Pınar Su Annual Report 2013

PINAR

Yaşar
for a better life

Hygienic, pioneering, and innovative for thirty years...

Founded in 1984 as Turkey's first packaged water brand, Pınar Su has been supplying its customers with the most palatable natural mineral water under the most sanitary conditions for no less than thirty years.

Awarded numerous national and international certifications attesting to its quality, Pınar Su combines its role as a pioneer and innovator in its sector to keep on strengthening its position with the addition of new and different products.

Guided by its philosophy of providing only hygiene and palatability to its customers, Pınar Su continues to harvest water at source and deliver it to consumers in its original, natural state.

My Source of Health and Flavor

My Source of Innovation

My Source of Life

Reporting period
01.01.2013 – 31.12.2013

Trade Name
Pınar Su Sanayi ve Ticaret A.Ş.

Contact Information
Head Office
Şehit Fethibey Caddesi No: 120 Alsancak - İzmir
Tel: +90 232 482 22 00 Fax: +90 232 484 17 89

Factory
Kemalpaşa Caddesi No: 4 Pınarbaşı - İzmir
Tel: +90 232 436 52 50 Fax: +90 232 436 52 04

Trade Registration
İzmir 45707 K:2016

Website
www.pinar.com.tr

Authorized Capital
TL 50,000,000.00

Paid-in Capital
TL 12,789,345.27

A leading company complying with the highest standards in all of its business processes

Pınar Su in Brief

Pınar Su's production competencies position it as a company with one of the broadest selections of products in its sector.

TSI

Pınar Su was the first packaged water brand in Turkey to be awarded Turkish Standards Institution certification.

In 1984 Pınar Su laid the foundations of Turkey's first bottled mineral water plant that made use of one-way (non-returnable) packaging. Today Pınar Su is a leading company that complies with the highest standards in all of its business processes ranging from production sites that make use of the most advanced technology to logistical services supported by the most powerful infrastructure.

Water which Pınar Su obtains from its Madran, Gökçeağaç, and Akçaağaç springs is supplied to consumers in Turkey and in the nearly thirty countries to which the Company exports under the "Pınar Yaşam Pınarım" (Pınar: My Life Source) label. In bottling plants whose ultra-hygienic conditions are far superior to industry standards, water is packaged exactly as it was harvested at source and without any changes in its natural state or balanced mineral content.

Pınar Su employs class 100 barrier isolator and cleanroom technologies in its fully-automated filling plant environments, in which a positive interior air pressure is maintained while ambient air is continuously filtered.

Pınar Su water is subjected to a battery of physical, chemical, and microbiological tests at every stage of production.

The first Turkish beverage to prove its quality by being awarded NSF International certification by the US-based National Sanitation Foundation, Pınar Su was also the first packaged water brand to be approved by the Turkish Standards Institution as well.

Focusing on increasing its products' market shares, on enhancing customer satisfaction, and on pursuing sustainable growth by developing new products as well as through the ventures that it has so far undertaken and will continue to undertake in national and international markets, Pınar Su keeps a close watch on innovations and technological improvements that will further boost its production quality.

Pınar Su is a member of the Yaşar Group, one of Turkey's biggest and most highly respected corporate groups.

Pınar Su's Shareholder Structure (%)

Shareholder	Share (%)	Share Amount (TL)
Yaşar Holding A.Ş.	58.00	7,417,546
Pınar Süt Mamulleri San. A.Ş.	8.77	1,122,150
Others	33.23	4,249,649
Total	**100.00**	**12,789,345**

Pınar Su shares are traded on the Borsa İstanbul National Market under ticker symbol PINSU.

The Company's capital is represented entirely by bearer shares, each one of which entitles its owner or proxy to a single vote when attending a general meeting of the Company.

Pınar Su's Competitive Advantages

Pınar Su's competitive advantages are rooted in:
- Superior quality standards
- Logistical strengths
- A talent for keeping a close watch on national and international consumer trends and preferences and transforming them into marketable products.

Brand Awareness
- Superior brand value reinforced by the confidence that people have in the Pınar name
- One of the first two brands that come to mind in the PET and PC categories (Nielsen Brands Survey)
- The leading name in customer satisfaction in the bottled water category [1]

Distribution and Service Network
- Sales and distribution network of dealers located all over Turkey
- Pınar Su Order Hotline on 444 99 00
- Online ordering
- Smart phone based ordering

Quality
- TSE-ISO-EN 9000 Quality Management System certification
- TS EN ISO 14000 Environmental Management System certification
- TSE-ISG-OHSAS 18001 Occupational Health and Safety Management System certification
- TSE-ISO-EN 22000 Food Safety Management System certification
- TSE-ISO-EN 10002 Customer Satisfaction Management System certification
- NSF International Quality Certification

Production
- Mineral water supplied to the consumer under the most natural and hygienic conditions
- Logistical advantages arising from three production facilities near their target markets
- Ability to supply product in whatever form of packaging (PET, carboy, glass) consumers may prefer
- Strong know-how
- Cleanroom technology
- Sound and sustainable collaborative relationships with suppliers nourished by economies of scale and brand value

Product Portfolio
- Natural mineral water harvested from the Madran, Gökçeağaç, and Akçaağaç springs supplied to market in all packaging formats
- Plain, fruit-flavored, and vitamin-enriched fruit-flavored naturally-sparkling mineral water portfolio [2]

Shared Values

- Competitive products contribute to the advancement of the market while strengthening our own market position.
- Exports shipped to nearly thirty countries create added value for our stakeholders and for the national economy as a whole.
- Taxes paid and job opportunities created contribute to the economic wellbeing of the country.
- Ongoing efforts to recover and recycle/reuse substantial quantities of packaging waste help protect the inhabited and natural environment.

[1] KalDer 2011 and 2012 Q2 Customer Satisfaction surveys
[2] Pınar Su introduced plain and flavored varieties of its mineral water to consumers in 2013.

Highlights from Pınar Su's History

Pınar Su laid the foundations of Turkey's first bottled mineral water plant that made use of non-returnable packaging.

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

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

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

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

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

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

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

2001
- Pınar Su's environmental awareness is confirmed by its TSE ISO 14001 Environmental Management System certification.

2002
- Pınar Madran is marketed in polycarbonate bottles.

2003
- The rights to the Sakarya and Isparta springs are acquired and Marmara Su is set up. Water from these two springs is marketed under the "Pınar Yaşam Pınarım" and the "Pınar Denge" labels respectively.
- Pınar Su is awarded TS ISO 9001:2000 certification.

2005
- Pınar Su is awarded TS 13001 HACCP Food Safety System certification.
- Additional investments at the Pınar Madran plant occupying 64,000 m² of land in Aydın-Bozdoğan increase the facility's enclosed space from 14,000 m² to 17,000 m².

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

2010
- The Pınar Su Order Hotline on 444 99 00 goes into service and is made accessible from everywhere in Turkey.
- Pınar Su is awarded TS ISO EN 22000 Food Safety Management System certification.

2011

- Bottle weights are significantly reduced with the introduction of a newly-designed “short-neck” format.
- Pınar Su’s glass container design is revamped.
- Product is supplied to market in a new 1 liter container.
- Akçaağaç replaces Toros as source of the Company’s mineral water in Isparta.
- Container and label designs are revamped at all of the Company’s plants.
- The Pınar Su brand is supported by TV advertising and a variety of other communication activities.

2012

- Pınar Su is awarded TSE-ISO-EN 10002 Customer Satisfaction Management System certification.
- Pınar Su’s first “Season” concept glass bottles are introduced in the 0.33-liter and 0.75-liter format.
- A new, POS-specific 3.25-liter PET bottle is introduced to the market.
- For the first time in Turkey a new alternative online order-placement channel is introduced that allows consumers to conveniently place advance orders for delivery on dates and at times of their choosing.
- Five-liter glass carboys are introduced to the market.
- A licensed Smurf-theme half-liter Handy-Cap PET bottle is introduced for the children’s segment of the market.
- Product-based communication is used for new products for the first time via the printed media, outdoor, and digital platforms.

2013

- Pınar Su order-placement app running on the Android and IOS platforms is launched.
- BrandSpark International “Best New Product” awards are received for the five-liter carboy and for the season-liveried glass bottle packaging formats in the “Food & Beverages” category.
- The season-liveried series of glass bottles receives a gold medal for packaging excellence in the Ay Yıldızları awards competition.
- PET container production capacity is nearly doubled at the Hendek and Isparta plants.
- Newly-designed season-liveried 0.33-liter and 0.75-liter glass bottles continue to be introduced to the market.
- The designs on the Smurf-themed 0.5-liter Handy-Cap PET bottles are replaced with the 3D characters from the latest The Smurfs movie. The first product-specific campaign is undertaken with the inclusion of Smurf-themed trading cards along with product six-packs.
- Both national and local campaigns were conducted all year long to promote the carboy packaging format among household consumers. Especially in bigger cities, particular attention was given to the use of outdoor media for this purpose.

One of Turkey's leading corporate groups…

7,400

The Yaşar Group provides goods and services through 20 companies, 19 factories and plants, 2 charitable foundations, and about 7,400 employees.

The Yaşar Group

"Durmuş Yaşar Establishment", a shop in İzmir's Şeritçiler Çarşısı district which Durmuş Yaşar opened in 1927 and from which he sold naval stores and paints, went on to become the core of what is today the Yaşar Group, one of Turkey's leading corporate groups.

Well-known brands in different sectors

With 20 companies, 19 factories and plants, 2 charitable foundations, and about 7,400 employees, the Yaşar Group is the owner of brands that rank among the leaders of their respective business lines:

- Food & beverages
- Coatings
- Agricultural production
- Paper
- Tourism
- Foreign trade
- Energy

The Group's principal business lines consist of food & beverages and of coatings. The Group's two leading brands are Pınar (food & beverages) and Dyo (coatings). Both enjoy top-level rankings as Turkey's "best-known consumer brands".

Food & Beverages Division

The most beloved flavors
The most wholesome products
The most advanced technology

- Pınar Süt
- Pınar Et
- Pınar Su
- Çamlı Yem Besicilik
- Yaşar Birleşik Pazarlama
- Pınar Foods GmbH
- HDF FZCO

Coatings Division

Technological leadership
Strong brands and distribution network

- Dyo Boya Fabrikaları
- Dyo Matbaa Mürekkepleri
- Kemipex Joint-Stock Co.
- S.C. Dyo Balkan SRL
- Mediterranean Trade for Paints Co. (MTP Co.)

A corporate group that has authored many firsts

Keeping a close watch on developments in technology and maintaining an innovative approach, the Yaşar Group continues to author firsts in the business lines in which it is active.

The Yaşar Group launched Turkey's
- First national paints brand
- First 1,100 bed capacity hotel
- First privately-owned dairy plant conforming to international standards
- First privately-owned composite fertilizer plant
- First privately-owned paper plant
- First bottled mineral water supplied in non-returnable packaging
- First privately-owned integrated meat processing & packing plant
- Turkey's first aquaculture facility and production

In keeping with its environmental and social awareness approaches

Yaşar Holding strives to minimize the environmental impact of all of its economic and commercial activities. All Yaşar Group companies comply with all laws and regulations related to protecting the environment and to reducing pollution caused by business activities.

The Yaşar Group also involves itself in a variety of corporate social responsibility projects that support education, sport, culture, and art.

Regarding social responsibilities towards stakeholders as being one and the same as its economic responsibilities as a company, the Yaşar Group voluntarily joined the United Nations Global Compact network on 12 November 2007. In compliance with the requirements of that membership, the Company published communications on progress for 2009 and 2010 and sustainability reports for 2011 and 2012.

In 2012 the "CEO Statement of Support on behalf of Women's Empowerment Principles" was signed. In 2013, commitments were made to abide by gender policies which are set out in the "Declaration of Workplace Equality " and which are consistent with being a good corporate citizen such as increasing the number of women in the workforce and improving working conditions.

The communications on progress and the sustainability reports that the Group published in compliance with the Global Compact may be found on the Yaşar Holding corporate website at www.yasar.com.tr.

Six companies traded in the Borsa İstanbul

Six of Yaşar Holding's subsidiaries are traded on the Borsa İstanbul: Pınar Süt, Pınar Et, Pınar Su, Dyo Boya, Viking Kağıt, and Altın Yunus Çeşme.

The Yaşar Group's mission

To provide trusted-brand, superior-quality products and services that add value to consumers lives.

Tissue Paper Division

Eco-friendly production
Innovative products

- Viking Kağıt

Trade & Service Division

Committed to superior service

- Altın Yunus Çeşme
- Bintur
- Yaşar Dış Ticaret
- YADEX International GmbH
- Desa Enerji

Foundations

A responsible corporate citizen

- Yaşar Education and Culture Foundation
- Selçuk Yaşar Sports and Education Foundation

An innovative and pioneering leader

Chairperson's message

Setting trends and directing market evolution by pioneering new practices in its sector, Pınar Su once again introduced customer-focused innovations in 2013.

capacity

PET production capacity and speed were approximately doubled at both our Hendek and Isparta plants.

Esteemed shareholders,

A sales performance compatible with the sectoral environment

While the packaged water sector continued to grow in the one-way packaging segment, it experienced a contraction in the returnable-container segment last year. Over all, 2013 was a year in which there was intense price competition, especially in the non-returnable segment. Another of its hallmarks was major company acquisitions. Pınar Su's total sales increased by 1.0% and by 10.3% as measured by tonnage and turnover respectively last year. Our company's net sales revenues reached TL 109.9 million and goods worth a total of USD 4.5 million were sold abroad. This means that exports accounted for 7.6% of our total sales in 2013.

In the PET segment, Pınar Su defended its 7% market share in 2013. Despite our company's well-established reputation and strict adherence to product quality and hygiene standards that are higher than those required of the industry, bad publicity concerning the carboy segment adversely affected sales throughout the sector and this naturally had an impact on our own company as well.

We completed investments at our Hendek plant.

2013 was an "investment year" for Pınar Su. In the steadily-growing PET segment, two new high-speed production lines (0.5-liter and 5/10-liter) equipped with state-of-the-art technology were commissioned at the Hendek plant while two of its existing lines were relocated to the Isparta plant. These changes have about doubled PET container manufacturing capacity and speed at both locations.

Awards and recognitions are witnesses to our quality and innovation.

We have always taken pride in the knowledge that the Pınar brand enjoys a strong and highly-prized reputation in the foods & beverages industry. Pınar's recognizability and credibility represents a precious asset for Pınar Su in that it imparts notions of quality and innovation in consumers' minds.

In a survey conducted by BrandSpark International in which about 15,000 consumers took part, Pınar Su received "Best New Product" awards for its five-liter carboy and season-liveried glass bottle packaging formats in the "Food & Beverages" category.

In the fourth Ay Yıldızları awards competition conducted by the Packaging Manufacturers Association to recognize excellence in packaging, Pınar Su's season-liveried series of glass bottles received a gold medal in 2013.

Pınar Su: The industry's name for innovation

Setting trends and directing market evolution by pioneering new practices in its sector, Pınar Su once again introduced consumer-focused innovations in 2013.

The decorations on the season-liveried collectible series of 75- and 33-cl glass bottles that are filled at the Madran plant were redesigned based on the winning entries submitted in an inter-university design competition that was organized in 2013. The new bottles have been widely acclaimed. The designs on the Smurf-themed 0.5-liter Handy-Cap PET bottles specially created to appeal to children were replaced with the 3D characters from the recent The Smurfs movie. Smurf-themed trading cards were also specially produced and given away along with six-packs of this product.

Recognizing that one way of keeping ahead of one's competitors is to provide more efficient and convenient service, in 2013 Pınar Su launched specially-created apps which run on the Android and IOS platforms and which make it easy for consumers to place orders over the internet and using smartphones and tablets. The first of their kind in Turkey, these apps allow consumers to directly place orders by entering the appropriate product, date, time, and address information themselves.

Last year we introduced the newest member of the Pınar family in the form of "Pınar Denge Maden Suyu", a naturally-sparkling mineral water that both addresses consumer demand and rounds out our product portfolio. Besides plain, this product also comes in five fruit-flavored varieties, two of which are additionally enriched with vitamin C.

We launched a new export initiative.

An active player in international markets for about three decades, Pınar Su supplies other countries' markets with products that appeal to local tastes while also paralleling worldwide developments.

So far, Pınar Su has been focusing its attentions on making sales to European countries. In the period ahead, we plan to pursue additional growth in Gulf countries, Iraq, and Libya as well as in Europe. We are also exploring new market opportunities in Turkey's near abroad–especially in Ukraine, Russia, and Syria.

We received our first corporate governance rating.

The bedrock of the corporate governance structure that is accepted throughout the Yaşar Group is behavior that is always accountable, responsible, open, transparent, and fair. These are corporate values and principles that are completely internalized at Pınar Su as well and, in our capacity as a publicly-traded company, they are kept up to date in line with the requirements of Capital Markets Board rules and regulations. Pınar Su underwent its first corporate governance audit last year and the 9.34 rating that it received qualified it for immediate inclusion in the Borsa İstanbul Corporate Governance Index.

We achieve and maintain the highest standards of quality.

Placing quality at the focal point of all of its business strategies, Pınar Su defines its production and distribution standards so as to be in compliance with internationally accepted norms. Our success in this is attested to by the quality management system certifications that the Company holds.

