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 December 2018 on a comparative basis with balance sheet at 31 December 2017; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2018 on a comparative basis with financial statements for the period of 1 January - 31 December 2017.

The Company has applied consistent accounting policies in the financial statements of the Company for the periods presented and has no material changes in the accounting policies and estimates in the current period. Accounting policies and their effects on TFRS 9 and 15 Note 2.2.2.1.1 and Note 2.2.2.1.2.

2.2.2.1 Summary of Significant Accounting Policies

2.2.2.1.1 Revenue Recognition

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

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

2.2.2.1.1 Revenue Recognition (Continued)

The Company recognizes revenue based on the following main principles:

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

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

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

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

Revenue from product sales

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

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

a) The Company has a present right to payment for the asset,
b) The customer has legal title to the asset,
c) The Company has transferred physical possession of the asset,
d) The customer has the significant risks and rewards of ownership of the asset,
e) The customer has accepted the asset.

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

2.2.2.1.1 Revenue Recognition (Continued)

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

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

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

The Company recognizes a refund liability in the condensed interim financial information if the entity receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received for which the entity does not expect to be entitled and recognised as advances received on the financial position. The refund liability is updated at the end of each reporting period for changes in circumstances.

First time adoption of TFRS 15 Revenue from customer contracts "standard

TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018, replacing TAS 18 "Revenue". TFRS 15, "Revenue from contracts with customers" is a converged standard from the TASB 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.

2.2.2.1.2 Financial assets

Classification and measurement

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

(a) Financial assets recognized at amortized cost;

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

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

2.2.2.1.2 Financial assets (Continued)

Impairment

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

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

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

Financial assets at fair value through other comprehensive income include financial investments in the statement of financial position. In the event that the assets recorded in other comprehensive income are sold in the fair value difference, the valuation difference classified in other comprehensive income is classified into prior year profits. As of 31 December 2018, the Company does not have any financial assets that it has measured at cost. In this context, the Company has recognized all of its financial assets at fair value in the financial statements.

Changes regarding the classification of financial assets and liabilities in terms of TFRS 9 are summarised below. Related changes in classification do not result in changes in measurement of the financial assets and liabilities.

	According to TAS 39 previous classification	According to TFRS 9 new classification
Financial Assets		
Cash and cash equivalents	Loans and receivables	Amortised cost
Financial Investment	Available-for-sale financial assets	Fair value difference reflected in other comprehensive income
Trade receivable	Loans and receivables	Amortised cost
Other receivable	Loans and receivables	Amortised cost

	According to TAS 39 previous classification	According to TFRS 9 new classification
Financial Liabilities		
Financial payable	Amortised cost	Amortised cost
Trade payable	Amortised cost	Amortised cost
Other payable	Amortised cost	Amortised cost

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

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

2.2.2.1.2 Financial assets (Continued)

First time adoption of TFRS 9 - Financial Instruments

The Company has applied TFRS 9 "Financial Instruments" as the first application date of
1 January 2018, replacing TAS 39. It includes requirements for the classification and measurement of financial assets and liabilities, as well as the expected credit risk model that will replace the currently used impairment loss model. The transition effect of the standard is accounted for by the simplified method. Based on this method, the Company has recorded the cumulative effect on the initial transition to TFRS 9 to the accumulated losses. Therefore, as of 31 December 2018 there is no need to revise the financial statements of the previous years which were presented in accordance with TAS 39.

The effects of the mentioned classification on financial statements as of 31 December 2018 are as follows

Finansal Investment- 1 January 2018	Notes	Available ready financial assets	Fair Value through other comprehensive income profit or loss	Total Effects
Closing balance - 31 December 2017 - TAS 39		4,047,190	-	4,047,190
Fair value through other comprehensive income/profit or loss	32	(4,047,190)	4,047,190	-
Opening balance - 1 January 2018 - IFRS 9		-	4,047,190	4,047,190

Finansal Investment - 1 January 2018	Revaluation and /or Classification of Financial Investments Gain (Losses) Fund	Assets Recorded in Other Comprehensive Income of Fair value Fund	Total Effects
Closing balance - 31 December 2017 - TAS 39	1,075,488	-	1,075,488
Financial investments' valuation or classification Gains/ losses from the fund of fair value difference reffering to Other comprehensive income assets's Classification or value fund	(1,075,488)	1,075,488	-
Opening balance - 1 January 2018 - IFRS 9	-	1,075,488	1,075,488

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

2.2.2.1.2 Financial assets (Continued)

The Company's management has evaluated the financial investments of the Company as of 1 January 2018 and has included the financial instruments and related equity funds. TFRS 9 is classified according to categories. As a result of this classification, the difference between the carrying amount of the financial assets carried at cost and the fair value at the beginning of the first application date is recorded in the related fund under shareholders' equity.

2.2.2.1.3 Change in the useful lives of tangible assets

The Company has reviewed its useful lives of property, plant and equipment and the useful lives of a group of machinery and equipment has been revised as of 1 January 2018. As a result of this change, the depreciation expense calculated as TRY1,038,048 for the year 2018 less than the amount to be calculate according to the previous useful lives.

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 Inventories

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

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

Property, plant and equipment except for land, land improvements and buildings and machinery and equipment are stated at cost less accumulated depreciation. Land, land improvements and buildings as of 31 December 2017 and machinery and equipment as of 31 December 2018 are stated at fair value less accumulated depreciation, based on valuations by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş. (Note 11). Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset and the net amount is restated to the revalued amount of the asset.

Property, plant and equipment except for land, land improvements and buildings and machinery and equipment are carried at cost, less accumulated amortisation and impairment losses, if any (Note11).

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

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

2.3.2 Property, plant and equipment (Continued)

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

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

Buildings and land improvements	25 - 45
Machinery and equipment	5 - 25
Motor vehicles	5
Furniture and fixtures	5 - 10
Demijohn and basket	3 – 4

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

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

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

2.3.3 Intangible assets

Intangible assets have finite useful lives and mainly comprise acquired rights. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period of six years from the date of acquisition (Note 12). Costs associated with maintaining computer software programs are recognized as an expense when incurred. Gain or losses on disposals or on impairments of intangible assets with respect to their amounts are included in the related income and expense accounts.

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

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

2.3.4 Impairment of assets

Impairment of financial assets:

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 and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2.3.5 Borrowing and borrowing cost

Borrowings are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 26). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 15).

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

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

2.3.6 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.

2.3.7 Loss per share

Loss per share disclosed in the statement of income and other comprehensive income are determined by dividing net profit/(loss) for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 29). Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of loss per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year. In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

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

2.3.8 Subsequent Events

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

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

2.3.9 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 16).