Bottling operations at our plants are carried out in a completely hygienic environment in which sterile air is maintained at a positive pressure inside to prevent contamination from outside while the interior air is constantly recirculated and refiltered to keep it clean. Bottling takes place without any manual intervention whatsoever. Extensive laboratory facilities allow the water to be subjected to a battery of physical, chemical, and microbiological tests at every stage of production.

In keeping with our central pledge to always maintain the highest levels of quality and hygiene, we will continue to increase our efforts on behalf of a sustainable future and in line with our commitment to provide our consumers with nothing but the very best while also protecting natural resources and constantly raising the bar by which our competencies are judged.

Speaking personally and on behalf of the Board of Directors, I offer our thanks to all of our stakeholders for their confidence and valued support.

İdil Yiğitbaşı
Chairperson of the Board of Directors

Pınar Su supplies other countries' markets with products that appeal to local tastes while also paralleling worldwide developments.

Board of Directors, Senior Management, Committees

İdil Yiğitbaşı
Chairperson

Yılmaz Gökoğlu
Deputy Chairperson

Turhan Talu
Independent Director

Mehmet Öğütçü
Independent Director

Mehmet Aktaş
Director

Hakkı Hikmet Altan
Director

Suat Özyiğit
Director

The Board of Directors and Terms of Office

Name	Title	Term of Office
İdil Yiğitbaşı	Chairperson	15 May 2013 - One year
Yılmaz Gökoğlu	Deputy Chairperson	15 May 2013 - One year
Turhan Talu	Independent Director	15 May 2013 - One year
Mehmet Öğütçü	Independent Director	15 May 2013 - One year
Mehmet Aktaş	Director	15 May 2013 - One year
Hakkı Hikmet Altan	Director	15 May 2013 - One year
Suat Özyiğit	Director	15 May 2013 - One year

Limits of Authority:
Both the chairperson and the members of the Board of Directors possess all of the authorities set forth in the applicable articles of the Turkish Commercial Code as well as in articles 11 and 12 of the Company's articles of association.

Senior Management

Name	Position
Hüseyin Karamehmetoğlu	General Manager
Gökhan Serdar	Financial Affairs and Finance Director
Emin Ağa Türkmen	Sales Director

Audit Committee

Name	Title
Turhan Talu	Head of the Committee
Mehmet Öğütçü	Member

Corporate Governance Committee

Name	Title
Turhan Talu	Head of the Committee
Hakkı Hikmet Altan	Member

Early Detection of Risk Committee

Name	Title
Mehmet Öğütçü	Head of the Committee
Turhan Talu	Member

Background information about members of the Board of Directors and senior managers is provided on page 29 of this report.

Growing demand for PET and glass containers

3.95

The sector's total turnover is thought to have reached TL 3.95 billion in value.

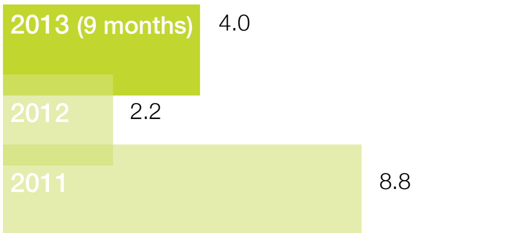
The Turkish economy and the sector in 2013

The packaged water sector in Turkey is estimated to have reached a total volume of 10.3 billion liters a year.

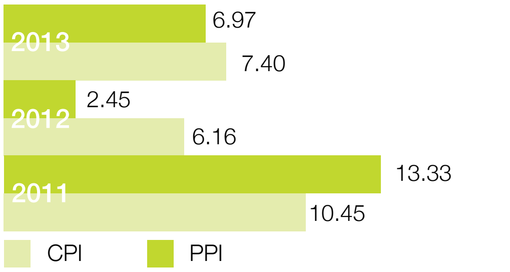
4%

The Turkish economy grew by 4% in the first nine months of 2013.

GDP Growth Rate - Fixed Prices (%)



Inflation (%)



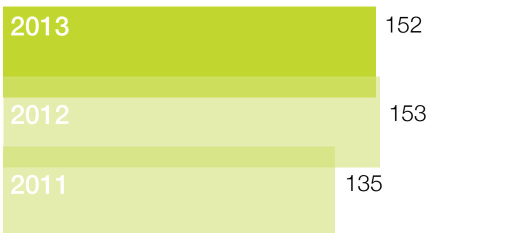
The Turkish economy grew by 4% as of the third quarter of 2013

Having grown by 2.2% in 2012, the Turkish economy achieved a 4% rate of growth in the first nine months of 2013.

Inflation appears to be on a rising trend

At end-2013 Turkey's 2003 base-year consumer price index was 7.40% higher than what it had been twelve months earlier while the producer price index, which had declined by 2.4% in 2012, rose to 6.97% in the year to end-2013.

Exports (USD billion)



Imports (USD billion)

Exports make a net contribution to growth of zero

According to TurkStat-published provisional figures for 2013, Turkey's exports last year amounted to USD 151.9 billion in value while its imports weighed in at USD 251.7 billion.

The resulting USD 99.8 billion foreign trade deficit was 18.7% bigger than what it had been the year before while the ratio of the country's exports to imports fell from 64.5% in 2012 to 60.3% in 2013.

The Turkish packaged water industry

Inadequate infrastructure and insufficient water
One of the most serious problems that any country may have to face is that of not having enough water to meet the needs of a growing population. This was the situation that existed in the early 1990s when Turkey's urbanization gained ever-increasing momentum as a result of population inflows into all of the country's big cities.

Leaky water mains caused losses of up to 60% of the total flow through them while failure to undertake investments to properly exploit nearby water resources made it next to impossible for some municipalities to provide their citizenry with sufficient water.

The problem became so severe especially in İstanbul that the municipality began licensing "water stations" in an effort to alleviate it. An explosion in the number of these stations and the difficulties inherent in properly supervising them forced the health ministry to intervene: in 1998, the sale of unregulated water by the stations was prohibited.

A decade of growth in packaged water consumption
With the banning of such sales by authorities, there was a surge in demand for water supplied in 19-liter polycarbonate (PC) carboys, which were already being used in many localities on account of public water-supply hygiene issues. Turkey first became acquainted with this new form of packaging in the late 1990s and it provided a welcome alternative to both inadequate/undrinkable mains and questionable-source non-regulated water in homes as well as at business- and workplaces. Thanks especially to its economy, to its handy accompanying apparatus, and to the convenience of delivery-on-demand, the 19-liter format accounts for the biggest share of total consumption by volume and has contributed significantly to the market's overall growth.

The Turkish packaged water industry consists of two distinct segments: "One-Way" (non-returnable PET and glass containers) and "Returnable" (PC and glass carboys). The biggest issue with which the industry must contend is that of informal (unregistered) production and the hygiene-related issues associated with it. Owing to the greater likelihood of unregulated water entering the supply chain, this problem is more serious in the carboy market. Much more important than putting licensed producers at a competitive disadvantage however are the public health risks that this water creates.

Inspections of carboy-supplied water carried out by the health ministry in 2012 and 2013 and the media storm of bad publicity that ensued when the results were announced damaged consumer confidence in carboy-supplied water no matter what the source. The result was a surge in demand for water packaged in PET and glass containers.

Total sector turnover: TL 4.1 billion
According to SUDER, the Packaged Water Manufacturers Association, the packaged water sector in Turkey is estimated to have reached a total volume of 10.3 billion liters and a total turnover worth about TL 4.1 billion. The packaged water industry is currently operating at about 40% of its total capacity, which means that there is plenty of slack that could easily be put to work even if there were to be an unexpectedly strong surge in the domestic demand for its products.

Per capita consumption of packaged water on the rise
Packaged water consumption in Turkey is rapidly approaching EU levels. In 2013 per capita consumption is calculated to have been 135 liters, of which 54 liters was supplied in PET containers and 81 liters in carboys.

Some 60% of total consumption is supplied by means of home-delivered carboys while nearly all of the remainder consists of water sold in PET containers. There are about 300 firms licensed to harvest and sell water by the Turkish health ministry.

Total retail sales of PET-packaged water increased by 1.0% and by 10.3% as measured by tonnage and turnover respectively in 2013.

Depressed demand for carboys
The 4.5% year-on contraction in the 19-liter carboy market that was observed in 2013 can be attributed to the effects of adverse media publicity on the one hand and to the steady decline in the appeal that this format has among consumers on the other.

Glass containers
The unfavorable publicity associated with PC carboys in general contributed to consumer perceptions that glass containers are somehow "healthier". This in turn increased demand for such packaging and encouraged established firms to supply more glass-packaged products to the market.

With new brands also entering the arena with glass packaging in different sizes and formats of their own, the result has been considerable diversification in this category. Having previously been consumed almost exclusively at restaurants, hotels, cafes, and similar away-from-home venues, consumer demand for glass-bottled water in 2013 led to its being supplied to retailers and homes as well. Owing to their consumer appeal, the 5-, 8-, and 15-liter carboy formats are driving the glass-container market's growth.

Total retail sales of PET-packaged water increased by 1.0% and by 10.3% as measured by tonnage and turnover respectively in 2013.

For all of our stakeholders...

10.3%
Growth in turnover

Pınar Su in 2013

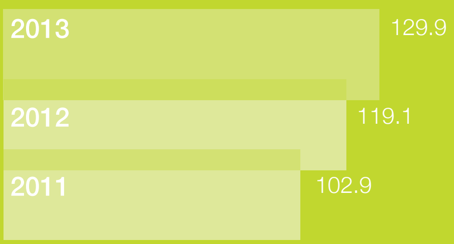
- Increased its total sales increased by 1.0% and 10.3% on a tonnage and turnover basis respectively
- Launched many new consumer-focused projects
- Introduced Turkey's first order-placement app for smartphones and tablets.

Market share

7%

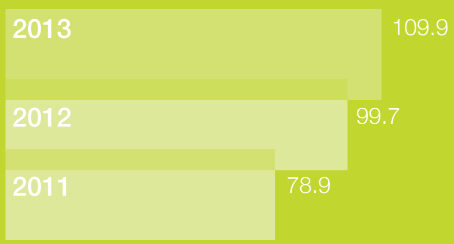
Despite intense competition in the PET-container segment, Pınar Su succeeded in defending its 7% market share.

Total Assets (TL million)



At year-end 2013, Pınar Su's total assets rose by 9.1% and reached TL 129.9 million.

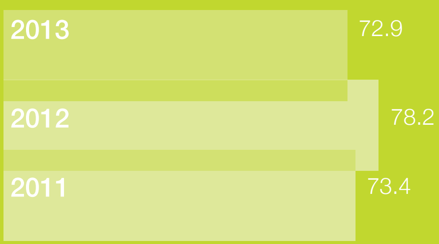
Net Sales (TL million)



Net sales increased by 10.3% year-on in 2013 and amounted to TL 109.9 million in value.

In 2013 Pınar Su achieved growth rates in the sales of one-way segment products (PET, glass) in line with the market trends.

Shareholders' Equity (TL million)



Pınar Su has a strong equity base of TL 72.9 million in value.

PET - PC Breakdown of Sales (%)

Breakdown of sales by segment (tons)

Segment	2012	2013	Change (%)
One-way	257,278	268,327	4%
Returnable	216,405	206,191	-5%
One-way (glass bottles)	3,420	4,227	24%
Sparkling mineral water	0	2,749	-
Total	**477,103**	**481,494**	**1%**

At year-end 2013 Pınar Su's debt/equity ratio was 0.8 (2012: 0.5).

7.6%

Exports accounted for 7.6% of Pınar Su's total sales in 2013.

In 2013 Pınar Su booked export sales worth a total of USD 4.3 million.

seasonal

"Pınar Denge" naturally-sparkling mineral water, Smurf-movie-themed 0.5-liter Handy-Cap PET bottles, and glass bottles decorated with seasonally-inspired designs mark Pınar Su's first forays into product-specific campaigns.

7% market share in the PET-container segment

Pınar Su's total sales grew by 1.0% and 10.3% on a tonnage and turnover basis respectively in 2013. Successfully defending its 7% market share in the PET-container segment, the Company secured net sales revenues worth TL 109.9 million and increased its total assets to TL 129.9 million last year.

2013 was an "investment year" for Pınar Su.

In the steadily-growing PET segment, two new high-speed production lines (0.5-liter and 5/10-liter) equipped with state-of-the-art technology were commissioned at the Hendek plant while two of its existing lines were relocated to the Isparta plant. These changes have about doubled PET container manufacturing capacity and speed at both locations.

In the carboy segment, bad publicity adversely affected sales throughout the sector. This had an impact on Pınar Su despite the Company's reputation for abiding by product quality and hygiene standards that are higher than those required of the industry.

Pınar Su is currently engaged in modernization investments aimed at increasing productivity.

With its strong ability to correctly perceive, judge, and respond to market demand, Pınar Su undertakes strategic investments both to uphold and to further improve its superior production quality standards.

Pınar Su's total investment outlays in 2013 amounted to TL 20,081,667, of which TL 192,727 was for land and land improvements, TL 235,500 for buildings, TL 16,525,634 for machinery & equipment, and TL 3,127,806 for fixtures.

Pınar Su applied for and has received an investment incentives certificate in the amount of TL 14 million covering the expansion investments to be undertaken at its Sakarya-Hendek plant. Issued by the Ministry of the Economy (Department of Incentives Implementation & Foreign Investment), this certificate is effective as of 19 March 2013.

Pınar brand's strong and respected position in the foods and beverages sector

Whenever communicating with consumers, Pınar Su emphasizes the notions of "confidence", "naturalness", and "family bonding" with which the Pınar brand is associated in consumers' minds. The strong reputation and respect which the Pınar name enjoys in its sector is a crucially important asset for Pınar Su.

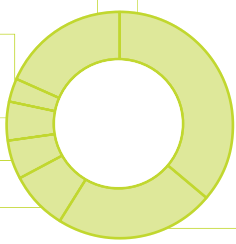
Brand-associated values are emphasized along with the qualities of hygienic, palatable water when communicating with consumers. In its sales-oriented campaign and promotional activities, Pınar Su conveys messages within the framework of such values to further cultivate consumer confidence and loyalty while also strengthening the sales & distribution network in line with the same values and continuously undertaking marketing investments in line with defined strategies.

With the completion of its customer relationship management infrastructure project in 2012, Pınar Su has segmented its customer base and begun planning loyalty campaigns which will be targeted at specific customer groups. National and regional promotional campaigns were conducted all year long in line with household consumers' expectations in the returnable-packaging category, the principal target group for which consists of housewives.

In the one-way (non-returnable) packaging category, the Smurf-themed labels on the 0.5-liter Handy-Cap PET bottle and the same product's six-packs for children were redesigned with the 3D characters from the latest The Smurfs movie while Smurf-themed trading cards were also given away along with the latter. Used in TV communication as well, these elements are the first instance of a product-specific promotional campaign undertaken by the Company.

Newly-designed season-liveried 0.33-liter and 0.75-liter glass bottles continued to be supplied to the market in 2013.

Breakdown of Exports by Destination (%)



Pınar Su exports goods to nearly 30 countries spread out over a wide region.

Keeping a close watch on global developments and identifying customers' needs, Pınar Su uses this information to formulate strategies and decisions. The Company has been an active player in international markets for about three decades.

In 2013 Pınar Su shipped goods to Germany, the UK, Ireland, Belgium, Netherlands, Austria, Switzerland, Kosovo, Luxembourg, the Czech Republic, Macedonia, Greece, Malta, Northern Cyprus, Libya, Kuwait, Bahrain, Oman, the UAE, Iraq, Singapore, Australia, the USA, Azerbaijan, and Romania. The Company makes the bulk of its international sales to Europe however.

In the period ahead, Pınar Su plans to pursue additional growth in Gulf countries, Iraq, and Libya as well as in Europe. The Company is also exploring new market opportunities in Turkey's near abroad, especially in Ukraine, Russia, and Syria.

Goods worth a total of USD 4.5 million were sold abroad by Pınar Su in 2013, a year in which exports accounted for 7.6% of total sales.

In 2013 the Company began exporting its newly-launched Pınar Denge line of naturally-sparkling mineral waters. These goods were shipped to eleven countries: Germany, England, Iraq, Libya, Austria, Greece, Kosovo, Macedonia, Azerbaijan, Australia, and Switzerland. The Iraqi and Libyan markets in particular appear to have very strong potential for additional growth. The Company is also exploring other possible markets for this new product group.

Sales of glass-bottled products grew by 145% in 2013. The efforts to foster additional growth include packaging design such as the collectible series of season-liveried bottles and Arabic labeling designed for Middle Eastern and North African markets.

Corporate governance rating

In the report issued by SAHA Corporate Governance and Credit Rating Services following its audit in 2013, Pınar Su was assigned a corporate governance rating of 9.34/10. This exceptional rating qualified Pınar Su's shares for inclusion in the Borsa İstanbul Corporate Governance Index (XKURY).

For our customers and consumers…

care

In the conduct of its investment processes, Pınar Su makes a great effort and takes care to ensure that it selects nothing but the very best sources of water for harvesting.

Rather than just tracking the market, Pınar Su proactively seeks to change and take it forward through the new ideas that it comes up with. In 2013 the Company continued to introduce consumer-focused innovations.

awards

Pınar Su was the recipient of BrandSpark International's "Best New Product" awards for its five-liter carboy and season-liveried glass bottle packaging formats.

New products introduced to the market in 2013

Aware that the way to keep ahead of competitors is to provide more efficient and convenient service and to proactively change the market and take it forward rather than just following it, Pınar Su once again introduced consumer-focused innovations in 2013.