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

i. *Employee Benefits/Termination Benefit*

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

ii. *Bonus Provision*

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

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

2.3.10 Related parties

For the purpose of these financial statements, shareholders having control, joint control or significant influence over the Company, Yaşar Group companies, key management personnel and board members of the Company or parent Company "Yaşar Holding" and their close family members, together companies controlled, jointly controlled or significantly influenced by them are considered as and referred to as related parties (Note 6).

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

The person concerned,

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

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

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

2.3.11 Trade Receivables

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

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

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

2.3.11 Trade Receivables (Continued)

The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Also, Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Company measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Company and its expectations for the future indications.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the collection amount is decreased from the doubtful receivable provisions and recorded as other income from operating activities.

2.3.12 Trade Payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.3.13 Segment Reporting

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

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

2.3.14 Taxation on income

Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly (Note 28).

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

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

2.3.14 Taxation on income (Continued)

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. In this framework, the Company has not recorded any portion of the financial losses that it could benefit from in the future due to the fact that future use of these assets is not probable. On the other hand, the Company has reflected the deferred tax assets resulting from the investment incentive certificate as of 31 December 2018 in the financial statements as it is highly probable that the future taxable profits will be utilized. Where the ultimate tax consequences arising from these matters differ from the amounts initially recorded, these differences could affect income tax provision and deferred tax liabilities in the periods in which they are set (Note 28).

2.3.15 Statement of cash flow

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

2.3.16 Share capital and dividends

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

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

2.3.17 Received deposits amounts for demijohn and basket

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

2.4 Significant accounting assessments, estimates and assumptions

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

i) 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.

Due to the fact that the machinery and equipments are mainly imported as a result of the evaluations made by the Company, the Company decided that there may be significant changes due to the changes in the market data taken into consideration in the cost approach method and the carried values will not converge to their fair values as of 31 December 2018. In this context, machinery and equipments have been valued by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş., fair value of assets accounted in the financial statements.

In addition, land and land improvement, buildings are stated at fair value less accumulated depreciation, based on valuations by external independent valuers namely TSKB Gayrimenkul Değerleme A.Ş. as of December 31, 2017 which approximates to fair value of these assets as of 31 December 2018.

As of 31 December 2018, the details of the methods and assumptions used for valuations of machinery and equipments are as follows.

- Revaluation of investment property was based on the method of reference by considering highest and best use approach.

- Regarding the valuation of the machinery and equipment, technologic conditions, actual depreciation, commercial attributes and industrial positions as well as demounting and assembling costs were taken into account. Whenever a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment. Such machinery and equipment were reviewed and assessed by their line.

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

2.4 Significant accounting assessments, estimates and assumptions (Continued)

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

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

ii) **Trade receivables and impairment**

The Company management takes into consideration the guarantees received from customers, past collection performances, maturity analysis, disputes or claims related to receivables or lawsuits when evaluating the recoverability of such trade receivables. The determination of the doubtful receivables as well as the provision amounts for these receivables as a result of all these evaluations include management's assumptions and estimates.

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

2.6 TFRS Compliance declaration to resolutions published by POAASA

The Company Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Turkish Financial Reporting Standards published by the POAASA. As Company Management, we declare that the current and previous period financial statements together with the summary of the important accounting policies and notes to the financial statements are prepared and presented in accordance with TFRS published by the POAASA.

NOTE 3 - INTERESTS IN OTHER ENTITIES

See Note 32.

NOTE 4 - SEGMENT REPORTING

See 2.3.13.

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

NOTE 5 - CASH AND CASH EQUIVALENTS

	31 December 2018	31 December 2017
Cash in hand	15,641	6,094
Banks	861,141	199,668
- Demand deposits	311,141	199,668
- Turkish Lira	311,141	199,668
- Time deposits	550,000	-
- Turkish Lira	550,000	-
Other	504,755	1,410,800
	1,381,537	**1,616,562**

As of 31 December 2018 the company has time deposit less than one week with an 18% weighted interest rate in TRY.Other cash and cash equivalents includes the credit cards slips with an average term of 30 days (2017: 30 days).

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

NOTE 6 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2018 and 2017 are as follow

i) *Balances with related parties:*

a) Trade receivables from related parties:

	31 December 2018	31 December 2017
Yaşar Dış Ticaret A.Ş. ("YDT")	4,428,299	3,060,943
Çamlı Yem Besicilik San. ve Tic. A.Ş.	685,352	337,996
DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("DYO Boya")	125,919	16,422
Other	97,355	292,445
	5,336,925	**3,707,806**

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 2018, due from related parties amounting to TRY653,102 (2017: TRY2,126,628) were overdue for a period of 3 months (2017: 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.

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

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

b) Other receivables from related parties:

	31 December 2018	31 December 2017
Viking Kağıt	-	14,358
	-	**14,358**

c) Trade payables to related parties:

Yaşar Holding	836,951	977,739
Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP")	484,523	125,923
Desa Enerji	16,896	94,009
Other	263,597	211,890
	1,601,967	**1,409,561**

The effective weighted average interest rate applied to due to related parties is 27.17% p.a. as of 31 December 2018 (2017: 13.72%) due to related parties mature mainly within 2 month (2017: 2 month).

d) Other payables to related parties:

Yaşar Holding	5,694,745	2,509,640
YBP	210,335	143,899
Other	4,036	4,036
	5,909,116	**2,657,575**

As of 31 December 2018 other short term payables due to related parties have a 26,15 percent weighted interest rate annualy. (2017: 15%).

ii) Transactions with related parties:

a) Product sales:

	1 January - 31 December 2018	1 January - 31 December 2017
YDT	23,631,283	17,710,073
Other	1,733,795	1,416,526
	25,365,078	**19,126,599**

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

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

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

b) Service sales:

	1 January - 31 December 2018	1 January - 31 December 2017
Desa	324,685	259,288
YDT	255,095	264,385
Viking Kağıt ve Selüloz A.Ş. ("Viking Kağıt")	22,543	60,998
Other	47,182	116,608
	649,505	**701,279**

c) Service purchases:

Yaşar Holding	3,751,397	3,398,683
Yaşar Bilgi İşlem ve Ticaret A.Ş. ("Yaşar Bilgi İşlem")	2,069,708	1,641,613
YDT	1,274,887	997,121
Desa	1,207,045	525,653
YBP	407,577	325,887
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	210,450	278,080
Other	655,618	442,548
	9,576,682	**7,609,585**

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

d) Finance expenses:

Yaşar Holding	486,702	336,035
YBP	372,144	259,364
YDT	241,600	91,340
	1,100,446	**686,739**

e) Other income from operations:

YDT	2,083,176	529,712
Other	157,600	75,821
	2,240,776	**605,533**

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

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

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

	1 January - 31 December 2018	1 January - 31 December 2017
f) Other expense from operations:		
YDT	654,713	111,454
YBP	148,480	-
Yaşar Holding	115,981	30,061
Other	78,750	13,395
	997,924	**154,910**

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

g) Tangible and intangible asset purchases:

Yaşar Bilgi İşlem	891,809	987,140
Yaşar Holding	9,789	33,402
Other	164,476	225,566
	1,066,074	**1,246,108**

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

h) Dividend income

Desa Enerji	241,154	285,800
	241,154	**285,800**

i) 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 TRY99,485,751 and EUR2,046,500 , equivalent of 111,822,053 TL as of 31 December 2018 (2017: TRY75,358,535 and EUR2,951,719 equivalent of TRY88,687,021).

j) Key management compensation:

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

	31 December 2018	31 December 2017
Short-term employee benefits	1,882,144	1,941,532
Other long-term benefits	24,694	39,537
	1,906,838	**1,981,069**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

	31 December 2018	31 December 2017
a) Short - term trade receivables		
Customer current accounts	23,935,172	18,618,117
Cheques and notes receivables	8,162,205	8,808,665
Provision for doubtful receivables	(3,333,992)	(2,998,070)
	28,763,385	**24,428,712**

At 31 December 2018, the effective weighted average interest rate applied to short-term trade receivables is 23.49% p.a. (2017: 14.06%).

The aging of trade receivables as of 31 December 2018 and 2017 are as follow:

Overdue	4,877,510	3,164,187
0 - 30 days	8,559,503	6,162,839
31 - 60 days	10,251,374	8,882,336
61 - 90 days	3,893,252	4,215,066
91 days and over	1,181,746	2,004,284
	28,763,385	**24,428,712**

The aging of overdue receivables as of 31 December 2018 and 2017 are as follow:

0 - 90 days	4,796,020	2,952,722
91 - 180 days	81,490	211,465
	4,877,510	**3,164,187**

As of 31 December 2018, trade receivables of TRY4,877,510 (2017: TRY3,164,187) were past due and the Company holds collateral amounting to TRY2,463,676 (2017: TRY1,154,273).

The aging of overdue receivables as of 31 December 2018 and 2017 are as follow:

	2018	2017
1 January	**(2,998,070)**	**(2,287,998)**
Charged to the statement of comprehensive income (Note 23.b)	(958,425)	(1,512,403)
Collections (Notes 23.a)	622,503	802,331
31 December	**(3,333,992)**	**(2,998,070)**

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.

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	31 December 2018	31 December 2017
Supplier current accounts	54,869,536	42,605,310
	54,869,536	**42,605,310**

As of 31 December 2018, the effective weighted average interest rates applied to denominated payables are 23.49% p.a. (2017: 14.08%) Trade payables mature within 2 months. (2017: 2 months).

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

Supplier non - current accounts	7,233,552	9,030,741
	7,233,552	**9,030,741**

Long term trade payables consist of the payables to supplier due to machine purchases related to the packaged spring water filling facility in Bursa. As of 31 December 2018 long term trade payables due ton on-related parties are mostly in Euro currency and have a weigthed interest rate of %1.05 annually (2017: %1.05).

The redemption schedules of long-term trade payables as of 31 December 2018 are as follow

	31 December 2018	31 December 2017
2019 year	-	3,612,400
2020 year	4,915,834	3,612,400
2021 year	2,317,718	1,805,941
	7,233,552	**9,030,741**

Long term trade payables consist of payables due to property, plant and equipment purchases amounting to EUR1,999,992 (2017: EUR1,999,943).

NOTE 8 - OTHER RECEIVABLES AND PAYABLES

a) Other short - term receivables

	31 December 2018	31 December 2017
Value added tax ("VAT") receivables	3,751,777	1,678,116
Deposits and guarantees given	81,637	79,579
Other	91,155	52,755
	3,924,569	**1,810,450**

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

NOTE 8 - OTHER RECEIVABLES AND PAYABLES (Continued)

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

	31 December 2018	31 December 2017
Deposits and guarantees given	1,800	1,800
	1,800	**1,800**

c) Other payables due to non-related parties

Deposits and guarantees receivable	10,015,051	8,176,216
Taxes and funds payables	604,167	500,100
Other	5,747	-
	10,624,965	**8,676,316**

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

The Company uses certain estimates and assumptions in the calculation of deposit obligations related to demijohn and baskets in accordance with its past experience and data. The extent of the data and analyzes used are; the useful life of polycarbone demijohns defined in related regulations, number of units polycarbone and glass demijohns on the market, past statistical data related to amortization rates, turnover rates, unit deposit prices, residual value of policarbone demijohns.

NOTE 9 - INVENTORIES

	31 December 2018	31 December 017
Raw materials	7,222,784	3,431,165
Pallete and viols	4,351,055	3,999,103
Finished goods	3,964,430	2,012,562
Other	1,625,813	650,898
	17,164,082	**10,093,728**

Cost of inventories recognized as expense and included in cost of sales amounted to TRY95,849,478 (2017: TRY72,384,925) (Note 18). Raw materials mainly consist of materials and packaging materials which are used to produce bottled water. The other inventory items are valued at their costs and there is no impairment.

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

NOTE 10 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2018	31 December 2017
a) Short term prepaid expenses		
Prepaid expenses	1,835,602	1,501,264
Order advances given	5,629	2,150
	1,841,231	**1,503,414**
b) Long term term prepaid expenses		
Prepaid expenses	3,208	-
Advances given	413	-
	3,621	**-**
c) Deferred income		
Advances received	763,902	1,042,091
	763,902	**1,042,091**

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT

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

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

The Company classifies polycarbonate and glass demijohn together with baskets as tangible assets and their carrying value is TL 16,796,194 (2017: 9,200,530 TL).

An important part of the Company's additions to tangible assets and investments made in 2018 is composed of the carbonated beverage investment in Madran and the purchase of refrigerated cupboards.