The decorations on the season-liveried collectible series of 75- and 33-cl glass bottles that are filled at the Madran plant were redesigned based on the winning entries submitted in an inter-university design competition that was organized in 2013. The new bottles have been widely acclaimed.

The designs on the Smurf-themed 0.5-liter Handy-Cap PET bottles specially created to appeal to children were replaced with the 3D characters from the recent The Smurfs movie. Smurf-themed trading cards were also specially produced and given away along with six-packs of this product.

The newest member of the Pınar family: Pınar Denge Naturally-Sparkling Mineral Water

The source of wholesome quality that consumers know they can trust, the Pınar family introduced its newest member last year: Pınar Denge Maden Suyu, a naturally-sparkling mineral water that both addresses consumer demand and rounds out our product portfolio. Besides plain, this product also comes in five fruit-flavored varieties, two of which are additionally enriched with vitamin C.

This addition to the product portfolio is in line with Pınar Su's principle of offering consumers a range of choices wider than that of any other company in the sector.

Awards and recognitions

- In a survey conducted by BrandSpark International in which about 15,000 consumers took part, Pınar Su received "Best New Product" awards for its five-liter carboy and season-liveried glass bottle packaging formats in the "Food & Beverages" category.

- In the fourth Ay Yıldızları awards competition conducted by the Packaging Manufacturers Association to recognize excellence in packaging, Pınar Su's series of season-liveried glass bottles received a gold medal last year.

- As reported by the RepMan Reputation Survey Center, according to a survey conducted by GfK Türkiye in which 16,243 people in all seven of Turkey's geographical regions were polled and which ranks companies and sectors on the basis of their perceived reputations, Pınar numbered among Turkey's ten most highly respected companies. In this year's popularity poll, Pınar advanced from 8th to 7th place.

- All four of the top names in the Superbrands list are in the foods & beverages category. Pınar was one of them.

- In 2013 Pınar Su was the recipient of the Aegean Region Chamber of Industry's (EBSO) the Food & Beverages Industry first-place awards in the "Most Tax Paid" and "Most Manufacturing Jobs Provided" categories and second-place awards in the "Highest Investment Performance", "Highest Production Performance" and "Highest Export Performance" categories.

- At the İzmir Chamber of Commerce's annual taxpayers' awards ceremony, Pınar Su received a special award in the Alcoholic and Non-Alcoholic Beverages Group based on its net reported commercial earnings and also a citation for its foreign exchange earning performance.

The source of trusted quality, the Pınar family has introduced its newest member: Pınar Denge Maden Suyu, a naturally-sparkling mineral water that both addresses consumer demand and rounds out the product portfolio.

Pınar Su harvests its water only from superior-quality natural sources

In the parlance of the water industry, a good source of water is one which is far from inhabited places and whose flow rate and chemical properties do not vary during the year owing to changes in rainfall or to drought. Pınar Su was the first national-level company in Turkey to harvest and supply natural mineral water in bottled form. When undertaking investments, the Company devotes great effort and attention to the issue of selecting only superior-quality natural sources of water.

Pınar Su harvests and packages superior-quality natural mineral water in modern plants whose combined production capacity is 1,372,567 tons and which are located beside naturally-occurring springs in three different parts of the country.

- Aydın-Bozdoğan,
- Isparta-Eğirdir
- Sakarya-Hendek

The ability to harvest and package water at these three different locations gives Pınar Su significant advantages from the standpoint of logistical costs.

Pınar Yaşam Pınarım-Madran

Located 1,000 meters above the nearest places of habitation in Aydın-Bozdoğan, the Pınar Madran spring is the source of some of the best-quality and most palatable mineral water available in Turkey. Its average hardness rating is 1.65 Fr. Water from the Pınar Madran plant is supplied in 0.33 liter, 0.5 liter handy-cap, 1.5 liter, 2.5 liter, 5 liter, and 8 liter PET containers; in 0.33 liter and 0.75 liter glass bottles; and in 5 and 19 liter carboys.

F-	0.05 mg/l
Mg++	1.11 mg/l
Ca++	3.14 mg/l
Na+	4.85 mg/l
Cl-	3.80 mg/l
NO2-	None
Ph	7.04

Pınar Yaşam Pınarım-Akçaağaç

The Pınar Yaşam Pınarım-Akçaağaç spring is located in Isparta-Eğirdir at a place remote from centers of habitation and potential sources of industrial pollution. The unique magnesium and calcium content of the water harvested from these springs is said to help keep human metabolism in balance. State-of-the-art technology and the Pınar approach to quality are deployed at the Pınar Yaşam Pınarım-Akçaağaç plant to bottle water in 0.5 liter, 1.5 liter, and 5 liter PET containers and 19 liter carboys.

SO2-	2.2 mg/l
Na+	1.5 mg/l
Cl-	2.0 mg/l
NO2-	None
Ph	8.01

Pınar Yaşam Pınarım-Gökçeağaç

The Pınar Yaşam Pınarım-Gökçeağaç spring and plant are located in Sakarya-Hendek. Water from the plant is supplied in 0.33 liter, 0.5 liter, 0.5 liter handy-cap, 1 liter, 1.5 liter, 3 liter, 5 liter, and 10 liter PET containers and in 19 liter carboys.

SO2-	7.7 mg/lt
Na+	5.6 mg/lt
Cl-	1 mg/lt
NO2-	None
Ph	8.2

modern

Pınar Su's bottling plants are equipped with state-of-the-art technology.

Thanks to Pınar Su's extensive laboratory facilities, mineral water is subjected to physical, chemical, and microbiological tests at every stage of production from harvesting to bottling.

quality

Having make quality an essential element of all of its business strategies, Pınar Su constantly raises the bar by which that quality is judged.

All production at Pınar Su's plants conforms to the strictest rules of hygiene.

Pınar Su's bottling plants are equipped with state-of-the-art technology. At all of its plants, Pınar Su's bottling operations take place in a completely hygienic environment in which sterile air is maintained at a positive pressure inside to prevent contamination from outside while the interior air is constantly recirculated and refiltered to keep it clean. Bottling takes place without any manual intervention whatsoever. In fully-equipped laboratories, the water is subjected to a battery of physical, chemical, and microbiological tests at every stage of production.

Pınar Su procures its PET preforms under long-term agreements which it has entered into with manufacturers.

Pınar Su procures PET preforms and all of its other packaging materials only from fully accredited national and international manufacturers. In order to ensure the sustainability of its production, the Company's R&D, Machinery & Maintenance, and Production units engage in a systematic and coordinated effort to increase the number of approved and active suppliers

Pınar Su adheres strictly to international quality standards.

In its never-ending efforts to achieve and maintain the highest level of quality, Pınar Su has made quality an essential element not just of its production operations but of all of its other business processes and strategies of which distribution is just one.

As a company that has repeatedly demonstrated its commitment to the consistent excellence of its quality, Pınar Su makes use of internationally-approved quality systems and it abides by recognized international standards.

At all of its plants, Pınar Su has received certifications for compliance with the following standards: TS ISO 9001 Quality Management System, TS ISO EN 22000 Food Safety Management System, ISO 14001 Environmental Management System, TS 18001 Occupational Health & Safety Assessment Series, and TS ISO 10002 Customer Satisfaction Management System.

Auditing and product certification work is currently being carried out at the Company's Madran plant by NSF International (USA) and by SGS Institute Fresenius (Europe) to determine this facility's compliance with international production standards.

Operational Cost Improvement and Lean Six Sigma projects being conducted effectively.

Pınar Su concentrates on keeping all elements of cost under control in order to maintain the efficiency of its business processes. Cost optimization is always one of the most important items on Pınar Su's agenda.

Pınar Su conducts its Lean Six Sigma projects not just to improve production standards and efficiency but also to increase the effectiveness of its customer relationship management as well. The implementation of such projects results in sustainable improvements and process simplification.

Because inflating lighter-weight PET preforms also requires less energy, the Company's energy efficiency has been increased and its carbon footprint has been reduced.

Pınar Su gives great importance to the efficient and effective operation of its call center. Known as the Pınar Su Order Hotline, this call center greatly improves the Company's ability to hold onto existing customers, to acquire new customers, and to enhance customer satisfaction.

Distribution services have been standardized.

In order to maximize the quality of the service given to customers, Pınar Su has formulated storage, back office, stock, vehicle, and delivery personnel standards that are applicable to both its carboy and its PET dealerships. Dealers are made aware of these standards by means of brochures, regional meetings, and training programs. Pınar Su quality management personnel regularly check dealers' compliance with these standards and they rate and certify dealers' performance based on their findings.

A procedure incorporating an interactive voice response system and the Pınar Su order hotline has been set up in order to better manage service and delivery performance in the carboy segment. Another system which dispatches orders directly to delivery personnel's mobile phones also makes it possible to keep track of whether or not deliveries are being made within prescribed periods of time. Most recently this system has been further developed to be compatible with smartphones. Customers' addresses are now being sent to delivery personnel by means of a mapping app.

The SAP system has been expanded to include dealers in order to standardize distribution services in the PET products segment. This makes it possible for customer-related information, financing terms, etc to be more effectively managed according to pre-determined principles and procedures.

Social media

twitter.com/PinarKurumsal

Consumers are provided with specially-created recipes, press releases, announcements, and holiday- and week-specific celebratory messages via the Company's corporate Twitter account.

A special twitter.com/InfoPinar page was also opened in order to separate consumers' wishes, needs, and suggestions from the corporate page so that they may be dealt with more effectively. This page is monitored by the Pınar Communication Center, which is responsible for resolving any issues that may come up.

Call center management, customer loyalty & satisfaction

Pınar Su gives great importance to the efficient and effective operation of its call center. Known as the Pınar Su Order Hotline, this call center greatly improves the Company's ability to hold onto existing customers, to acquire new customers, and to enhance customer satisfaction.

Through the Customer Relations Management (CRM) project, which became operational in late 2011, the system has become much more effective and thus brought Pınar Su another step closer to its goal of being a company which knows its customers, responds quickly to their needs, and seeks to enhance consumer satisfaction and loyalty.

first

In 2013 Pınar Su developed an order-placement app specially designed to work on smartphones. The first of its kind in Turkey, this app allows consumers to directly place orders by specifying the appropriate product, date, time, and address information themselves.

Adhering to a customer-focused business approach, Pınar carefully examines and gives importance to requests and suggestions received from consumers.

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

As was the case in previous years, in 2013 Pınar Su customers who had registered with the CRM system were sent gift packs as a way of thanking them for their loyalty to the Company.

Recognizing that excellence in service is one of the prerequisites for staying ahead of the competition, Pınar Su originally launched the Pınar Su Order Hotline on 444 99 00 at the beginning of 2010. This accessibility was subsequently expanded with the introduction of online ordering and the launch of an app for IOS smartphones in late 2012 and for Android units in 2013. For the first time in Turkey, customers now have the convenience of directly placing orders online and given the option of specifying delivery on dates and times of their own choosing.

Pınar Communication Center

Pınar's "Consumer and Customer First" principle demands that all company units quickly and correctly perceive not just consumers' but all external and internal customers' needs as well. The principle also requires them to take a nimble, proactive, and innovative approach in responding to customers' and consumers' expectations for a better way of life. Adhering to a consumer-focused business approach, Pınar Su carefully examines and gives importance to requests and suggestions that are received.

Accessible from everywhere in Turkey on 444 76 26 without the need to dial an area code, the Pınar Communication Center (PİM) is staffed by live operators who are on duty and respond to incoming calls between the hours of 07:00 and 23:00 every day of the week. Their job is to ensure that callers are provided with the information that they need as quickly as possible. PİM has a call success rate of about 90% and 92% of all calls are answered within 15 seconds. Last year a dedicated PİM Twitter account was opened by means of which it is possible to examine and respond to consumers' wishes and suggestions submitted through social media. Satisfaction surveys are regularly conducted among consumers who contact the center in order to systematically quantify PİM's service levels. A poll conducted among consumers who contacted the Pınar Communication Center in 2013 indicated that 91% of them were satisfied with the service they had received.

For our employees...

Pınar Su's actions are informed by its awareness that its human resources are among its most important assets.

430

At end-2013, Pınar Su had 430 people on its payroll.

The fundamental mission of human resources management at Pınar Su is to ensure that the Company has a sufficient number of people who are innovative, who are committed to the total quality approach, who have the ability to easily keep pace with changes and developments, and who give the Company a competitive advantage at the global level. In doing so, Pınar Su acts with an awareness that employees are among its most important assets, without regard for differences in nationality, race, sex, ethnic background, religion, or marital status, and in order to be an employer that people want to work for.

The basic tenets of Pınar Su's human resources policy consist of:

- Creating employees who are successful and happy and who have a strong sense of belonging by putting the right people in the right jobs and by developing their qualifications
- Conducting a variety of intramural and extramural training programs that are enriched by means of methodologies such as distance learning and are formulated in order to ensure the progression of employees in line with the Company's current and future needs
- Regularly reviewing systems and processes and making such changes as are seen to be necessary in order to ensure organizational success and continuity
- Being mindful of equality of opportunity and supporting career planning in the management of all promotions and appointments throughout its organization
- Reducing the time it takes for newly-hired employees to adapt to their workplace environment and job by means of carefully designed and executed orientation programs
- So that employee performance may be improved: assessing employees' performance in order to ensure that company objectives and individual objectives dovetail, to encourage results-focused job performance, and to systematically support employees' progression; making use of performance evaluation results in such matters as HR training & development, career planning, and compensation & merit awards
- Soliciting employees' opinions on various issues by means of Employee Opinion Surveys and developing and implementing appropriate action plans that enhance employee satisfaction and loyalty
- Taking all measures mandated by the Occupational Health and Safety Act so as to prevent occupational risks and ensure the existence of a safe workplace and working conditions, to protect health and safety, and to eliminate factors that may give rise to risks or lead to accidents.

All human resources processes are carried out with attention being given to staffing requirements, corporate values, competencies, and human resources-related procedures and policies. Such practices are informed by the requirements of laws and regulations and by company procedures and rules of conduct.

For the environment and the community…

sensitive

Pınar Su uses packaging materials that will generate the least amount of waste and have the least environmental impact during both the production and use stages of its products.

Pınar Su strives to constantly improve its environmental performance.

Pınar Su: For a sustainable future…

In the management of its products from initial inputs to final consumption, Pınar Su constantly strives to improve its environmental performance by identifying environmental impact issues and to ensure that such issues are effectively controlled so as to minimize their environmental impact.

Pınar Su's operations focus on the effective and efficient management of limited natural resources. To this end, the Company engages in many different efforts to protect the environment, to prevent pollution, to make economical use of natural resources, and to properly dispose of waste.

There was a decrease in both energy consumption and energy costs in 2013.

Intensive, ongoing efforts are made at Pınar Su plants to:

- conserve and make efficient and productive use of energy resources
- seek out and make use of energy resource alternatives
- reduce the carbon footprint of operations.

Inefficient and unnecessary use of energy has been prevented by the installation of frequency inverters on high-pressure air compressors in plants. Product unit energy costs are reduced wherever possible through the use of "smart meters" and by rescheduling production activities to off-peak times of the day when electricity is cheaper.

Aware that the measurement and management of greenhouse gas emissions is of vital importance to efforts to protect the environment and to combat climate change, Pınar Su keeps a close watch on the latest developments in energy conservation and alternative energy resource use and it regularly calculates and tracks the carbon footprints of its operations.

- Pınar Su calculates its own carbon footprint to be the equivalent of two ten thousandths (0.02%) of Turkey's total. As a member of the Yaşar Group it ranks third, accounting for a 3% share of the Group's overall carbon footprint.
- As measured on a 12-month basis, Pınar Su generates 0.019 tons of CO_2 on average for every ton of product that it makes.
- 75% of Pınar Su's CO_2 emissions stem from its use of electricity.

Consolidated production line efficiency ratings improved.

Pınar Su seeks to turn out more product at the same unit energy cost by increasing its production line efficiency. As a result of such efforts in 2013, Pınar Su achieved consolidated production line efficiency performance ratings of:

- 79.4% at its Aydın-Bozdoğan plant
- 75.0% at its Adapazarı-Hendek plant
- 78.8% at its Isparta-Eğirdir plant
- 78.6% overall.

Pınar Su - ÇEVKO collaboration

Pınar Su is a founding member of the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO), which has been designated as an “authorized agency” by the Ministry of Environment and Urban Planning pursuant to the Packaging Waste Control Regulations. The Company has entered into a contractual agreement with ÇEVKO under which the Company has assigned to the trust all of its own packaging waste collection and recycling rights and obligations.

Pınar Su only works with firms that are licensed by the ministry to collect and recycle all packaging waste materials. The Company has formulated a waste management plan, which is based on contractual agreements and has been approved by the ministry, under which activities such as at-source waste sorting and segregation, recovery, and recycling are carried out by ÇEVKO, which also engages in public education activities that are aimed at both individuals and municipalities.

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

Social responsibility

Pinar generates as much value for society as a whole through the direct and indirect employment opportunities that it creates, the investments that it undertakes, the goods and services that it purchases, and the taxes that it pays as it does through the products that it makes. In addition to all of this, the Company also regards its ongoing support for and contributions to art, education, sport, and culture as vital and indispensable in the fulfillment of its principle of giving back to society.