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	1 January 2017	Additions	Disposals	Transfers	Netting of Accumulated Depreciation Before Valuation	Revaluation Increase Decrease (*)	31December 2017
Cost:							
Land	8,119,570	1,800,000	-	-	-	2,505,430	12,425,000
Buildings and land improvements	54,332,237	3,399,941	-	-	(3,956,827)	3,834,649	57,610,000
Machinery and equipment	76,269,050	7,679,092	(4,268,614)	984,182	(8,181,890)	19,644,808	92,126,628
Motor vehicles	219,019	-	(2,681)	-	-	-	216,338
Furniture and fixtures	34,203,135	6,543,142	(2,193,893)	-	-	-	38,552,384
Construction in progress	984,182	165,000	-	(984,182)	-	-	165,000
	174,127,193	**19,587,175**	**(6,465,188)**	**-**	**(12,138,717)**	**25,984,887**	**201,095,350**
Accumulated depreciation:							
Buildings and land improvements	(1,533,404)	(2,423,423)	-	-	3,956,827	-	-
Machinery and equipment	(4,917,783)	(7,226,464)	3,962,357	-	8,181,890	-	-
Motor vehicles	(105,514)	(43,870)	2,681	-	-	-	(146,703)
Furniture and fixtures	(17,029,492)	(4,139,490)	1,230,923	-	-	-	(19,938,059)
	(23,586,193)	**(13,833,247)**	**5,195,961**	**-**	**12,138,717**	**-**	**(20,084,762)**
Net book value	**150,541,000**						**181,010,588**

(*) Machinery plant and equipments realized TRY19,654,215 value increase and TRY9,407 value decrease. The amount related to the revaluation impairment is accounted in the income statement.

The Company classifies polycarbonate and glass demijohn together with baskets as tangible assets and their carrying value is TRY9,200,530 (2017: TL8,009,363)

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

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

NOTE 11 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current year's depreciation and amortisation charges were allocated to cost of production by TRY9,721,772 (2017: TRY9,700,004) to selling and marketing expenses by TRY2,771,546 (2017: TRY2,601,199) (Not 22.b) and to general and administrative expenses by TRY1,794,984 (31 December 2017: TRY1,651,184) (Note 22.a)

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2018 and 2017 were as follows:

	2018	2017
1 January	**42,377,009**	**23,272,463**
Depreciation on revaluation reserve transferred to retained earnings-net	(2,142,689)	(1,582,101)
Increase in revaluation reserve of land, land improvements and buildings - net	-	5,322,606
Increase in revaluation reserve of machinery and equipment- net	22,391,487	15,723,372
Disposal from revaluation reserve due to sales of property, plant and equipment - net	109,827	(69,563)
Change in tax rates	-	(289,768)
31 December	**62,735,634**	**42,377,009**

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 2018 and 2017 are as follow:

31 December 2018:	**Land**	**Building and land improvements**	**Machinery and equipment**
Cost	4,124,212	48,695,958	113,627,967
Less: Accumulated depreciation	-	(8,789,117)	(46,028,902)
Net book value	**4,124,212**	**39,906,841**	**67,599,065**
31 December 2017:			
Cost	4,124,212	47,429,071	111,137,180
Less: Accumulated depreciation	-	(6,941,163)	(46,959,889)
Net book value	**4,124,212**	**40,487,908**	**64,177,291**

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

NOTE 12 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the periods 1 January -
31 December 2018 and 2017 were as follow

	1 January 2018	Additions	31 December 2018
Costs:			
Rights	4,519,641	1,512,852	6,032,493
Accumulated amortisation	(1,583,973)	(404,934)	(1,988,907)
Net book value	**2,935,668**	**1,107,918**	**4,043,586**

	1 January 2017	Additions	Transfers	31 December 2017
Costs:				
Rights	1,989,960	118,501	2,411,180	4,519,641
Continuing computer software	1,424,040	987,140	(2,411,180)	-
Accumulated amortisation	(1,464,833)	(119,140)	-	(1,583,973)
Net book value	**1,949,167**	**986,501**	-	**2,935,668**

NOTE 13 - IMPAIRMENT IN ASSETS

Please see Note 11.

NOTE 14 - GOVERNMENT GRANTS AND INCENTIVES

The Company is entitled an investment incentive of TRY56,743,546 which includes TRY14,433,546 related with the Ministry of the Economy programme supporting production of non-alcoholic beverages, sparkling water, and spring water,in 2013, TRY8,308,639 received in 2015 and an additional incentive of TRY28,691,361 received in 2016, TRY5,310,000 and had deferred tax assets of TRY9,498,709 (31 December 2017: TRY8,436,709). Investment incentive rates of the Ministry of Economy to the investment for the years 2013 %20, for the year 2015 and 2016 %15, for the year 2018 %20, respectively (Note 28).

NOTE 15 - BORROWINGS AND BORROWING COSTS

	31 December 2018	31 December 2017
Short term loans	38,018,139	20,043,521
Short term portion of long term loans	45,678,841	25,606,934
Short Term Borrowings	**83,696,980**	**45,650,455**
Long Term Borrowings	**56,557,499**	**67,665,751**
Total Borrowings	**140,254,479**	**113,316,206**

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

NOTE 15 - BORROWINGS AND BORROWING COSTS

	Effective weighted average interest rate p.a. (%)		Original currency		TL equivalent	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Short term borrowings:						
Borrowings TRY (*)	26.50	15.33	38,018,139	20,043,521	38,018,139	20,043,521
Short term portion of long term borrowings:						
Borrowings TRY (**)	15.80	13.17	45,678,841	25,311,705	45,678,841	25,311,705
Borrowings EUR (***)	-	4.75	-	65,381	-	295,229
Total short term borrowings					**83,696,980**	**45,650,455**
Long term borrowings:						
Borrowings TRY (**)	15.02	14.22	56,557,499	67,665,751	56,557,499	67,665,751
Total long term borrowings					**56,557,499**	**67,665,751**

(*) As of 31 December 2018, TRY denominated short-term bank borrowings consist of borrowings with spot loans fixed interest rates of 26.50% p.a. (2017: Interest rates of 15.33% p.a.)

(**) As of 31 December 2018, TL borrowings amounting TRY99,793,023 with spot loans fixed interest rate 15.41% p.a., TRY2,443,317 denominated bank borrowings consist of semi-annually repricing floating interest rate TRLIBOR+2.70% p.a (2017: borrowings amounting TRY88,234,218 with spot loans fixed interest rate 13.86% p.a., TRY4,743,238 denominated bank borrowings consist of semi-annually repricing floating interest rate TRLIBOR+2.70% p.a.).

(***) As of 31 December 2017, EUR denominated short-term portion of long-term bank borrowings and long-term bank borrowings consist of borrowings with fixed interest rates of 4.75% p.a.

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

NOTE 15 - BORROWINGS AND BORROWING COSTS (Continued)

The redemption schedule of long-term bank borrowings at 31 December 2018 and 2017 are as follow:

	31 December 2018	31 December 2017
2019 year	-	44,663,805
2020 year	33,052,500	10,608,054
2021 year	15,246,348	10,801,902
2022 year	6,036,429	1,591,990
2023 year	2,222,222	-
	56,557,499	**67,665,751**

As of 31 December 2018 and 2017, 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 2018:		
Borrowing with variable interest rates	2,443,317	2,443,317
Borrowings with fixed interest rates	-	137,811,162
	2,443,317	**140,254,479**
31 December 2017:		
Borrowing with variable interest rates	4,743,238	4,743,238
Borrowings with fixed interest rates	-	108,572,968
	4,743,238	**113,316,206**

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

	Carrying amount		Fair value	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Bank borrowings	140,254,479	113,316,206	145,856,015	115,879,579

The fair values are based on cash flows discounted using the rate of 18.07% p.a. for TL denominated bank borrowings, respectively (31 December 2017: 2.00% p.a. and 13.04% p.a. for EUR denominated bank borrowings and TL denominated bank borrowings, respectively).

For the period 1 January - 31 December 2018 and 2017 the carrying amount of net borrowings are as follows:

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

NOTE 15 - BORROWINGS AND BORROWING COSTS (Continued)

	2018	2017
1 January	**111,699,644**	**79,240,612**
Cash inflows from loans	75,154,030	55,600,704
Cash outflows from paybacks of borrowings	(44,562,268)	(24,535,467)
Foreign currency translation difference	-	(102,154)
Effect of accrual of interest	(3,653,489)	(163,284)
Effect of change in cash and cash equivalents	235,025	1,659,233
31 December	**138,872,942**	**111,699,644**

NOTE 16 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
a) Other short - term provisions:		
Provision of advertising and promotion	876,251	837,010
Provisions for litigation (*)	275,773	-
Other	199,917	88,090
	1,351,941	**925,100**

(*) As of 31 December 2018, the provisions related to the lawsuits filed against the Company by the employees who quit their job.

The movement of water fee charged by Aydın Bozdoğan Municipality, which is subject to the is as below for the periods between 1 January- 31 December 2018 and 2017:

	2018	2017
1 January	-	-
Increase in period (Note 18)	1,541,991	2,211,295
Paid	(1,541,991)	(2,211,295)
31 December	-	-

Aydın Bozdoğan Municipality charged a total of TRY1,541,991 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 2018 and this amount is paid by the Company during the year 2018. As of 30 July 2015, Company's Aydın Bozdoğan spring water usage right has been renegotiated and usage right expanded for 5 years.

b) Guarantees given:

Letters of guarantee	14,025,336	12,611,407
	14,025,336	**12,611,407**

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

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

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2018 and 2017 were as follow:

	31 December 2018			31 December 2017		
	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	14,025,336	14,025,336	TL	12,611,407	12,611,407
B. Total amount of CPM given on behalf of fully consolidated companies		-	-		-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parites		-	-		-	-
D. Total amout of other CPM		-	-		-	-
i. . Total amount of CPM given on behalf of the main shareholder		-	-		-	-
ii. Total amount of CPM given on behalf other group companies which are not in scope of B and C		-	-		-	-
iii. Total amount of CPM given on behalf of third parties which are not inscope of C			-	-		-
-						
			14,025,336			**12,611,407**
The ratio of total amount of other CPM to Equity			%0			%0

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

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

	31 December 2018	31 December 2017
c) Guarantees received:		
Bails	99,485,751	88,687,021
Letters of guarantee	39,852,140	31,897,925
Mortgages	7,294,874	8,031,874
Guarantee notes	3,206,502	4,676,502
Guarantee cheques	755,000	1,355,000
Other	5,648,708	1,382,728
	156,242,975	**136,031,050**

Guarantees are mainly received from customers.

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

NOTE 17 - EMPLOYEE BENEFITS

	31 December 2018	31 December 2017
a) Payables for employee benefits		
Social security premiums	910,042	785,643
Payables to employees	187	220
	910,229	**785,863**
b) Short - term provisions for employee benefits		
Management bonus accrual	220,000	220,000
Seniority incentive bonus	68,636	107,859
	288,636	**327,859**
c) Long - term provisions for employee benefits		
Provision for employment termination benefits	2,356,931	2,010,185
Seniority incentive bonus	239,441	187,303
	2,596,372	**2,197,488**

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

NOTE 17 - EMPLOYEE BENEFITS (Continued)

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

The amount payable consists of one month's salary limited to a maximum of TRY5,434.42 (2017: TRY4,732.48) for each year of service as of 31 December 2018.

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 TRY6,017.60 which is effective from 1 January 2019 (1 January 2018: TRY5,001.76) 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 2018	**31 December 2017**
Discount rate (p.a) (%)	5.00	4.50
Probability of retirement (%)	95.60	96.71

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

	2018	**2017**
1 January	**2,010,185**	**2,165,616**
Interest costs	388,422	231,171
Actuarial loss	396,306	1,055,091
Current service cost	340,395	280,663
Paid during the year	(778,377)	(1,722,356)
31 December	**2,356,931**	**2,010,185**

The total of interest cost and current service cost amounting to TRY728,817 (2017: TRY511,834 were allocated to general administrative expenses for TRY340,395 (Note 22) and to financial expense for TRY388,422 (Note 26).

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

NOTE 18 - EXPENSES BY NATURE

	1 January- 31 December 2018	1 January- 31 December 2017
Raw material, direct material and finished goods	87,856,831	63,945,556
Transportation and export	35,285,775	35,053,142
Personnel	23,831,570	21,170,930
Depreciation and amortisation	14,288,302	13,952,387
Outsourced services	13,413,805	12,431,347
Advertising	9,775,017	9,682,494
Rent	8,651,642	8,151,949
Merchandise goods	7,992,647	8,439,369
Energy	6,549,976	5,718,476
Maintenance	5,679,512	4,598,187
Consultancy	4,203,452	3,207,132
Fee of mineral resource	1,541,991	2,211,295
Communication	543,544	476,314
Travel	468,192	550,260
Employment termination benefits	340,395	511,834
Representation	338,113	338,619
Other	10,392,577	8,951,528
	231,153,341	**199,390,819**

NOTE 19 - OTHER ASSETS AND LIABILITIES

	31 December 2018	31 December 2017
Other current asssets		
VAT receivable	16,265,691	13,820,201
Other	97,588	11,961
	16,363,279	**13,832,162**

NOTE 20 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr1. The Company's historical authorised registered share capital at 31 December 2018 and 2017 is as follows:

	31 December 2018	31 December 2017
Registered share capital (historical values)	50,000,000	50,000,000
Paid-in share capital with nominal value	44,762,708	44,762,708