Pınar Art Competition

The Pınar Art Competition has been held for 32 years with the aims of increasing primary school children’s interest in the fine arts in general and painting and drawing in particular, of giving children opportunities to express their creativity through pictures, and of educating the artists of the future. Every year the competition provides hundreds of thousands of children with an opportunity to express their dreams, their hopes, and their longings through art.

Focusing on a different theme every year since it was inaugurated in 1981, the Pınar Art Competition has also been serving as guide for future artists as well. A record-breaking number of youngsters took part in the 2013 competition, whose theme was “Let’s Protect Our Environment And Take Charge Of Our Future”.

From among 377,824 entries submitted from every part of Turkey, the Turkish Republic of Northern Cyprus, and Germany, the works of twenty-three children were selected by a jury of educators and professional artists. The winners of the 32nd Pınar Art Competition were rewarded with a chance to take part in a one-week art camp in İstanbul under the coordination of the well-known artist Devrim Erbil. At an award ceremony that was held on the last day of the art camp, the children also received certificates of attendance and netbooks as prizes while three of them–pupils from Ağrı, Diyarbakır, and Cyprus–were each awarded a scholarship as well.

According to a public-awareness poll conducted by GfK, the Pınar Children’s Art Competition’s public-awareness rating was 31% in 2012.

Source: GfK Flavored Dairy Products Tracking Survey

Pınar Children’s Theater in its 26th year

In the course of twenty-five years, the Pınar Children’s Theater has reached more than three million children, fostering among them a love of theater through performances, to which no admission is charged, with every play being carefully crafted to contribute towards its audiences’ cultural and personal development. As a training ground for many famous performers, the Pınar Children’s Theater even functions as a sort of school of the performing arts.

Since 1987, the Pınar Children’s Theater has been employing a professional team of performers, directors, designers, and backstage crews to mount dozens of programs that are specially designed to appeal to children. For the 2012-2013 academic year, the theater mounted a new play, “Alaaddin’in Sihirli Lambası” [“Aladdin and the Magic Lamp”], whose professionally-created scenery, costumes, staging, and music provides a theatrical experience and a visual feast that its audiences will never forget. Last year the Pınar Children’s Theater went on tour and mounted performances in İzmir, Mardin, Kızıltepe, Şanlıurfa, Gaziantep, and Eskişehir that were watched by thousands of kids.

According to a public-awareness poll conducted by GfK, the Pınar Children’s Theater’s public-awareness rating was 33% in 2013.

Source: GfK Flavored Dairy Products Tracking Survey

32

The Pınar Art Competition has been held annually for 32 years.

33%

The Pınar Children’s Theater had a public-awareness rating of 33% in 2013.

Recycled Packaging Materials

(Kg)	2012		2013	
	Supplied to Market	Recovered	Supplied to Market	Recovered
PET	3,808,416	1,523,366	4,169,493	1,751,187
PE	963,039	385,216	1,165,206	489,387
Cardboard	1,036,969	414,788	1,115,294	468,423
Glass	1,112,669	445,068	1,616,558	678,954

support

Pınar demonstrates its support for sports through its sponsorship of the Pınar Karşıyaka Basketball Team (Pınar KSK).

Pınar & UNICEF Hand-In-Hand

Under the "Pınar & UNICEF Hand-In-Hand With Art Into The Future" project, 3,000 of previous-years' Pınar Art Competition submissions were selected and reproduced in their original dimensions as decorations for table placemats. These placemats are being sold by UNICEF and the proceeds from the sales are added to that organization's revenues and used to fund projects that benefit children around the world.

Instead of sending out New Year's gifts in 2013, Pınar collaborated with UNICEF in making donations to Şanlıurfa regional primary schools that accept boarding pupils.

Pınar Institute

In 2012 the Pınar Institute was founded in order to contribute to the development of a healthy society by engaging in research, supporting such research and education, publishing the results of such activities, and involving itself in similar endeavors. The institute is headquartered on the campus of Yaşar University.

The Pınar Institute's mission is to educate the public on issues related to food, health, and nourishment and to foster a quality-of-life awareness by supporting scientific projects, taking part in information networks, and taking part in educational activities.

To fulfill this mission, the Pınar Institute commenced activities with the inauguration of its Board of Directors and Scientific Committee on 13 June 2013.

The Pınar Institute was set up in order to contribute to the development of a healthy society by supporting scientific projects, taking part in information networks, and engaging in educational activities. Another of its objectives is to serve as a trusted reference on issues related to food and nutrition.

In keeping with such aims, the Pınar Institute's first project was "Let's Have Fun Exercising & Eating Healthy", a campaign undertaken to educate children on the subject of food, health, and nutrition. Under this project, children in the 6-12 age group on vacation at the Çeşme Altın Yunus Thermal and Resort Hotel during the summer months were provided with consciousness and awareness training on nutrition-related issues.

Seeking to contribute to information flows between agencies and organizations on the one hand and the public at large on the other through the projects in which it is involved, the Pınar Institute is participating in joint activities in collaboration with the National Food Technologies Platform.

A member of the European Food Information Council (EUFIC) through its sister company Pınar Et, Pınar Süt has formalized its collaboration with that body. Food- and nutrition-related projects and events involving EUFIC will be publicized in Turkey through the Pınar Institute.

Support for sport

Pınar KSK

Pınar demonstrates its support for sports through its sponsorship of the Pınar Karşıyaka Basketball Team (Pınar KSK). A team which has been contending in the Turkish Premier Basketball League since 1998, Pınar KSK devotes considerable time and energy to inculcating a love of sport among children by encouraging them to play basketball. Every year nearly a thousand youngsters are given free access to the facilities of the Çiğli Selçuk Yaşar Sports Center thanks to Pınar's support.

Pınar KSK also represents Turkey in international meets. During the 2012-2013 season the club hosted the EuroChallenge Cup in İzmir and was also one of the final four contenders.

In the 2013-2014 season, was the championship winner of the Spor Toto Türkiye Cup.

Pınar Su was also the official beverages sponsor for the 2013 Spor Toto Turkish Men's and Women's Basketball Championship games.

Yaşam Pınarım KVSK

In 2013, Pınar Su also supported volleyball sports through its sponsorship of the Pınar Karşıyaka Volleyball Sports Club.

Turkish Athletics Federation

In an effort to increase public interest in alternative forms of sport, Pınar has become an official beverages sponsor for the World Indoor Athletics Championships. Pınar is also a prime sponsor of the European Team Championships national meets that are conducted in Turkey by the Turkish Athletics Federation.

ESTİ

Pınar Su is a prime sponsor of the Aegean Water Sports and Water Polo club (ESTİ), which was founded in İzmir in 1993. Since 2008, ESTİ has been successfully representing İzmir in the Turkish Water Polo Premier League. It also represents Turkey at the international level in tournaments held in other countries.

Pınar Su sponsored the "Hido Talent Camp" organized by the Hidayet Türkoğlu Sports Schools at the Halkapınar Gymnasium from 23 to 29 June 2013.

Publications

Yaşam Pınarım
Focusing especially on content that will be of particular use to parents and first appearing in 2004, Yaşam Pınarım is a magazine that seeks to establish and maintain bonds between the Company and its consumers and business partners as well as links with academic and governmental circles. The magazine is published quarterly and is distributed free of charge. In 2013 the magazine began being distributed to consumers as an e-bulletin sent out by email. As a result of this change in format, it is now reaching 115,000 people a month.

Dolu Dolu Yaşa! Dergisi
Dolu Dolu Yaşa! [Live Life To The Full!] is a magazine published by Pınar Su and distributed free to 19-liter carboy subscribers. The publication is an enjoyable read that provides consumers information about Pınar Su new product and service offerings while also strengthening the emotional bonds between subscriber and brand.

Published quarterly, Dolu Dolu Yaşa! appeals to the interests and tastes of its readers with seasonally appropriate articles and current news about beauty, health, and lifestyle issues as well as recipes in which Pınar-brand products are used.

Fairs & congresses

Since the day it was founded, Pınar has taken part in and supported numerous fairs and congresses dealing with matters of concern to the development of its sector such as quality, foods, R&D, and marketing. Coming into contact with many different marketing and consumer channels through the fairs that it takes part in at home and abroad, Pınar is a leading participant showing off more than 600 products at the most prestigious local, regional, and international trade fairs. Abiding by its sustainability principle of contributing to the development of its sector, Pınar seeks to make its products better known in international markets while also organizing and hosting distinguished events of its own that contribute to the foods industry in a variety of ways. By sponsoring activities related to cooking, gastronomy, and cuisine in Turkey, Pınar also creates opportunities to link up with sectoral leaders and scientists.

Last year Pınar showed off its products at GULFOOD 2013 in Dubai, the İzmir International Fair in İzmir, and AFH EXPO in İstanbul. The Company also supported and sponsored a variety of congresses, symposiums, and similar activities.

In 2013 Pınar Su:

- Exhibited its products at the Yaşar Group Food & Beverages Division’s stand at the 82nd İzmir International Fair in 2013;
- Found opportunities to promote its goods to the away-from-home consumption market by attending the AFH EXPO Fair held at CNR Expo in İstanbul;
- Took part in GULFOOD 2013, the world’s biggest and most prestigious annual food and hospitality show. This highly-attended event gave the Company many opportunities to effectively show off its products to potential international customers.

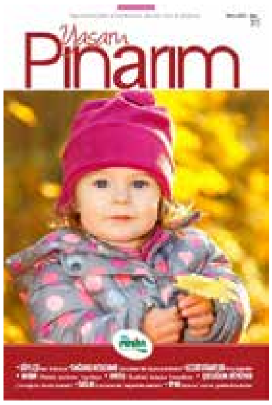
Sponsorships

Leading events supported and sponsored by Pınar in 2013:

- “Aegean Brands Summit”, organized by Ege University (12 March)
- “14th Pediatrics Days”, organized by the Dokuz Eylül University Hospital School of Nursing at the İzmir Sabancı Cultural Center (5-6 April)
- “10th Leadership Summit” (11 April)
- “TRT Kids’ Country”, organized by the TRT KIDS TV channel (15-23 April)
- “International Children’s Theater Festival”, organized by the Ankara State Theaters (24-30 April)
- “28th Grandkids’ Athletics Meet”, organized at the Atatürk Olympic Stadium by the Karşıyaka Rotary Club (2-3 May)
- “4th Food Safety Summit” (14-15 May)
- “1st Quality of Life Project and Idea Contest”, organized by the İzmir branch of KalDer (30-31 May)
- “Foods R & D Project Market”, organized by the Aegean Exporters’ Association (3-4 June)
- “14th In Search Of Excellence Symposium”, organized by the İzmir Quality Association (5-6 June)
- Aegean Water Panel (7 June)
- “49th Turkish Pediatrics Congress” (11-13 June)
- “World Food Day”, organized by FAO Headquarters (10 October)
- “Engelsizmir”, a project undertaken jointly by the Güzelyalı Rotary Club and İzmir Metropolitan Municipality for the benefit of the physically handicapped (30 October)
- “22nd Quality Congress” (12-13 November)
- “UIP-4 Bosphorus Summit” (20-22 November)
- “Brands Conference” (19-20 December)

115,000

In 2013 Yaşam Pınarım magazine began being distributed to consumers as an e-bulletin sent out by email. As a result of this change in format, it is now reaching 115,000 people a month.



Corporate Governance Practices and Financial Information

Management

BOARD OF DIRECTORS

İdil Yiğitbaşı
Chairperson

İdil Yiğitbaşı received a bachelor's degree in business administration from Boğaziçi University in 1986 and a master's degree in the same subject from Indiana University in 1989. She started her career in finance at the Yaşar Group in 1986, and subsequently held senior management positions particularly in strategy and marketing in various Group companies involved mainly in the food industry. Having served as the Vice Chairperson of Yaşar Holding from 2003 until 2009, Ms. Yiğitbaşı has been appointed as the Chairperson of Yaşar Holding in April 2009, a position she still holds. İdil Yiğitbaşı has been holding seats on the boards of directors of Yaşar Group companies for the last ten years.

Yılmaz Gökoğlu
Vice Chairperson

Yılmaz Gökoğlu received a bachelor's degree in economics and public finance from Ankara University, Faculty of Political Sciences in 1977. He worked as a tax inspector for the Ministry of Finance from 1978 through 1982, and joined Yaşar Group in 1983 where he held various senior management positions mostly in the fields of financial affairs and audit. Elected as a member of the Yaşar Holding Board of Directors in April 2007, Mr. Gökoğlu also serves as General Secretary of the Boards of Directors at the Yaşar Group. Yılmaz Gökoğlu also holds seats on the board of directors of Yaşar Group companies.

Turhan Talu
Independent Director

Turhan Talu received his MBA degree from the Middle East Technical University in 1976. He began his career the same year in the marketing department of İzmir Turyağ A.Ş./Henkel KGA, and served in various positions in sales and marketing for 10 years, with three years spent in KGA head office in Düsseldorf, Germany. Having joined Philip Morris as Marketing and Sales Director in 1986, Mr. Talu is the founder of Turkey Sales and Distribution Operation, and became the first Turkish General Manager in 1992, including the production facilities in Torbalı, İzmir. He functioned as Vice President of Turkey and Middle East-Gulf Operations at the Company's head office in Switzerland for eight years. His last position with Philip Morris, where he worked for 24 years, was Philip Morris/Sabancı CEO responsible for Turkey, Iran and Northern Cyprus and board member. He became a member of the Board of Directors of Yaşar Holding in 2011.

Mehmet Öğütçü
Independent Director

Mehmet Öğütçü received his bachelor's degree from Ankara University, Faculty of Political Sciences in 1983, his master's degree from the London School of Economics in 1985 and his doctorate degree from College d'Europe, Bruges in 1992. He served as an advisor for foreign media relations for Turgut Özal, then Prime Minister. He worked in the Turkish Foreign Affairs Ministry's missions in Ankara, Beijing, Brussels and OECD from 1986 to 1994. He was the principal administrator for the Asia-Pacific program at the International Energy Agency in Paris from 1994 to 2000, and the head of OECD's Global Forum from 2000 until 2005. He functioned as the External Relations and Governmental Relations Director of BG (British Gas) Group from 2005 to 2011. Currently, Mr. Öğütçü is the chairman of Global Resources Corporation (London), a regional energy investment and consultancy company; an independent director on the board of Genel Energy Plc; chairman of Invensys Plc Advisory Board; International Advisory Board member at APCO Worldwide (Washington); Advisory Board member at KCS, Windsor Energy Group and NUMIS Securities, and special envoy at Energy Charter (Brussels). He occasionally lectures on development economy, competitive edge and energy geopolitics at LSE and Harvard University. He has published numerous books and articles on energy, foreign investments, China, Middle East, Central Asia and EU in Turkey and in the international arena.

Dr. Mehmet Aktaş
Director

Mehmet Aktaş received a bachelor's degree in economics from Ankara University, Faculty of Political Sciences in 1983, a master's degree in economics from Vanderbilt University in 1992 and a doctorate degree in finance from 9 Eylül University in 2003. After working in the public sector from 1984 to 1995, he joined the Yaşar Group in 1995, where he held various positions mainly in strategy, budget, and corporate finance. Mr. Aktaş was appointed as Chief Executive Officer of Yaşar Holding in July 2007 and has been serving as a member of the Yaşar Holding Board of Directors and as Chief Executive Officer since April 2009. He has been holding seats on the boards of directors of Yaşar Group companies.

Hakkı Hikmet Altan
Director

Hakkı Hikmet Altan got his bachelor's degree in business administration from the Middle East Technical University in 1985. After working at the Yaşar Group from 1985 until 1988, he became Assistant General Manager at Yaşar Uluslararası Ticaret and Yaşar Dış Ticaret from 1993. He functioned as Yaşar Group Finance Coordinator from 2001 to 2003, when he was appointed as the Vice President of Finance for Yaşar Group. Mr. Altan became Vice President of Foreign Trade of the Group in 2007. Serving as the Chief Financial Officer of Yaşar Holding since 2009, Mr. Altan has been holding seats on the boards of directors of Yaşar Group companies.

Management

Suat Özyiğit
Director

Suat Özyiğit got his degree in business administration/statistics from İstanbul University, Faculty of Economics in 1982. Having started his professional life as a Sales Representative at Kırlangıç Zeytinyağı in 1985, he joined the Yaşar Group as a Sales Representative at Yapaş in 1986. He held the positions of Sales Supervisor, Frozen Products Executive, Frozen Products Sales Manager, İzmir Regional Director, Assistant General Manager of Regions, and Assistant General Manager of Direct Sales (2001-2002). He then worked as the Sales Director for West from 2002. Mr. Özyiğit has been serving as the General Manager of Yaşar Birleşik Pazarlama since 2007. He has been holding seats on the boards of directors of Yaşar Group companies.

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

SENIOR MANAGEMENT

Hüseyin Karamehmetoğlu
General Manager

Hüseyin Karamehmetoğlu received his degree in business administration from Hacettepe University. He began his professional life in 1990 as Sales Staff at Unilever, and joined the Yaşar Group in 1993 as a Sales Executive at Yapaş, where he subsequently worked as Sales Supervisor and Assistant Regional Manager. He held the position of Yaşar Birleşik Pazarlama Ankara Regional Director from 1999 to 2002, when he was appointed as Sales Director for East. Mr. Karamehmetoğlu has been serving as Pınar Su General Manager since 2011.