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED 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 2018

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

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

The compositions of the Company's share capital at 31 December 2018 and 2017 were as follow:

	31 December 2018		31 December 2017	
Share owners	**Share (%)**	**Share amount (TL)**	**Share (%)**	**Share amount (TL)**
Yaşar Holding	58.00	25,961,414	58.00	25,961,414
Halka açık kısım	32.31	14,463,978	32.31	14,463,978
Pınar Süt	8.77	3,927,525	8.77	3,927,525
YBP	0.80	356,973	0.80	356,973
Hedef Ziraat Tic. ve San. A.Ş.	0.09	39,614	0.09	39,614
YDT	0.03	13,204	0.03	13,204
Total share capital	**100.00**	**44,762,708**	**100.00**	**44,762,708**
Adjustment to share capital		11,713,515		11,713,515
Total paid in capital		**56,476,223**		**56,476,223**

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 TRY11,713,515 (2017: TRY11,713,515) 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 (2017: 4,476,270,800) units of shares with a face value of Kr1 each as of 31 December 2018.

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

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

The aforementioned reserves were accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The restricted reserves of the Company amount to TRY4,180,008(2017: TRY4,180,008) as of 31 December 2018. The unrestricted extraordinary reserves the Company amount to TRY11,673,135 (2017: TRY11,673,135), and classified in the retained earnings.

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

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

- the difference arising from the "Paid-in Capital" shall be classified as the "Inflation Adjustment to Share Capital"if it is not transferred to capital yet;

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

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

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

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

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

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

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

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

NOTE 21 - REVENUE

	1 January - 31 December 2018	1 January - 31 December 2017
Domestic sales	343,284,584	310,625,478
Export sales	32,762,495	22,203,627
Trade goods sales	10,169,476	11,359,110
Gross sales	**386,216,555**	**344,188,215**
Less: Discounts	(147,994,236)	(143,826,156)
Return	(4,037,169)	(2,070,115)
Net sales	**234,185,150**	**198,291,944**
Cost of sales	**(136,755,196)**	**(111,128,901)**
Gross Profit	**97,429,954**	**87,163,043**

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

	1 January - 31 December 2018	1 January - 31 December 2017
a) General administrative expenses:		
Personnel	6,513,261	6,904,669
Outsourced services	5,740,247	5,574,716
Consultancy	3,033,490	2,184,040
Depreciation and amortisation	1,794,984	1,651,184
Energy	496,749	493,173
Rent	495,366	1,048,163
Employment termination benefit	340,395	511,834
Representation	285,496	312,625
Travel	182,768	337,477
Communication	160,370	182,333
Other	1,275,140	1,589,519
	20,318,266	**20,789,733**

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

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

	1 January - 31 December 2018	1 January - 31 December 2017
b) Marketing, selling and distribution expenses:		
Transportation and export expenses	35,285,775	35,053,142
Personnel	10,284,284	6,945,850
Advertising	9,775,017	9,682,494
Oursourced services	4,984,538	4,376,500
Rent	3,692,606	3,184,665
Amortization and depreciation cost	2,771,546	2,601,199
Export commission	2,403,238	1,742,501
Maintenance	1,302,348	989,149
Energy	1,269,289	897,540
Consultancy	1,169,962	1,023,092
Other	1,141,276	976,053
	74,079,879	**67,472,185**

NOTE 23 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

	1 January - 31 December 2018	1 January - 31 December 2017
a) Other income from operating activities		
Foreign exchange gain arising from commercial activities	5,211,529	850,098
Reversal of provision for impairment of receivables	622,503	802,331
Interest income due to time difference	536,643	395,633
Unearned financial income	126,946	147,174
Other	1,250,702	223,907
	7,748,323	**2,419,143**
b) Other expense from operating activities:		
Foreign exchange loss arising from commercial activities	(1,290,852)	(820,768)
Provision for doubtful receivables	(958,425)	(1,512,403)
Unearned financial expense	(397,299)	(276,432)
Provision expense for lawsuits	(275,773)	-
Fees and aid	(68,825)	(104,540)
Maturity difference interest expenses	(46,302)	-
Other	(1,392,025)	(512,833)
	(4,429,501)	**(3,226,976)**

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

NOTE 24 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2018	1 January - 31 December 2017
a) Income from investment activities:		
Gain on sale of property plant and equipment	241,154	155,843
Dividend income	164,421	285,800
Other	-	106,380
	405,575	**548,023**
b) Expense from investment activities:		
Loss on sale of property plant and equipment	(659,586)	(308,907)
Other	(51,834)	(30,460)
	(711,420)	**(339,367)**

NOTE 25 - EXPENSES BY NATURE

Please see Note 18.

NOTE 26 - FINANCIAL INCOME AND EXPENSE

	1 January - 31 December 2018	1 January - 31 December 2017
Interest expense	646,020	3,899
Foreign exchange loss	137,336	496,811
Bail income	-	15,697
	783,356	**516,407**
Interest expense	(23,542,089)	(14,187,745)
Foreign exchange loss	(3,886,633)	(3,417,933)
Interest expense on employee benefit termination	(388,422)	-
Bank commissions and overdue charges	(2,028,058)	(1,159,647)
	(29,845,202)	**(18,765,325)**

NOTE 27 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please see Statements of Income and Other Comprehensive Income.

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

In Turkey, the corporation tax rate of the fiscal year 2018 is 22% (31 December 2017: 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 2017: 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 2017: 15%,). An increase in capital via issuing bonus shares is not considered profit distribution and thus does not incur with holding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 22% (2017: 20%) on their corporate income. Advance tax is is declared by 14th (2017: 14th) and payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

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

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

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

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

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

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

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

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

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

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

Transfer Pricing

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

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 2018 and 2017 are summarised as follow:

	31 December 2018	**31 December 2017**
Deferred tax income	939,731	231,096
Taxation on income	**939,731**	**231,096**

Reconciliation of taxation on income is as follows:

Loss before tax	**(23,017,060)**	**(19,946,970)**
Tax calculated at rates applicable to the loss	5,063,753	3,989,394
Tax losses for which no deferred income tax asset was recognized	(4,576,713)	(3,887,777)
Deductable incomes	9,218	57,150
Non-deductable expenses	(227,712)	(299,404)
The effect of tax rate change	-	119,180
Additional deferred tax asset calculated on investment incentive	1,062,000	**-**
Other	(390,815)	252,553
Taxation on income	**939,731**	**231,096**

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

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

Deferred taxes

The Company recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the statutory tax financial statements. (2017: %20).