Gökhan Serdar
Director of Financial Affairs and Finance

Gökhan Serdar got his degree in business administration from Bilkent University in 2000. From 2000 to 2002, he worked at Arthur Andersen Audit Department first as an audit assistant and then as an audit team leader. After Arthur Andersen was taken over by Ernst&Young, he worked as an Audit Team Leader for the latter in 2002-2003. Having joined the Yaşar Group in 2004 as Assistant Financial Coordinator at the Coatings and Chemicals Division, Mr. Serdar held the positions of Financial Controller at the Food Division from 2005 to 2007 and Financial Control Manager at Food Companies from 2007 to 2009. He has been serving as Pınar Su Director of Financial Affairs and Finance since 2009. Gökhan Serdar holds certified accountant and financial advisor license, as well as Capital Market Activities Advanced Level License and Corporate Governance Rating License.

Emin Ağa Türkmen
Sales Director

Emin Ağa Türkmen received his bachelor's degree in labor economics and industrial relations from Gazi University in 1993. Having started his career as an accounting clerk in 1987, he worked as sales staff at Özkaynak Dağıtım Pazarlama (1989-1990) and Sales Executive at Torno Basın Yayın Pazarlama Dağıtım (1990-1991). Mr. Türkmen joined the Yaşar Group as a Sales Representative at Pınar Su in 1995, and then functioned as Assistant Sales Manager for Water and Club Soda in İzmir at Bimpaş from 1998 to 2001. He held the positions of Sales Manager for Southern Regional Dealers at Yaşar Birleşik Pazarlama in 2001 and of Direct Sales Manager in 2002. He has been appointed as Sales Manager for South at Birmaş in 2007. He has been serving as Pınar Su Sales Director since 2008.

Risk Management, Internal Control System and Internal Audit Activities

RISK MANAGEMENT

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

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

Risk Management Policy of the Company

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

Activities of the Early Detection of Risk Committee

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

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

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

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

Along the line,

- the Company’s risk exposure is classified under the headings of strategic, operational, financial, external and compliance risks, and analyzed according to their impact and probability,
- existing controls for material risks are reviewed with respect to their design and implementation, and optimum strategies and actions are identified,
- results of the action taken are followed up, and
- results and possible developments are reported to related units and assessed.

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

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

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

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

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

Legal Disclosures

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

During 2013, an Extraordinary General Assembly meeting was convened on 25 March 2013. The decisions passed in the Annual General Assembly meeting held on 15 May 2013 have been enforced.

Affiliated Companies Report

The conclusion part of the report that is prepared by the Company's Board of Directors and that discloses our relations with the controlling company and affiliated companies pursuant to Article 199 of the Turkish Commercial Code is quoted below.

Pursuant to Article 199 of the Turkish Commercial Code no. 6102 that went into force on 01 July 2013, the Company's Board of Directors is obliged to issue a report on the Company's relations with the controlling company and the companies affiliated to the controlling company during the past operating year within the first three months of the current operating year, and to incorporate the conclusion part of the said report in its annual report.

Necessary disclosures on the transactions our company carried out with the associated parties are covered in the present report. In this report, the Company's Board of Directors concluded that in all transactions the Company carried out during 2013 with its controlling company or with its affiliates, an appropriate counter-performance was provided in each transaction according to the conditions and state known to us at the time the transaction and/or the action was realized/taken or avoided; that there were no actions taken or avoided which might potentially cause loss to the Company, and that there are no transactions or actions that would require equalization within this scope.

Donations and Grants

The Company may, from time to time, make donations and grants to foundations, associations, universities and similar institutions, which are founded with social motives, subject to the principles set out by the Capital Markets Board.

During 2013, the Company's donations and grants to various organizations and institutions amounted to TL 54,595.

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

The related disclosure is presented in note 26 to financial statements for the period 01 January 2013 - 31 December 2013.

Disclosure of Administrative or Judicial Sanctions Against the Company or the Members of the Governing Body on Account of Practices Violating the Provisions of Legislation

There are no administrative or judicial sanctions imposed against the Company or the members of the governing body on account of any practice violating the provisions of legislation.

Changes in the Articles of Incorporation during the Reporting Period

It has been approved to amend "Article 17 - General Assembly" of the Company's articles of incorporation by the T.R. Prime Ministry Capital Markets Board letter no. 2055 dated 04 March 2012, and T.R. Ministry of Customs and Trade General Directorate of Domestic Trade preliminary permission no. 1529 dated 06 March 2012; the same has been laid down for the approval of shareholders, and unanimously approved and ratified, at the extraordinary general assembly meeting held on 25 March 2013.

Based on the T.R. Prime Ministry Capital Markets Board permission no. 29833736-110.03.02-1434-4721 dated 03 May 2013 and the T.R. Ministry of Customs and Trade General Directorate of Domestic Trade permission no. 67300147/431.02.18683-561642-5025-3669 dated 07 May 2013, it has been agreed at the Annual General Assembly meeting convened on 15 May 2013 to amend "Article 2 -Company Name", "Article 3 - Purpose and Scope", "Article 4 - The Headquarters and Branches of the Company", "Article 5 - Duration", "Article 6 - Registered Capital", "Article 8 - Bonus Shares", "Article 9 - The Board of Directors", "Article 10 - The Term of the Board of Directors", "Article 11 - Meetings of the Board of Directors", "Article 12 -Representation of the Company and Management", "Article 13 - The Division of Duties among the Members of the Board of Directors", "Article 14 - Remuneration of the Board of Directors", "Article 15 - Auditors", "Article 18 - The Place of Meeting", "Article 19 - The Attendance of Observer of Government to the Meeting", "Article 20 - The Meeting Quorum", "Article 21 - Votes", "Article 22 - Appointment of a Representative", "Article 23 - Announcements", "Article 25 - Accounting Period", "Article 26 - Annual Reports and Balance Sheet", "Article 27 -Distribution of Profit", "Article 28 - Dividend Distribution Timing", "Article 30 - Dissolution and Liquidation of the Company", "Article 31 - Jurisdiction in the Settlement of Disputes", "Article 32 - General Provisions", "Article 33 - Issuing Debentures and Commercial Papers" and to annul "Article 16 - The Missions of Auditors", and "Article 24 - The Amendment on the Articles of Incorporation" of the Company's articles of incorporation.

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

Financial rights provided to the chairperson, members of the Board of Directors and Senior Executives are determined within the frame of the Remuneration Policy posted on our website. Financial rights provided to the chairperson, members of the Board of Directors and Senior Executives in the twelve months that ended on 31 December 2013 are determined within the frame of the Remuneration Policy posted on our website. In the twelve months that ended on 31 December 2013, remunerations and similar payments made to the members of the Board of Directors and senior executives amounted to TL 774,508.

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

During 2013, regular audits have been performed by various public agencies, after which no material notices have been served on our party.

The Company's Shareholders' Equity

The shareholders' equity worth TL 72,932,744 as at 31 December 2013 indicates that the issued capital of TL 12,733,000 has been very well maintained.

Agenda

1. Opening and electing the Presiding Committee,
2. Authorizing the Presiding Committee to sign the minutes of the General Assembly Meeting minutes,
3. Reading, deliberating and approving the Annual Report 2013 by the Company's Board of Directors,
4. Reading and deliberating the Independent Auditor's Report for 2013 fiscal year,
5. Reading, deliberating and approving the financial statements for 2013 fiscal year,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2013 operations,
7. Laying down the Independent Audit Firm designated by the Board of Directors for the approval of the General Assembly pursuant to the Turkish Commercial Code and the Capital Markets Board requirements,
8. Determining the number of Board directors and their terms of office; making elections in accordance with the number of Board directors so determined; designating independent Board members,
9. Determining the rights provided to the Board directors such as compensation and attendance fees, bonuses and premiums pursuant to Article 408 of the Turkish Commercial Code,
10. Informing shareholders, pursuant to Article 12 of the Corporate Governance Communiqué no. II-17.1 issued by the Capital Markets Board, about guarantees, pledges, mortgages and sureties that have been granted by the Company in favor of third parties and about any income and benefits that may have been derived,
11. Informing shareholders about any donations that were made during the year and laying down the donation limit set under the Capital Market legislation for the approval of the General Assembly,
12. Laying down the Company's Dividend Policy for the approval of the General Assembly,
13. Deliberating and voting on matters pertaining to the year's profits,
14. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,
15. Wishes and comments

Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles:

During the operating period ended 31 December 2013, PINAR SU SANAYİ VE TİCARET A.Ş.("the Company") achieved compliance with the entirety of the mandatory articles of the Corporate Governance Principles appended to the "Communiqué Serial: IV No: 56 on the Determination and Implementation of Corporate Governance Principles" issued by the Capital Markets Board of Turkey (CMB). While it is intended to achieve full compliance also with the optional Corporate Governance Principles, that is yet to be attained for a number of reasons including the difficulties faced in practice in some of the principles, and only partial correspondence of some principles with the existing structure of the market and the Company. While work is ongoing on principles that are not enforced yet, they are planned to be put into implementation following the completion of administrative, legal and technical infrastructural work that will contribute to the effective management of our company.

Justifications related to matters not yet implemented are presented under the following headings, and it is considered that the said matters do not lead to any conflicts of interest under the current circumstances.

During 2013, various improvements were carried out in relation to Corporate Governance. In keeping with the requirement introduced by the New Turkish Commercial Code, the Early Detection of Risk Committee that operated under the Corporate Governance Committee was organized as a separate committee. The head and the member of the Committee were elected from among independent Board directors. In addition, an upper limit was set for donations to be made during 2013 at the 2012 Annual General Assembly meeting. Furthermore, the Company's website and annual report have been reviewed and revised as necessary to achieve full compliance with the Turkish Commercial Code no 6102, other applicable legislation and the Corporate Governance Principles.

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

PART I: SHAREHOLDERS

2. Investor Relations Department

The duties (1) of managing the exercise of shareholders' rights and maintaining communication between shareholders and the Board of Directors and (2) of conducting procedures pertaining thereto in compliance with CMB corporate governance principles are fulfilled by the Office of the Capital Markets Coordinator.

Information about the Shareholder Relations Unit is provided below.

Capital Markets Coordinator: Senem Demirkan
Investor Relations Specialist: Gökhan Kavur
Tel : +90 232 482 2200
Fax : +90 232 489 1562
Email : investorrelations@pinarsu.com.tr

Capital Markets Coordinator Senem Demirkan is in possession of all certifications issued by CMB and is also responsible for coordinating matters involved (1) in the fulfillment of company obligations arising from capital markets laws and regulations and (2) in corporate governance practices. Investor Relations Specialist Gökhan Kavur holds a Capital Market Activities Advanced Level and Corporate Governance Rating Licenses.

The duties of the Investor Relations Department are listed below:

- Ensure that records pertaining to shareholders are maintained in a reliable, secure, and up-to-date manner.
- Respond to shareholders' written requests for all information about the Company except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret.
- Ensure that General Assembly meetings are conducted in accordance with the requirements of current laws and regulations and of the Company's articles of incorporation and other bylaws.
- Communicate with other units of the Company and ensure that documents which shareholders may find useful at General Assembly meetings are prepared.
- Ensure that records are kept of the results of voting at General Assembly meetings.
- Supervise all issues related to public disclosures as required by law and the Company's public disclosure policy.
- Ensure that investor relations activities are properly conducted.

Having obtained the views of other units when necessary and in coordination with such units, the Shareholder Relations Department is responsible for providing shareholders and potential investors with information about the Company's activities, financial standing, and strategies, with the stipulations that it may not divulge any information which is confidential and/or in the nature of a trade secret and that it must not do so in any way that might lead to information asymmetry and for managing communication moving on both directions between shareholders and company managers.

During the reporting period, the Unit held one-on-one contacts with nearly 5 investors, and responded to more than 100 queries by phone or e-mail. In addition, two webcast meetings have been organized, which were open to participation of all analysts and addressed the Company's activities and financial results in the 12-month period of 2012 and the 6-month period of 2013. "Investor Presentations" drawn up in Turkish and English languages concerning the Company's periodic operating results were published on the Company's website. The website and investor presentations have been updated regularly to make sure that up-to-date information is made available to the investors at all times. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests

3. Shareholders' exercise of their right to obtain information

The fundamental principle in shareholders exercising their right to obtain information is that there should be no discrimination among shareholders. All information and documents that shareholders may need to exercise their shareholders' rights in a sound manner are made equally available to all shareholders on the Company's corporate website. During 2013, utmost care was paid, under the supervision of the Investor Relations Department, to respond to requests for information received from shareholders within the framework of the requirements of capital market laws and regulations and without delay.

Such requests for information are generally about such issues as General Assembly meeting dates, information on financial statements that are disclosed, developments in the sector and profit distribution. All requests for information, except in the case of information that was in the nature of a trade secret and information that it was deemed to be in the Company's interest to keep confidential, were responded to without making any distinctions among shareholders and in line with any statements that may previously have been made within the framework of capital market laws and regulations. Information and disclosures that might affect the exercise of shareholders' rights are announced in the "Investor Relations" section on the Company website, and there have been no information or disclosures during the reporting period, other than those disclosed under the Capital Market legislation. While the request to have a special auditor appointed is not an individual right provided for under the Company's articles of incorporation, no such request was received during 2013.

4. General Assembly Meetings:

The 2012 annual General Assembly meeting took place on 15 May 2013. Pursuant to article 20 ("Meeting quorums") of the Company's articles of incorporation, the quorum requirements at General Assembly meetings are subject to the provisions of the Capital Market Law and of the Turkish Commercial Code. At the 2012 annual General Assembly meeting, 67.73% of the Company's capital was represented. During the meeting, no shareholders electronically or physically attending the meeting or their proxies advanced any motions, and all questions that were raised were responded to by the Presiding Committee. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

No stakeholders other than the shareholders or media representatives attended the meeting. Invitations to the meetings were made by the Board of Directors. In addition to shareholders, representatives of the independent auditors were also sent written invitations to attend the meetings.

The Company's General Assembly meeting announcements were published in the Turkish Trade Registry Gazette twenty-one days (not including the announcement and meeting dates) prior to the meeting date under the provisions of Article 368 of the TCC and as per "Article 23 - Announcement" of the articles of incorporation. The announcement was also published on the corporate website and in a local newspaper. Shareholders whose addresses were on record with the Company were sent letters in which they were informed about the meeting date, location, and agenda. Prior to the General Assembly meetings, the meeting date, place and agenda, the profit distribution proposal that the Board of Directors intends to submit to General Assembly as well as the identity of independent auditors selected by the Board of Directors are publicly disclosed in material disclosures.

The Company's annual report is made available to shareholders at the Company's headquarters and on its corporate website as of twenty-one days before a meeting date. During General Assembly meetings, issues on the agenda are explained impartially and in detail so as to be clear and intelligible. Shareholders are given equal opportunities to express their thoughts and to ask questions and a healthy climate of debate is created.

Minutes of General Assembly meetings are kept available for shareholders at all times at the Company headquarters. In addition, the minutes of the Company's General Assembly meetings for the past seven years are also accessible in the Investor Relations section of the Company website at www.pinar.com.tr.

At the Company's General Assembly meetings, information is presented to the shareholders on the amount and recipients of the donations and grants made during the reporting period, and the changes in the relevant policy. This matter is addressed as a separate agenda item. An upper limit was set for the donations to be made during 2013 at the meeting.

Moreover, an extraordinary General Assembly meeting was convened on 25 March 2013. At the extraordinary General Assembly meeting, 67.72% of the Company's capital was represented. During the meeting, no shareholders electronically or physically attending the meeting or their proxies advanced any motions, and all questions that were raised were responded to during the General Assembly meeting by the Presiding Committee. During the meeting, shareholders did not propose any additional agenda items, either.

5. Voting rights and minority rights

There are no special voting rights. The Company's articles of incorporation contain no provisions pertaining to the exercise of voting rights that would prevent an individual who is not a shareholder from voting as the representative of one who is. Without prejudice to the special provisions of the relevant legislation and articles of incorporation, voting is conducted through open ballot and by raising hands during the General Assembly meeting. Upon request by shareholders, the voting procedure will be determined by the General Assembly meeting. The Company has cross-shareholding relationships with Yaşar Birleşik Pazarlama and Yaşar Dış Ticaret. Minority rights are not represented on the Board of Directors.

6. Entitlement to Dividends:

Shareholders of preferred stock do not have any privileges applicable to dividends. The Company's general policy with respect to dividends is to distribute its net profit having taken into account the Company's financial position, investments that are to be made and other funding requirements, the sector's current circumstances, the economic environment, and the requirements of capital market and tax laws and regulations. However the actual amounts of profit to be distributed are determined every year taking all of the issues cited above into consideration. The Company's Dividend Policy formulated in line with the Capital Markets legislation has been laid down for the approval of the 2012 Annual General Assembly meeting and publicly disclosed. Our Dividend Policy is publicly disclosed also via our website. The Dividend Policy has also been incorporated in the Company's annual report.

Corporate Governance Principles Compliance Report

The Company did not distribute any dividends on 2012 profit due to the decision to retain as extraordinary legal reserve the amount that remained after setting aside the legal liabilities that are required to be set aside.

7. Transfer of shares

Transfer of shares is subject to the relevant provision of the TCC.

PART II. PUBLIC DISCLOSURES AND TRANSPARENCY

8) Company disclosure policy

In all matters pertaining to its public disclosures, the Company complies with the requirements of the Capital Markets legislation and of Borsa İstanbul regulations.