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

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2018 and 2017 were as follows

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
Revaluation of land, land improvements, buildings, machinery and equipment	77,305,701	51,959,229	(14,570,067)	(9,582,220)
Difference between carrying value (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	3,919,768	3,782,391	(782,076)	(760,021)
Deducted accumulated loss	(8,980,338)	(12,899,995)	1,833,889	2,698,980
Deduction of investment incentive (*)	(56,743,546)	(51,433,546)	9,498,709	8,436,709
Provision for employment termination benefits	(2,356,931)	(2,010,185)	471,386	402,037
Difference between carrying value and tax bases of available-for-sale investments	(2,121,281)	(2,738,035)	463,412	567,401
Other	(1,806,995)	(983,175)	361,399	196,635
Deferred tax assets/ (liabilities) - net			**(2,723,348)**	**1,959,521**

(*) (31 December 2017: TL 8,436,709) deferred tax asset The contribution of the Ministry of Economy to investment incentives is 20% for 2013, 15% for 2015 and 2016 and 20% for 2018, respectively. (Note 14).

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

1 January	**1,959,521**	**6,546,240**
Credited to statement of comprehensive income	939,731	231,096
Charged to actuarial loss arising from defined benefit plans	79,261	211,018
Charged to fair value reserve of available-for-sale investments	(103,989)	209,251
Revaluation of property, plant and equipment	(5,597,872)	(4,948,316)
Change in tax rates	-	(289,768)
31 December	**(2,723,348)**	**1,959,521**

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

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

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

Expiration years	31 December 2018	31 December 2017
2018	-	2,749,141
2019	-	1,440,945
2020	1,824,065	1,758,959
2021	2,812,797	2,678,365
2022	4,343,476	4,272,585
	8,980,338	**12,899,995**

Years of expiration of tax losses carried forward over which no deferred income tax assets were not recognised as of 31 December 2018 and 2017 are as follows:

Expiration years	31 December 2018	31 December 2017
2018	-	159,159
2020	1,440,945	65,106
2021	11,294,456	25,536,142
2022	3,865,188	12,104,464
2023	16,871,007	-
	33,471,596	**37,864,871**

NOTE 29 - LOSS PER SHARE

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

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

		1 January- 31 December 2018	1 January- 31 December 2017
Net loss for the year	A	(22,077,329)	(19,715,874)
Weighted average number of shares (Note 20)	B	4,476,270,800	4,476,270,800
Loss per 100 shares with a Kr1 face value	**A/B**	**(0,4932)**	**(0,4405)**

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

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

NOTE 30 - EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

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

NOTE 31 - REPORTING IN HYPERINFLATIONARY ECONOMIES

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

NOTE 32 - FINANCIAL INSTRUMENTS

The breakdown of available-for-sale investments for the years ended 31 December 2018 and 2017 are as follows:

	31 December 2018	31 December 2017
Financial assests at fair value through other comprehensive income	4,663,944	-
Available for sale investments	-	4,047,190
	4,663,944	**4,047,190**

	31 December 2018		31 December 2017	
	Carrying amount (TL)	Share (%)	Carrying amount (TL)	Share (%)
Desa Enerji	2,733,236	6.07	2,604,155	6.07
YDT	1,148,862	1.76	590,111	1.76
Viking Kağıt	781,846	1.69	852,924	1.69
	4,663,944		**4,047,190**	

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

The discount and growth rates used in discounted cash flow models as at 31 December 2018 and 2017 are as follows

	Discount rate		Growth rate	
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
YDT	23.28%	18.30%	1%	1%
Desa Enerji	22.68%	17,70%	0%	0%

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

NOTE 32 - FINANCIAL INSTRUMENTS (Continued)

Movements of available-for-sale investments in 2018 and 2017 are as follows:

	2018	2017
1 January	**4,047,190**	**3,695,854**
Participation of Viking Kağıt capital increase	-	353,694
Fair value (decrease)/ increase:		
Viking Kağıt	(71,078)	110,845
Desa Enerji	129,081	(123,277)
YDT	558,751	10,074
31 December	**4,663,944**	**4,047,190**

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

1 January	**1,075,488**	**868,595**
Increase/ (decrease) in fair value	616,754	(2,358)
Deferred income tax on fair value reserves of available-for-sale investments (Note 28)	(103,989)	209,251
31 December	**1,588,253**	**1,075,488**

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

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

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

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

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

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

- Safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk,

- Effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures

- Effective monitoring and minimizing risks sourced from counterparts.

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. These risks are monitored by credit ratings and limiting the aggregate risk to any individual counter party and receiving guarantees when required. The Company's exports are realised by its related party, YDT and the related export receivables are monitored by YDT. The following tables analyse the Company's credit risk as of 31 December 2018 and 2017:

CONVENIENCE TRANSLATION INTO ENGLISH OF CONSOLIDATED 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 2018

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

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

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

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

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

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

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

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

31 December 2017:	**Receivables**					
	Trade Receivables (1)		**Other Receivables**			
	Related Parties	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**3,707,806**	**24,428,712**	**14,358**	**1,810,450**	**1,610,468**	**31,571,794**
- The part of maximum credit risk covered with guarantees	-	23,984,456	-	-	-	23,984,456
A. Net book value of financial assets not due or not impaired	1,581,178	21,264,525	14,358	1,810,450	1,610,468	26,280,979
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (3)	2,126,628	3,164,187	-	-	-	5,389,135
- The part covered by guarantees etc	-	1,154,273	-	-	-	1,154,273
D. Net book value of assets impaired		-	-	-	-	-
- Past due (gross book value)	-	2,998,070	-	-	-	2,998,070
- Impairment amount (-)	-	(2,998,070)	-	-	-	(2,998,070)
- The part of net value covered with guarantees etc	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

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

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

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

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

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

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

	Receivables		
31 December 2017	**Trade Receivables**	**Other Receivables**	**Total**
1 - 30 days overdue	2,755,369	-	2,755,369
1 - 3 months overdue	2,162,571	-	2,162,571
3 - 12 months overdue	372,875	-	372,875
The part covered by guarantees	(1,154,273)	-	(1,154,273)
	5,290,815	**-**	**5,290,815**

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.