The “Disclosure Policy” prepared for the purpose of keeping the public informed, which is approved by the Board of Directors and which was presented for the information of shareholders at the 2008 annual General Assembly meeting, is publicly disclosed on the Company’s corporate website (www.pinar.com.tr). The Disclosure Policy was updated and presented for the information of shareholders at the 2011 General Assembly meeting. The Board of Directors has both the authority and the responsibility for formulating, supervising, reviewing, developing and executing the Company’s disclosure policy. The Corporate Governance Committee and the Investor Relations Department provide information and make recommendations to the Board of Directors concerning the Company’s disclosure policy.

The chairperson of the Board of Directors and the general manager as well as other officers whom the board or the general manager deem to be appropriate may make public statements to the written and visual media and to data distributors. Questions which those involved in capital markets ask the Company are responded to in writing or verbally by the Investor Relations Department.

Principles governing the disclosure of forward-looking information are defined in the Company’s disclosure policy. In this framework, the Company is required to disclose its targets for the relevant year in the financial presentations where the Company’s annual and interim financial results are evaluated. In case of any changes in the underlying assumptions, the targets in these presentations are also revised and the presentations incorporating these alterations are publicly disclosed via a material event disclosure.

9. The Company’s Corporate Website and its Content:

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

10. Annual Report:

The Company’s annual reports contain all the information specified in the Corporate Governance Principles; however, remuneration of the board of directors and senior executives and other benefits provided to them are disclosed not on an individual basis, but as a cumulative amount.

PART III: STAKEHOLDERS

11. Disclosure to Stakeholders:

Stakeholders are kept informed about all matters concerning the Company other than those which are in the nature of a trade secret through CMB material disclosures within the framework of CMB regulations, Turkish Commercial Code, Competition Law, tax laws, and Turkish Code of Obligations.

Stakeholders are able to convey any transaction they consider to be illegitimate or unethical to the Corporate Governance Committee or the Audit Committee via Yaşar Group Ethics Committee. The Audit Committee reviews the complains received regarding the Company’s accounting and internal control system and independent audit, and handles the notifications of company employees in relation to the Company’s accounting and independent audit, observing the confidentiality principle.

Furthermore, the communication mechanism is established with the Corporate Governance Committee and the Audit Committee also via the processes that provide stakeholder participation in management as discussed under Article 12 hereinbelow.

12. Stakeholder participation in management:

Stakeholder participation in management is achieved by ensuring that suggestions and recommendations which will lead to progress in any issue that is of concern to the Company’s activities and which are voiced at General Assembly meetings or received through various other communication channels are taken into consideration by appropriate company units.

All procurements at the Company are effected only after having been subjected to the Company’s required procurement procedures. When selecting suppliers from which the Company will purchase products and services, attention is given to the criteria of appropriate cost, appropriate quality, sufficient capacity, and after-sales service.

Employee opinion surveys serve to gather the employees’ views about changes in implementations which will be made in relation to working conditions, working environment, and rights provided to employees. The action committee formed of employee representatives carries out its activities during the year for conducting the improvement works in relation to the said processes.

13. Human resources policy:

The fundamental mission of the Company's human resources policy is to ensure the management of human resources who are innovative, who are committed to the principle of total quality, and who contribute towards the Company's competitive advantage by easily adapting to change and development at the Company.

The Company's basic human resources policies are set forth clearly in the Company's Personnel Regulations, which are issued to all employees against their individual signature. In addition to basic policies, these regulations also contain information about working hours, hiring principles and processes, termination, and discipline.

Job descriptions are available for all employees, who are also provided with information about their jobs. Performance and rewarding criteria are communicated to employees through various regulations and procedures, including the Performance Appraisal Regulation and the Sales Bonus Procedure.

Basic human resources policies

a) Staffing at the Company is determined according to the criteria of business economics. All employees agree that honorable employment is only possible through productive work.

b) The Company conducts intramural and extramural training programs within the framework of plans that are devised for each level in order to ensure the progression of its employees.

c) The Company is mindful of equality of opportunity in all promotions and appointments throughout its organization. As a matter of principle, appointments are made from among the Company's own personnel.

d) By means of a career planning system in which progression plans are implemented, employees who have potential are provided with the broadest possible opportunities for advancement.

e) Employees' performance is evaluated on the basis of their fulfillment of targets and their competencies.

f) Job descriptions and performance standards are documented for positions at every level from the highest to the lowest and these serve as the basis for employee evaluations.

g) Employee opinion surveys are conducted regularly every year, at which time employees are asked for their views about such issues as working conditions, management, social activities, compensation, training, performance evaluation, career planning, participatory management, and company satisfaction. Improvements are made in line with the feedback that is received in this way.

h) A safe workplace and safe working conditions are a matter to which the Company gives great importance. Under the Company's occupational health and safety regulations, all legally mandated measures are taken to prevent occupational risks, ensure health and safety, and eliminate risk and accident factors. An ongoing effort to make improvements is carried out through regularly conducted safety meetings.

i) Our management style is ".... [to] maintain our existence as a company that acts fully respectful of the laws and ethical rules, and embrace total quality philosophy and participatory management".

j) An essential principle at the Company is that all employees will be treated equally and without making any discrimination among them with respect to language, race, color, sex, political beliefs or philosophy, creed, religion, sect, or similar reasons. Due measures have been taken to protect this fundamental constitutional right of employees. There are no union stewards at the Company.

All employees are kept informed about company procedures, organizational changes, changes in rights and benefits, and other practices and decisions that may affect them by means of regulations and announcements prepared within the framework of the Company's prescribed announcement regulations as well as via the Company intranet and bulletin boards.

Neither the Company management nor its human resources department has ever received any complaint from employees about discrimination.

14. Rules of Ethics and Social Responsibility:

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

The Company seeks to make contributions that are beneficial to employees and to the community in the areas of culture, art, sport, and education through the Pınar Kido art competitions, the Pınar Kido children's theater, its sponsorship of Pınar Karşıyaka basketball team, farmer training programs, its newspaper Pınar, and its magazine Yaşam Pınarım. The Company supports education by collaborating with organizations such as Yaşar University and Yaşar Education and Culture Foundation.

Corporate Governance Principles Compliance Report

The Company conducts its activities within the framework of values which are adhered to by the Yaşar Group companies and whose approach to the production of goods and services involves compliance with laws and the rules of ethics, concerns itself with national problems without becoming involved in politics, and values the environment and nature. These values are known to all company employees. In addition, within the framework of its corporate governance approach, work is underway for the formulation of the Company's own rules of ethics. The Company's rules of ethics are publicly disclosed via the corporate website.

PART IV: BOARD OF DIRECTORS

15. Structure and Formation of the Board of Directors:

Members of the Company's Board of Directors are identified below:

Name	Position	Independent Director or Not	Executive Director or Not	Term of Office
İdil Yiğitbaşı	Chairperson	Non-independent Board Director	Non-executive	1 year
Yılmaz Gökoğlu	Deputy Chairperson	Non-independent Board Director	Non-executive	1 year
Turhan Talu	Director	Independent Board Director	Non-executive	1 year
Mehmet Öğütçü	Director	Independent Board Director	Non-executive	1 year
Mehmet Aktaş	Director	Non-independent Board Director	Non-executive	1 year
Hakkı Hikmet Altan	Director	Non-independent Board Director	Non-executive	1 year
Suat Özyiğit	Director	Non-independent Board Director	Non-executive	1 year

Hüseyin Karamehmetoğlu serves as the Company's General Manager. The engagement of company directors in the activities set forth in Articles 395 and 396 of the Turkish Commercial Code is subject to the approval of the General Assembly of shareholders. With the exception of those activities, there are no other limitations imposed on what Board directors may do. Members of the Board of Directors of our company, which is affiliated to the Yaşar Group, may hold seats on the boards of directors of other Group companies, and there may be various transactions by and between these companies that may be considered under the scope of Article 395/1 of the Turkish Commercial Code. However, the parties to such transactions are Group companies only, and necessary permissions are obtained at the general assembly meeting of each relevant company.

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

Two independent director candidates were presented for 2013 to the Corporate Governance Committee that acts as the Nomination Committee. The declarations of independence and résumés of these individuals have been discussed in the Corporate Governance Committee and the Board of Directors meetings of 22 April 2013, and it has been decided to nominate all of them as independent directors. No situations arose that prejudiced independence as at 2013 operating period.

16. Operating Principles of the Board of Directors:

The operating principles of the Board of Directors are spelled out as follows in Article 10 of the Company's articles of incorporation:

"The Board of Directors shall convene as the Company's affairs and operations may require. However, the Board must meet at least monthly."

Board of Directors meetings are convened with a majority of its full membership and decisions are passed with a majority of those present in the meeting.

Details about the Board of Directors' operating principles and its activities during the 2013 reporting period are given below.

The agenda for the Board of Directors meetings are set by the Chairperson of the Board, in consultation with the other Board directors and the General Manager.

During the reporting period, the Board of Directors convened thirty-two times. The Board of Directors shall convene upon a summons in the form of a written request made by its chairperson or by any director. The meeting agenda is sent out to the directors by registered airmail at least two weeks in advance of the meeting date. All directors are usually present at meetings. There were no unresolved disputes over issues during the 2013 reporting period. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights. There have been no related party transactions that have been submitted for the approval of independent Board directors within the context of a material transaction nature during the operating period.

17. Number, Structure and Independence of the Committees Established by the Board of Directors:

The Audit Committee, the Corporate Governance Committee and the Early Detection of Risk Committee have been set up at the Company. The Corporate Governance Committee fulfills the duties of the Nomination Committee and the Remuneration Committee. When performing their activities, the committees under the Board of Directors adhere to the operating principles that are posted also on the Company website.

The Audit Committee and the Corporate Governance Committee have been set up at the Company. The Corporate Governance Committee fulfills the duties of the Nomination Committee, Early Detection of Risk Committee and the Remuneration Committee. When performing their activities, the committees under the Board of Directors adhere to the operating principles that are posted also on the Company website.

The Audit Committee is headed by Turhan Talu and its other member is Mehmet Öğütçü. Both members are non-executive and independent Board directors. The Audit Committee meets at least on a quarterly basis and holds at least four meetings in one year. Within the scope of the Committee's activities, information has been obtained on operations and internal control systems from company executives and findings related to the audit from independent auditors. The Audit Committee is responsible for the Company's bookkeeping system, for the public disclosure of financial information, and for supervising the operation and effectiveness of independent auditing and of the internal control system; for selecting the independent auditors, initiating the independent auditing process, and supervising the independent auditors' activities; for reporting to the Board of Directors about the authenticity and veracity of publicly disclosed yearly and intermediary financial statements.

The Corporate Governance Committee is headed by Turhan Talu, who is a non-executive and independent Board director, and its other member is Hakkı Hikmet Altan, a non-executive Board director. The Corporate Governance Committee meets at least on a quarterly basis and holds at least four meetings in one year. The Corporate Governance Committee is responsible for identifying whether or not corporate governance principles are being complied with at the Company as well as for identifying any problems arising from less than full compliance with those principles; for making recommendations to the Board of Directors on taking measures to achieve improvements; and for coordinating activities pertaining to relations with shareholders

Within the scope of the duties of the Early Detection of Risk Committee, the Corporate Governance Committee performs activities to early detect the risks that may endanger the existence, development and continuity of the Company, to implement the necessary measures for the risks identified, and to manage the risk.

The Early Detection of Risk Committee performs activities to early detect the risks that may endanger the existence, development and continuity of the Company, to implement the necessary measures for the risks identified, and to manage the risk. The Committee is headed by Mehmet Öğütçü, who is a non-executive and independent Board director, and its other member is Turhan Talu, a non-executive and independent Board director.

According to the Corporate Governance Principles, both members of the Audit Committee and the heads of the Early Detection of Risk and Corporate Governance Committees must be independent Board directors. Since there are two independent members on the Company's Board of Directors, the same member serves on more than one committee under the Board of Directors.

18. Risk Management and Internal Control Mechanism:

The Board of Directors essentially supervises risk management and internal control activities through the Early Detection of Risk Committee. In its fulfillment of these functions, the Early Detection of Risk Committee makes use of the findings of the bodies performing certification under the Group Audit and Risk Management Coordinator, independent audit and certified accountancy.

19. Strategic Goals of the Company:

The Board of Directors sets the Corporate Strategy and Goals in line with the Company's vision and growth and profitability expectations. The principles that will steer these strategies are determined by the senior management and the extent at which the goals are achieved are assessed in the monthly meetings, along with the activities and past performance.

20. Financial Rights:

The rights provided to the Board directors are decided at the General Assembly meetings and are publicly disclosed through the minutes of the meetings issued. The Remuneration Policy that describes the remuneration system and implementations for the Company's Board directors and senior executives is available on the Company website. The Company's annual reports do not present the rights provided to senior executives on an individual basis, but state a cumulative amount. The Company does not lend money, extend credit, or make available loans under the name personal loans via a third party to any of its directors or executives, nor does it provide guarantee in their favor.

Independent Auditor’s Report on the Annual Report

To the Board of Directors of

Pınar Su Sanayi ve Ticaret A.Ş.

1. As part of our audit, we have assessed whether the financial information and the assessment and explanations of the Board of Directors presented in the annual report of Pınar Su Sanayi ve Ticaret A.Ş. (“the Company”) prepared as of 31 December 2013 are consistent with the audited financial statements as of the same date.

2. Management is responsible for the preparation of the annual report in accordance with “the Communique on Determining the Minimum Contents of Company Annual Reports”.

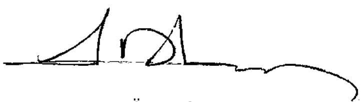
3. Our responsibility is to express an opinion on whether the financial information provided in the annual report is consistent with the audited financial statements on which we have expressed our opinion dated 3 March 2014.

   Our assessment is made in accordance with the principles and procedures for the preparation and issuing of annual reports in accordance with Turkish Commercial Code No. 6102 (“TCC”). Those principles and procedures require that an audit is planned and performed to obtain reasonable assurance whether the financial information provided in the annual report are free from material misstatement regarding the consistency of such information with the audited financial statements and the information obtained during the audit.

   We believe that the assessment we have made is sufficient and appropriate to provide a basis for our opinion.

4. Based on our opinion, the financial information and the assessment and explanations of the Board of Director’s in the accompanying annual report of Pınar Su Sanayi ve Ticaret A.Ş. are consistent with the audited financial statements as at 31 December 2013.

Yöntem Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.
a member of Nexia International



Atila Yılmaz DÖLARSLAN, YMM
Partner

Izmir, March 3, 2014

Independent Auditor's Report

To the Board of Directors of

Pınar Su Sanayi ve Ticaret A.Ş.

1. We have audited the accompanying balance sheet of Pınar Su Sanayi ve Ticaret A.Ş. ("the Company") as at 31 December 2013 and the related statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

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

Independent Auditor's responsibility

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

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

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

Opinion

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pınar Su Sanayi ve Ticaret A.Ş. as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

Other Matter

5. The financial statements of the Company as of and for the year ended 31 December 2012, were audited by another audit firm. This audit firm issued an unqualified audit opinion on 14 March 2013 related to the financial statements as of and for the year ended 31 December 2012.

Independent Auditor's Report

Reports on independent auditor's responsibilities arising from other regulatory requirements

6. In accordance with Article 402 of the Turkish Commercial Code ("TCC"); the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit, additionally, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January – 31 December 2013 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

7. Pursuant to Article 378 of Turkish Commercial Code No: 6102, Board of Directors of publicly traded companies are required to form an expert committee, and to run and to develop the necessary system for the purposes of: early identification of causes that jeopardize the existence, development and continuity of the Company; applying the necessary measures and remedies in this regard; and, managing the related risks. According to subparagraph 4, Article 398 of the code, the auditor is required to prepare a separate report explaining whether the Board of Directors has established the system and authorized committee stipulated under Article 378 to identify risks that threaten or may threaten the Company and to provide risk management, and, if such a system exists, the report, the principles of which shall be announced by the POA, shall describe the structure of the system and the practices of the committee. This report shall be submitted to the Board of Directors along with the auditor's report. Our audit does not include evaluating the operational efficiency and adequacy of the operations carried out by the management of the Company in order to manage these risks. As of the balance sheet date, POA has not announced the principles of this report yet so no separate report has been drawn up relating to it. On the other hand, the Company formed the mentioned committee on 25 May 2012 and it is comprised of two members. The committee has met two times since its formation to the reporting date for the purposes of early identification of risks that jeopardize the existence of the Company and its development, applying the necessary measures and remedies in this regard, and managing the risks, and has submitted the relevant reports to the Board of Directors.

Yöntem Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş.
a member of Nexia International

Atila Yılmaz DÖLARSLAN, YMM
Partner

İzmir, 3 March 2014

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Pınar Su Sanayi ve Ticaret A.Ş.

Statements of Financial Positions (Balance Sheets) at 31 December 2013 and 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience translation into English of financial statements originally issued in Turkish

	Notes	31 December 2013	31 December 2012
ASSETS			
Current assets		**28.486.492**	**33.588.699**
Cash and cash equivalents	6	1.157.012	561.129
Trade receivables		15.282.172	13.572.914
- Due from related parties	7	2.294.890	2.220.837
- Other trade receivables	8	12.987.282	11.352.077
Other receivables		940.405	10.935.355
- Due from related parties	7	429.980	10.314.246
- Other receivables	10	510.425	621.109
Inventories	11	7.588.210	6.199.999
Prepaid expenses	13	782.571	970.019
Current income tax assets	41	2.090	561.770
Other current assets	30	2.734.032	787.513
Non-current assets		**101.420.523**	**85.528.028**
Financial assets	4	24.499.401	21.716.172
Other receivables	10	1.800	1.800
- Other receivables		1.800	1.800
Property, plant and equipment	15	76.628.365	62.092.156
Intangible assets	18	229.056	132.021
Prepaid expenses	13	61.901	1.585.879
TOTAL ASSETS		**129.907.015**	**119.116.727**

The financial statements at 1 January - 31 December 2013 and for the year then ended have been approved for issue by Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş. on 3 March 2014.

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

Pınar Su Sanayi ve Ticaret A.Ş.

Statements of Financial Positions (Balance Sheets) at 31 December 2013 and 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience translation into English of financial statements originally issued in Turkish

	Notes	31 December 2013	31 December 2012
LIABILITIES			
Current liabilities		**35.008.737**	**33.534.225**
Short term borrowings		3.096.488	7.217.363
- Short term borrowings to related parties	7	1.523.661	-
- Short term borrowings to non-related parties	25	1.572.827	7.217.363
Short-term portion of long-term borrowings	25	3.419.777	758.223
- Short-term portion of long-term borrowings to non-related parties		3.419.777	758.223
Trade payables		26.543.198	22.315.164
- Due to related parties	7	1.226.771	482.045
- Other trade payables	8	25.316.427	21.833.119
Payables for employee benefits	28	268.492	232.102
Other payables		630.252	371.322
- Due to related parties	7	15.453	10.335
- Other payables to non-related parties	10	614.799	360.987
Deferred income	13	496.921	813.674
Short-term provisions		553.609	1.826.377
- Provisions for employee benefits	28	255.633	356.693
- Other short-term provisions	26	297.976	1.469.684
Non-current liabilities		**21.965.534**	**7.430.945**
Long-term borrowings	25	12.303.200	156.778
- Long-term borrowings to non-related parties		12.303.200	156.778
Trade payables		4.820.265	-
- Other trade payables	8	4.820.265	-
Long-term provisions		1.971.080	1.502.602
- Provisions for employee termination benefits	28	1.971.080	1.502.602
Deferred tax liabilities	41	2.870.989	5.771.565
TOTAL LIABILITIES		**56.974.271**	**40.965.170**
EQUITY		**72.932.744**	**78.151.557**
Share capital	31	12.789.345	12.789.345
Adjustment to share capital	31	11.713.515	11.713.515
Other comprehensive income/expense not to be reclassified to profit or loss		23.350.623	23.877.158
- Revaluation of property, plant and equipment	15	23.749.585	24.073.850
- Actuarial loss arising from defined benefit plans		(398.962)	(196.692)
Other comprehensive income/expense to be reclassified to profit or loss		16.850.943	14.339.007
- Fair value reserves of available-for-sale investments	48	16.850.943	14.339.007
Restricted reserves	31	4.180.008	4.180.008
Retained earnings		12.689.795	10.865.403
(Loss)/Profit for the year		(8.641.485)	387.121
TOTAL LIABILITIES AND EQUITY		**129.907.015**	**119.116.727**

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

Pınar Su Sanayi ve Ticaret A.Ş.

Statements of Income and Other Comprehensive Income for the Periods 1 January - 31 December 2013 and 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience translation into English of financial statements originally issued in Turkish

	Notes	1 January - 31 December 2013	1 January - 31 December 2012
Revenue	32	109.914.474	99.691.742
Cost of sales (-)	32	(65.243.248)	(53.112.036)
GROSS PROFIT	32	**44.671.226**	**46.579.706**
Marketing expenses (-)	34	(42.995.176)	(37.601.348)
General administrative expenses (-)	34	(12.081.373)	(10.821.594)
Other operating income	35	361.754	213.009
Other operating expenses (-)	35	(1.451.897)	(410.303)
OPERATING LOSS		**(11.495.466)**	**(2.040.529)**
Income from investment activities	36	528.158	974.887
Expense from investment activities (-)	36	(222.246)	-
OPERATING LOSS BEFORE FINANCIAL EXPENSE		**(11.189.554)**	**(1.065.642)**
Financial income	38	1.341.768	2.392.604
Financial expenses (-)	38	(2.113.608)	(874.583)
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**(11.961.394)**	**452.378**
Tax income/(expense) of continuing operations		3.319.909	(65.257)
- Current income tax expense	41	-	(544.356)
- Deferred tax income	41	3.319.909	479.099
(LOSS)/PROFIT FOR THE PERIOD		**(8.641.485)**	**387.121**
(Loss)/Earnings per share		**(0,6757)**	**0,0302**
- (Loss)/earning per share from continuing operations	42	(0,6757)	0,0302
OTHER COMPREHENSIVE INCOME:			
Other comprehensive income/expense not to be reclassified to profit or loss			
- Actuarial loss arising from defined benefit plans	39	(252.838)	(338.688)
- Increase/decrease in revaluation reserve	1.311.614	-	
- Taxes for other comprehensive income/expense not to be reclassified to profit or loss	39	(148.040)	67.737
Other comprehensive income/expense to be reclassified to profit or loss			
- Increase in fair value reserve of available-for-sale investments	39	2.783.230	4.536.334
- Taxes for other comprehensive income/expense to be reclassified to profit or loss	39	(271.294)	(258.451)
OTHER COMPREHENSIVE INCOME		**3.422.672**	**4.006.932**
TOTAL COMPREHENSIVE (LOSS)/INCOME		**(5.218.813)**	**4.394.053**

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

Pınar Su Sanayi ve Ticaret A.Ş.

Statements of Cash Flows for the Years Ended at 31 December 2013 and 2012

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
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	Notes	1 January - 31 December 2013	1 January - 31 December 2012
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net period (loss)/income		**(8.641.485)**	**387.121**
Adjustments to reconcile net cash generated from operating activities		**6.590.625**	**5.459.772**
Adjustment to taxation on income		(3.319.909)	(1.106.126)
Depreciation and amortization of fixed assets	15 - 18	5.763.245	5.030.584
Gain from sales of property, plant and equipment - net	36	(222.246)	(166.244)
Interest income	38	(215.049)	(988.541)
Interest expense	38	1.037.248	401.588
Provision for employment termination benefits	28	311.379	422.336
Provision for doubtful receivables	35	-	35.073
Provisions	26	3.135.534	3.101.159
Dividend income	36	(528.158)	(808.643)
Unrealized foreign exchange loss/(gain)		628.581	(461.414)
Changes in working capital		**6.302.923**	**(531.842)**
Increase in trade receivables	8	(1.635.205)	(2.180.489)
Increase in inventories	11	(1.388.211)	(2.419.879)
Increase in trade receivables from related parties	7	(74.053)	(1.068.481)
Increase in other receivables from operating activities		437.222	(949.216)
Increase in trade payables	8	8.303.573	5.551.446
Decrease in due to related parties	7	749.845	(350.086)
Increase in other debt and liabilities from operating activities		(90.248)	884.863
Employee termination benefits paid	28	(166.141)	(106.220)
Case expenses and fees paid	26	(4.344.605)	(3.580.000)
Net cash used in operating activities		**(4.510.746)**	**(3.686.220)**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	38	215.049	988.541
Dividends received	7.ii.g	528.157	808.643
Increase/(Decrease) in non-trade receivables from related parties	7	10.940.582	(6.321.516)
Purchases of property, plant and equipment and intangible assets		(19.977.337)	(4.293.616)
Proceeds from sales of property, plant and equipment		1.114.708	663.034
Contribution to capital increase of available-for-sale investment	4	-	(264.267)
Net cash used in investing activities		**(7.178.841)**	**(8.419.181)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in financial liabilities		10.687.101	7.625.670
Redemption of borrowings		(1.629.651)	(1.688.147)
Interest paid		(966.846)	(401.588)
Net cash generated from financing activities		**8.090.604**	**5.535.935**
Net increase/(decrease) in cash and cash equivalents before foreign currency translation differences		**653.080**	**(1.254.415)**
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		(57.197)	(1.951)
Net increase/(decrease) in cash and cash equivalents		**595.883**	**(1.256.366)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**561.129**	**1.817.495**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**6**	**1.157.012**	**561.129**

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

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Statements of Changes in Equity for the Years Ended at 31 December 2013 and 2012

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			Other comprehensive income/(expense) not to be reclassified to profit or loss	
	Share capital	Adjustment to share capital	Revaluation reserve	Actuarial loss arising from defined benefit plans
PREVIOUS PERIOD				
Balances at 1 January 2012 (beginning) - as previously reported	**12.789.345**	**11.713.515**	**25.390.898**	**-**
Change in accounting policies (Note 2)	-	-	-	74.259
Balances at 1 January 2012 (beginning) - restated	**12.789.345**	**11.713.515**	**25.390.898**	**74.259**
Transfer of loss for prior year to retained earnings	-	-	-	-
Total comprehensive income	-	-	-	(270.951)
Depreciation transfer - net (Note 15)	-	-	(1.317.048)	-
Balances at 31 December 2012 (closing)	**12.789.345**	**11.713.515**	**24.073.850**	**(196.692)**
CURRENT PERIOD				
Balances at 1 January 2013 (beginning) - as previously reported	**12.789.345**	**11.713.515**	**24.073.850**	**-**
Change in accounting policies (Note 2)	**-**	**-**	**-**	**(196.692)**
Balances at 1 January 2013 (beginning) - restated	**12.789.345**	**11.713.515**	**24.073.850**	**(196.692)**
Transfer of profit for prior year to retained earnings	-	-	-	-
Total comprehensive loss	-	-	1.113.006	(202.270)
Depreciation transfer - net (Note 15)	-	-	(1.332.940)	-
Sale of property, plant and equipment			(104.331)	
Balances at 31 December 2013 (closing)	**12.789.345**	**11.713.515**	**23.749.585**	**(398.962)**

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

Other comprehensive income/(expense) to be classified to profit or loss				
Fair value reserve for available - for sale investments	**Restricted reserves**	**Retained earnings**	**(Loss)/Profit for the period**	**Total equity**
10.061.124	**4.180.008**	**10.493.519**	**(870.905)**	**73.757.504**
-	-	(74.259)	-	-
10.061.124	**4.180.008**	**10.419.260**	**(870.905)**	**73.757.504**
-	-	(870.905)	870.905	-
4.277.883	-	-	387.121	4.394.053
-	-	1.317.048	-	-
14.339.007	**4.180.008**	**10.865.403**	**387.121**	**78.151.557**
14.339.007	**4.180.008**	**10.939.662**	**116.170**	**78.151.557**
-	**-**	**(74.259)**	**270.951**	**-**
14.339.007	**4.180.008**	**10.865.403**	**387.121**	**78.151.557**
-	-	387.121	(387.121)	-
2.511.936	-	-	(8.641.485)	(5.218.813)
-	-	1.332.940	-	-
		104.331	-	-
16.850.943	**4.180.008**	**12.689.795**	**(8.641.485)**	**72.932.744**

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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 and Sakarya 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 7).

The Company is subject to the regulations of Turkish Capital Markets Board ("CMB") and 31,78% (2012: 31,78%) of its 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 (2012: 58,00%) (Note 31).

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

Şehit Fethibey Street No:120

Alsancak/Izmir

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

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

The financial statements of the Company are prepared as per the CMB announcement of 7 June 2013 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.

In accordance with the CMB resolution issued on 17 March 2005, listed companies operating in Turkey are not subject to inflation accounting effective from 1 January 2005. Therefore, the financial statements of the Company have been prepared accordingly.

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

2.2.1 Amendments in Turkish Financial Reporting Standards

a) New standards, amendments and interpretations issued and effective for the financial year beginning 1 January 2013 and are adopted by the Company:

- Amendment to TAS 1, "Financial statement presentation" regarding other comprehensive income, 1 July 2012, The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or (loss) subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income.
- Amendment to TAS 19 (revised), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Actuarial gains and losses arising from the calculations of provision for employment termination benefits will be classified under other comprehensive income without having an effect on the net profit/(loss) for the year.

Accordingly, as a result of application in TAS 19, on a retrospective basis; as of 1 January 2013 and 2012 the actuarial gain and loss, net of deferred income tax, amounting to TL74.259 and TL196.692 that were recognised in general administrative expenses in the income statement, were recognised as "actuarial loss arising from defined benefit plans" in other comprehensive income and balance sheet.

In parallel to the application in TAS 19, actuarial loss net of deferred income tax, amounting to TL270.951 that were recognised in general administrative expenses in the income statement, were recognised as "actuarial loss arising from defined benefit plans" and the related statements of income and other comprehensive income and changes in equity were restated.

- TFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

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- TFRS 13, "Fair value measurement" is effective for annual periods beginning on or after
- 1 January 2013. This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across TFRS.
- Amendment to IFRSs/TFRSs 10, 11 and 12 on transition guidance¸; is effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to TFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period.
- TAS 28, "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11 "Joint arrangements".
- TFRS 7 (amendment), "'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. The amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare TFRS financial statements and those that prepare US GAAP financial statements.
- Annual improvements 2011; is effective for annual periods beginning on or after 1 January 2013. It includes changes to standards including TFRS 1, 'First time adoption', TAS 1, 'Financial statement presentation', TAS 16, 'Property plant and equipment', TAS 32, 'Financial instruments; Presentation' and TAS 34, 'Interim financial reporting'.

b) New standards, amendments and interpretations issued and effective as of 1 January 2013 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 and amendments to existing standards that are not yet effective and have not been early adopted by the Company:

- TAS 32 (amendment), "Financial instruments: Presentation", on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in TAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- TFRS 9 'Financial instruments' - classification and measurement; is effective for annual periods beginning on or after 1 January 2015. This standard on classification and measurement of financial assets and financial liabilities will replace TAS 39, "Financial instruments: Recognition and measurement".
- TAS 36 (amendment), "Impairment of assets" on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.
- TAS 39 (amendment), "Financial instruments: Recognition and Measurement", is effective for annual periods beginning on or after 1 January 2014. These amendments address on novation of derivatives and hedge accounting and will allow hedge accounting to continue in a situation where a derivative is novated to effect clearing with a central counterparty as result of laws or regulation, if specific conditions are met.

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

2.2.2 Comparative information and correction of prior year financial statements

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 has prepared its balance sheet at 31 December 2013 on a comparative basis with balance sheet at 31 December 2013 and the statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2013, on a comparative basis with financial statements for the period 1 January - 31 December 2012.

The Company has made below reclassifications in prior period financial statements in line with the illustrative financial statements and disclosures guidance issued by CMB with the decision taken on the meeting held on 7 June 2013, numbered 20/670. Reclassifications in the balance sheet of the Company as at 31 December 2012 are as follows;

- Prepaid expenses amounting to TL849.167 and order advances given amounting to TL120.852 which were recognised other current asset as of 31 December 2012, recognised in prepaid expenses;
- Prepaid corporate tax amounting to TL561.770 which was recognised in other current asset as of 31 December 2012, recognised in current income tax assets,
- Borrowings amounting to TL7.217.363 and TL758.223, respectively, which were recognised in financial liabilities as of 31 December 2012, recognised in short term borrowings to non-related parties and short term portion of long term borrowings to non-related parties as a separate item,
- Deposits and guarantees received amounting to TL13.039 was recognised in other payables and taxes and funds payables amounting to TL347.948 which were recognised in other current liabilities as of 31 December 2012, recognised in other payables to non-related parties,
- Payable to personnel amounting to TL10.974 and social security premiums payable amounting to TL221.128 which were recognised in other current liabilities as of 31 December 2012, recognised in payables for employee benefits,
- Advances received amounting to TL813.674 which was recognised in other current liabilities as of 31 December 2012, recognised in deferred income,

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- Management bonus accrual amounting to TL220.000 and provision for seniority incentive amounting to TL136.693 which were recognised in short-term provisions as of 31 December 2012, recognised in short - term provisions for employee benefits,
- Provision for employment termination benefit amounting to TL1.502.602 as of 31 December 2012, was recognised in long-term provisions for employee termination benefits.

Reclassifications in the Company's statement of income and other comprehensive income ended at 31 December 2012 are as follows;

- Gain on sale of property, plant and equipment amounting to TL166.244 which was recognised in other operating income at 1 January - 31 December 2012, recognised in income from investing activities.
- Foreign exchange gain amounting to TL105.262 which was recognised in finance income as of 1 January - 31 December 2012, reclassified under other operating income.
- Foreign exchange loss amounting to TL116.444 which was reclassified under finance expense at 1 January - 31 December 2012, recognised in other operating expense.

In parallel to the aforementioned classifications, net cash provided from operating activities in the statement of cash flow as of 31 December 2012 were restated.

Aforementioned classifications have no impact on retained earnings and net profit for the current year.

2.3 Accounting policies, errors and changes in accounting estimates

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

2.4. Summary of significant accounting policies

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

2.4.1 Revenue

Revenues are recognized on an accrual basis at the time deliveries are made, services are given and significant risks and rewards are transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped less sales returns, sales discounts and commissions given (Note 32).

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

Revenue is recognised as follows:

Sales of goods:

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

Interest income:

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

Dividend income:

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

2.4.2 Inventory

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

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2.4.3 Property, plant and equipment

Land and land improvements and buildings are stated at fair value, based on valuations by external independent valuers namely Elit Gayrimenkul Değerleme A.Ş. as at 30 June 2013 less subsequent depreciation between balance sheet date and revaluation date, except for land. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount as at 31 December 2013. Property, plant and equipment except for land, land improvements and buildings and machinery and equipment acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortization and impairment losses, if any (Note 15).