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

NOTE 33 - 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 2018 and 2017 are as follows:

31 December 2018:

	Book value	**Total cash outflows per a agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III**
Contract terms:					
Non - derivative financial liabilities					
Bank borrowings	140,254,479	159,292,624	20,910,194	78,206,058	60,176,372
Trade payables	63,705,055	64,550,726	30,710,647	26,494,389	7,345,690
Other payables	16,534,081	16,534,081	16,534,081	-	-
	220,493,615	**240,377,431**	**68,154,922**	**104,700,447**	**67,522,062**

31 December 2017:

	Book value	**Total cash outflows per a agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Due dates with respect to contrats:					
Contract terms					
Bank borrowings	113,316,206	136,014,311	14,669,494	40,891,651	80,453,166
Trade payables	53,045,612	53,437,816	38,632,140	5,564,964	9,240,712
Other payables	11,333,891	11,333,891	11,333,891	-	-
	177,695,709	**200,786,018**	**64,635,525**	**46,456,615**	**89,693,878**

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 CONSOLIDATED 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 2018

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

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

	Foreign Currency Position							
	31 December 2018				31 December 2017			
	TL Equivalent	USD	EUR	Other TL Equivalent	TL Equivalent	USD	EUR	Other TL Equivalent
1. Trade Receivables	4,205,305	125,684	428,890	958,746	2,669,149	155,207	328,045	602,437
2a. Monetary Financial Assets (Cash, Bank accounts included)	-	-	-	-	-	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	13,864	-	2,300	-	3,051	-	676	-
4. Current Assets (1+2+3)	**4,219,169**	**125,684**	**431,190**	**958,746**	**2,672,200**	**155,207**	**328,721**	**602,437**
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
8. Non-Current Assets (5+6+7)	-	-	-	-	-	-	-	-
9. Total Assets (4+8)	**4,219,169**	**125,684**	**431,190**	**958,746**	**2,672,200**	**155,207**	**328,721**	**602,437**
10. Trade Payables	25,766,470	3,664,139	929,405	887,346	6,379,159	21,571	1,322,617	325,520
11. Financial Liabilities	-	-	-	-	295,229	-	65,381	-
12a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short Term Liabilities (10+11+12)	**25,766,470**	**3,664,139**	**929,405**	**887,346**	**6,674,388**	**21,571**	**1,387,998**	**325,520**
14. Trade Payables	7,233,552	-	1,199,992	-	9,240,971	-	2,046,500	-
15. Financial Liabilities	-	-	-	-	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long Term Liabilities (14+15+16)	**7,233,552**	**-**	**1,199,992**	**-**	**9,240,971**	**-**	**2,046,500**	**-**
18. Total Liabilities (13+17)	**33,000,022**	**3,664,139**	**2,129,397**	**887,346**	**15,915,359**	**21,571**	**3,434,498**	**325,520**
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)	**(28,780,853)**	**(3,538,455)**	**(1,698,207)**	**71,400**	**(13,243,159)**	**133,636**	**(3,105,777)**	**276,917**
21. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (UFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**(28,794,717)**	**(3,538,455)**	**(1,700,507)**	**71,400**	**(13,246,210)**	**133,636**	**(3,106,453)**	**276,917**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging					**-**	**-**	**-**	**-**
23. Export	**33,613,496**	**797,564**	**2,020,573**	**17,237,576**	**22,203,627**	**1,032,520**	**1,838,357**	**10,007,966**
24. Import	**2,219,301**	**-**	**368,165**	**-**	**2,999,133**	**-**	**664,186**	**-**

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

31 December 2018	**Table of Sensitivity Analysis for Foreign Currency Risk**			
	Profit/ Loss		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change of USD by 10% against TRY:				
1- Asset/Liability denominated in USD	(1,861,546)	1,861,546	(1,861,546)	1,861,546
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**(1,861,546)**	**1,861,546**	**(1,861,546)**	**1,861,546**
Change of EUR by 10% against TRY:				
4- Asset/ Liability denominated in EUR	(1,025,066)	1,025,066	(1,025,066)	1,025,066
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**(1,025,066)**	**1,025,066**	**(1,025,066)**	**1,025,066**
Change of other currencies by 10% against TRY				
7- Assets/ Liabilities denominated in other foreign currencies	7,140	(**7,140)**	**7,140**	**(7,140)**
8- The part of other foreign currency risk hedged (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**7,140**	**(7,140)**	7,140	(**7,140)**
TOTAL (3+6+9)	**(2,879,472)**	**2,879,472**	**(2,879,472)**	**2,879,472**

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

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

31 December 2017	**Table of Sensitivity Analysis for Foreign Currency Risk**			
	Profit/ Loss		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD	50,406	(50,406)	50,406	(50,406)
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**50,406**	**(50,406)**	**50,406**	**(50,406)**
Change of EUR by 10% against TL:				
4- Asset/ Liability denominated in EUR	(1,402,719)	1,402,719	(1,402,719)	1,402,719
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**(1,402,719)**	**1,402,719**	**(1,402,719)**	**1,402,719**
Change of other currencies by 10% against TL :				
7- Assets/ Liabilities denominated in other foreign currencies	27,692	(27,692)	27,692	(27,692)
8- The part of other foreign currency risk hedged (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**27,692**	**(27,692)**	**27,692**	**(27,692)**
TOTAL (3+6+9)	**(1,324,621)**	**1,324,621**	**(1,324,621)**	**1,324,621**

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

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

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

ii) Interest risk

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

	Interest Rate Position Schedule	
	31 December 2018	**31 December 2017**
Financial instruments with fixed interest rate		
Financial assets	38,026,679	29,963,126
Financial liabilities	218,050,298	172,952,471
Financial instruments with floating interest rate		
Financial liabilities	2,443,317	4,743,238

iii) Price risk

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

d) Capital risk management:

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

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

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

	31 December 2018	**31 December 2017**
Total financial liabilities	140,254,479	113,316,206
Less: Cash and cash equivalents (Note 5)	(1,381,537)	(1,616,562)
Net debt	138,872,942	111,699,644
Total equity	64,497,727	63,987,849
Debt/ equity ratio	**%215**	**%175**

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

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

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

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

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

Financial Assets

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

Financial Liabilities

Fair values of bank borrowings are disclosed in Note 15.

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

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

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

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2018 and 2017:

31 December 2018

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

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

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

31 December 2017

	Level 1	**Level 2**	**Level 3** (*)	**Total**
Available-for-sale investments	852,924	-	3,194,266	4,047,190
Total assets	**852,924**	**-**	**3,194,266**	**4,047,190**

(*) Please see Note 32 for the movement of Level 3 financial instruments.

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

31 December 2018

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

31 December 2017

	Level 1	**Level 2**	**Level 3**	**Total**
Property, Plant and Equipment:				
Land	-	12,425,000	-	12,425,000
Buildings and land improvements	-	57,610,000	-	57,610,000
Machinery and equipment	-	92,126,628	-	92,126,628
Total assets	-	**162,161,628**	-	**162,161,628**

NOTE 35 - SUBSEQUENT EVENTS

None.

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