As of the revaluation date, the Company eliminated the accumulated depreciation against the gross carrying amount of the asset with the net amount restated to equal the revalued amount.

Depreciation is provided on the restated or revalued amounts of property, plant and equipment on a straight-line basis (Note 15). Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of property, plant and equipments are as follows:

Buildings and land improvements	25 - 45 years
Machinery and equipments	5 - 25 years
Motor vehicles	5 years
Furniture and fixtures	5 - 10 years

Property, plant and equipment are capitalized and depreciated when they are fully commissioned and in a physical state to meet their designed production capacity. Residual values of property, plant and equipment are deemed as negligible. The advances given for the property, plant and equipment purchases are classified under the other non-current assets until the related asset is capitalized. At each balance sheet date, residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively.

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. Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (Note 2.4.5). The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Repairs and maintenance are charged to the statements of income and other comprehensive income during the financial period in which they are incurred. The Company derecognizes 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 recognize as separate asset, are depreciated based on their useful lives.

Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate (Note 36). On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

2.4.4 Intangible assets

Intangible assets have finite useful lives and comprise of acquired rights, information systems and software. Intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and permanent impairment losses if any. Intangible assets are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition. Gains or losses on disposals or impairments of intangible assets with respect to their amounts are included in 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 (Note 2.4.5).

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2.4.5 Impairment of assets

At each reporting date, the Company assesses whether there is an impairment indication for the assets, except for the deferred income tax asset (Note 41). When an indication of impairment exists, the Company estimates the recoverable amounts of such assets. The recoverable amounts of intangible assets not yet available for use to be measured annually. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Assets are allocated to cash generating units for the purpose of impairment testing, which is undertaken on the lowest level. An impairment loss is recognized for the amount by which the carrying amount of the asset or any cash-generating unit of that asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. Impairment losses are accounted for in the statement of income and other comprehensive income. Impairment losses can be reversed to the extent that increased carrying amount of an asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years provided that increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period in which the impairment loss was recognized.

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

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

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. The amount of the loss is the difference between the asset's carrying amount and the amount that is collectable. The collectable amount is the estimated all future cash flows, including collectable amounts from guarantees and various insurances, discounted at the financial asset's original effective interest rate.

2.4.6 Borrowing and borrowing cost

Borrowings are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 38). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 25). Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. According to IAS 23 (Revised), borrowing costs of qualifying assets having capitalisation date 1 January 2009 or later, can be capitalised, based on borrowing cost of qualifying asset, directly or as an asset acquisition or with an extent to associate directly with production, these borrowing costs should be capitalised as a part of cost of related asset.

2.4.7 Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

a) Loans and receivables

Loans and receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. Loans and receivables arise, without held-for-sale intention, from the Company's supply of goods, service or direct fund to any debtor. If the maturity of these instruments are less than 12 months, these loans and receivables are classified in current assets and if more than 12 months, classified in non-current assets.

The loans and receivables are included in other trade receivables and cash and cash equivalents in the balance sheet. Loans and receivables are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, loans and receivables are stated at amortized cost using the effective yield method less any impairment, if any. Short term loans and receivables without a determined interest rate are evaluated with the invoice amount if the effective interest rate is negligible. In subsequent periods, loans are stated at amortised cost using the effective yield method.

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b) Available-for-sale investments

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

All financial investments are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investments, and subsequently carried at fair value. The financial assets which the Company has shares less than 20% and are classified as available-for-sale investments are carried at market value when there is quoted market price, they are carried at fair value by using generally accepted valuation techniques, when there is no active market for the financial asset. When there is no quoted market price, and when a reasonable estimate of fair value could not be determined as a result of being other methods inappropriate and unworkable, available-for-sale investments acquired before 1 January 2005 are carried at cost expressed in purchasing power of TL as at 31 December 2004 and available-for-sale investments acquired after 1 January 2005 are carried at cost, less impairment losses, if any (Note 4). Unrealized gains and losses arising from changes in fair value of securities classified as available-for-sale are recognized in the equity, rather than statement of comprehensive income until the related financial asset is derecognized. Change in fair value of available-for-sale investments is calculated as the difference between the discounted acquisition cost and the current fair value. Dividends on available-for-sale equity instruments are recognized in the statement of income and other comprehensive income as part of other income when the Company's right to receive payments is established.

When securities classified as available-for-sale are derecognized, the accumulated fair value adjustments in equity are recognized in the statement of income and other comprehensive income. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered as an indicator that the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss-is removed from equity and recognized in the statement of income and other comprehensive income. Impairment losses recognized in the statement of comprehensive income on investments are not reversed through the statement of income and other comprehensive income.

The Company does not have financial assets at fair value through profit or loss and held to maturity financial assets.

2.4.8. Foreign currency translations and balances

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

2.4.9 Earnings/(loss) per share

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

2.4.10 Subsequent events

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

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

2.4.11 Provisions, contingent assets and contingent liabilities

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

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

2.4.12 Related parties

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

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

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

2.4.14 Taxation on income

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

Deferred income tax income or expense is recognized in the statement of income and other comprehensive income, except to the extent that it relates to items recognized 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 (Note 41).

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 (Note 41).

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, at individual entity level (Note 41).

2.4.15 Employee benefits/Provision for employment termination benefits

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 (Note 28). All actuarial gains and losses are recognised in other comprehensive income in the statements of comprehensive income.

The Company allocates bonus for the management and board of directors and recognizes a provision during the related year with respect to this bonus (Note 28.b).

2.4.16 Statement of cash flow

In the statement of cash flows, cash flows are classified into three categories as operating, investing and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investing activities indicate cash inflows and outflows resulting from property, plant and equipment and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. For the purposes of the statement of cash flows, cash and cash equivalents comprise of

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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.

2.4.17 Share capital and dividends

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

2.5 Critical accounting estimates and judgments

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

i) Revaluation of land, buildings and land improvements and machinery and equipment

Land, land improvements and buildings are stated at fair value, based on valuations by external independent valuers namely Elit Gayrimenkul Değerleme A.Ş. as at 30 June 2013 less subsequent depreciation between balance sheet date and revaluation date, except for land. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount as at 31 December 2013.

The revaluation techniques used in fair value determinations of land, land improvements and buildings, consist of several assumptions, which are based on the management's best estimates.

- As there were no recent similar buying/selling transactions nearby, revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements were based on the method of cost approach.
- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m^2 sale value was determined for the lands subject to the valuation. The similar pieces of land found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.

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

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

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

The generally accepted valuation techniques used in fair value determination of available-for-sale investments for which there is no quoted market price exists, consist of several assumptions, which are based on the management's best estimates and fair value available-for-sale investments could be different when the purchase/sales of the transactions incurred (Note 4).

iii) Income taxes

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

2.6. Offsetting

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

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NOTE 3 - BUSINESS COMBINATIONS

None (31 December 2012: None).

NOTE 4 - INTERESTS IN OTHER ENTITIES

Please see Note 48.

NOTE 5 - SEGMENT REPORTING

Please see Note 2.4.13.

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Cash in hand	9.653	24.704
Banks	861.582	338.910
- Demand deposits	131.582	128.910
- Turkish Lira	131.582	79.090
- Foreign currency	-	49.820
- Time deposit	730.000	210.000
- Turkish Lira	730.000	210.000
Other	285.777	197.515
	1.157.012	**561.129**

Time deposits are denominated in TL, all mature in less than one month (31 December 2012: less than one month) and bear the effective weighted average interest rate of 8,65% per annum ("p.a.") (2012: 8,15% p.a.). Other cash and cash equivalents includes the credit cards slips with an average term of 30 days (31 December 2012: 30 days).

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

NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Due from and due to related parties and the transactions with related parties as of and for the years ended 31 December 2013 and 2012 are as follows:

i) Balances with related parties:

	31 December 2013	31 December 2012
a) Trade receivables from related parties:		
Yaşar Dış Ticaret A.Ş. ("YDT")	1.461.645	1.768.846
DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("DYO Boya")	204.977	173.527
Pınar Süt Mamulleri Sanayii A.Ş.("Pınar Süt")	106.144	30.886
Pınar Entegre Et ve Un Sanayii A.Ş. ("Pınar Et")	11.970	72.944
Other	514.820	177.235
	2.299.556	**2.223.438**
Less: Unearned finance income	(4.666)	(2.601)
	2.294.890	**2.220.837**

As of 31 December 2013, effective weighted average interest rates of due from related parties to TL and EUR denominated receivables are 7,50% and 2,21% p.a., respectively (31 December 2012: TL, EUR and USD denominated receivables are 7,65%, 2,08% and 2,21% p.a., respectively) and due from related parties mature within one month (31 December 2012: one month).

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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 2013, due from related parties amounting to TL2.000.577 (31 December 2012: TL1.577.255) were overdue for a period of 3 months (31 December 2012: 2 months).

b) Other receivables from related parties:

	31 December 2013	31 December 2012
Viking Kağıt	188.231	158.329
DYO Boya	186.821	177.431
Yaşar Holding	-	9.917.791
YBP	-	6.289
Other	54.928	54.406
	429.980	**10.314.246**

The other receivables from related parties are attributable to bail commission charges in relation to bank borrowings obtained by Yaşar Group Companies from international capital markets and a financial institution under the guarantee of the Company (Note 38). Other receivables from related parties have an average maturity of 3-12 month.

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

c) Trade payables to related parties:

Yaşar Holding	1.008.879	402.862
Pınar Foods GmbH ("Pınar Foods")	73.413	58.793
Other	149.233	21.302
	1.231.525	**482.957**
Less: Unearned finance cost	(4.754)	(912)
	1.226.771	**482.045**

The effective weighted average interest rate applied to due to related parties is 7,86% p.a. as of 31 December 2013 (31 December 2012: 7,22% p.a.) Due to related parties mature mainly within 2 months (31 December 2012: 2 months).

d) Other payables to related parties:

Other	15.453	10.335
	15.453	**10.335**

e) Short-term borrowings to related parties

Desa Enerji	1.517.208	-
Yaşar Holding	6.453	-
	1.523.661	**-**

As of 31 December 2013, the portion of short-term borrowings to Desa Enerji amounting to TL1.500.000 consists of loans and TL17.208 consists of accrued interests.

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ii) Transactions with related parties:

	1 January - 31 December 2013	1 January - 31 December 2012
a) Product sales:		
YDT	6.603.149	7.730.394
Other	754.548	643.271
	7.357.697	**8.373.665**

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

b) Service sales:

YDT	234.093	239.781
Yaşar Holding	116.104	137.016
Other	238.910	289.660
	589.107	**666.457**

c) Service purchases:

Yaşar Holding	2.247.457	1.689.905
YDT	732.667	576.091
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	211.150	228.523
YBP	172.277	145.529
Pınar Süt	87.450	86.280
Other	116.006	145.117
	3.567.007	**2.871.445**

Service purchases from Yaşar Holding are mainly related with the consultancy charges.

	1 January - 31 December 2013	1 January - 31 December 2012
d) Product purchases:		
Pınar Süt	31.036	24.370
	31.036	**24.370**

e) Finance expense:

YDT	97.846	122.050
Yaşar Holding	47.064	24.592
Other	15.176	-
	160.086	**146.642**

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f) Finance income:

	1 January - 31 December 2013	1 January - 31 December 2012
Yaşar Holding	705.748	1.409.260
Dyo Boya	136.066	129.547
Viking Kağıt	93.083	66.434
YBP	46.669	89.334
Other	274.413	102.748
	1.255.979	**1.797.323**

The other finance income mainly consists of bail and finance commissions in relation to the bank borrowings obtained by the related parties from international capital markets and a financial institution under the guarantee of the Company. The bail and finance commission rates used in the intercompany charges are 0,50% p.a. both (31 December 2012: 0,50% p.a. both) (Note 38).

g) Dividends received:

YBP	528.157	808.643
	528.157	**808.643**

h) Property, plant and equipment purchases:

Yaşar Holding	76.436	-
YBP	46.076	7.063
Other	1.582	-
	124.094	**7.063**

ı) Bails given:

As of 31 December 2013, the Company jointly guarantees with Yaşar Holding A.Ş. the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting EUR44.444.444 and USD250.000.000, equivalent of TL664.086.110 (31 December 2012: EUR75.000.000 and USD275.000.000 equivalent of TL666.592.500).

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 TL 12.500.000 and EUR1.000.000, equivalent of TL15.436.500 as of 31 December 2013 (31 December 2012: USD4.000.000 equivalent of TL7.130.500).

j) Key management compensation:

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

Short-term employee benefits	686.029	603.124
Bonus and profit-sharing	66.230	28.800
Other long-term benefits	22.249	28.154
	774.508	**660.078**

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	31 December 2013	31 December 2012
a) Short-term trade receivables:		
Customer current accounts	9.346.768	7.327.225
Cheques and notes receivables	4.615.043	4.892.630
	13.961.811	**12.219.855**
Less: Provision for impairment of receivables	(827.885)	(832.375)
Unearned finance income	(146.644)	(35.403)
	12.987.282	**11.352.077**

At 31 December 2013, the effective weighted average interest rate applied to short-term trade receivables is 7,85% p.a. (31 December 2012: 7,63% p.a.) and average collection terms of trade receivables are within 2 months (31 December 2012: 2 months).

The aging of trade receivables as of 31 December 2013 and 2012 are as follows:

Overdue	2.188.817	1.629.641
0 - 30 days	3.220.910	4.151.005
31 - 60 days	3.570.568	3.538.783
61 - 90 days	3.488.463	1.168.364
91 days and over	518.524	864.284
	12.987.282	**11.352.077**

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. The aging and credit risk analysis of overdue receivables as of 31 December 2013 and 2012 are disclosed in Note 49.a.

The aging of overdue receivables as of 31 December 2013 and 2012 are as follows:

0 - 90 days	1.864.937	1.554.759
91 - 180 days	323.880	74.882
	2.188.817	**1.629.641**

As of 31 December 2013, trade receivables of TL2.188.817 (31 December 2012: TL1.629.641) were past due and the Company holds collateral amounting to TL723.623 (31 December 2012: TL823.053) as security for such receivables. Subsequent collections of overdue receivables amounts to TL753.332 as of the approval date of these financial statements.

Movements in the provision for impairment of receivables can be analysed as follows:

	2013	2012
1 January	**(832.375)**	**(797.302)**
Charged to the statement of comprehensive income (Note 35.b)	-	(35.073)
Collections	4.490	-
31 December	**(827.885)**	**(832.375)**

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	31 December 2013	31 December 2012
b) Short-term trade payables:		
Supplier current accounts	25.476.618	21.946.303
Less: Unincurred finance cost	(160.191)	(113.184)
	25.316.427	**21.833.119**

As of 31 December 2013, the effective weighted average interest rate applied to trade payables is 7,86% p.a. (31 December 2012: 7,53% p.a.) and short term trade payables mature within 2 months (31 December 2012: 2 months). TL7.664.989 (31 December 2012: TL5.322.564) of trade payables are overdue for one month on average as of 31 December 2013 (31 December 2012: one month).

c) Long-term trade payables:

Supplier current accounts	4.820.265	-
	4.820.265	**-**

Long term trade payables to consist of the payables to foreign supplier due to machine purchases related to the investments in progress in Hendek. Long term trade payables mature within 4 years.

The redemption schedules of long-term trade payables as of 31 December 2013 as follows:

2015	1.377.219	-
2016	1.377.219	-
2017	1.377.219	-
2018	688.608	-
	4.820.265	**-**

Long term trade payables consist of payables due to property, plant and equipment purchases amounting to EUR 1.641.500 (31 December 2012: None) and effective weighted average interest rate is 2,49% p.a.

NOTE 9 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (31 December 2012: None).

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2013	31 December2012
a) Other short-term receivables:		
Value added tax ("VAT") receivables	465.782	594.692
Deposits and guarantees given	27.894	26.105
Other	16.749	312
	510.425	**621.109**

b) Other long-term receivables:

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

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c) Other payables :

	31 December 2013	31 December 2012
Taxes and funds payables	571.905	347.948
Deposits and guarantees received	42.894	13.039
	614.799	**360.987**

NOTE 11 - INVENTORIES

	31 December 2013	31 December 2012
Raw materials	3.076.842	2.250.343
Finished goods	1.437.982	1.419.118
Water bottle stocks	1.151.475	858.019
Pallet stocks	876.722	685.604
Spare parts	930.442	918.131
Other	114.747	68.784
	7.588.210	**6.199.999**

Cost of inventories recognized as expense and included in cost of sales amounted to TL36.701.151 (31 December 2012: TL32.156.119) (Note 29). Raw materials mainly consist of materials and packaging materials which are used to produce bottled water. The other inventory items are valued at their costs and there is no impairment.

NOTE 12 - BIOLOGICAL ASSETS

None (31 December 2012: None).

NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2013	31 December 2012
a) Prepaid expenses - current		
Prepaid expenses	781.703	849.167
Order advances given	868	120.852
	782.571	**970.019**

b) Prepaid expenses - non-current

Advances given	61.901	1.575.639
Prepaid expenses	-	10.240
	61.901	**1.585.879**

c) Deferred income

Advances received	496.921	813.674
	496.921	**813.674**

NOTE 14 - INVESTMENT PROPERTY

None (31 December 2012: None).

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment between 1 January - 31 December 2013 were as follows:

	1 January 2013	Additions	Disposals	Disposal of revaluation fund arising from sales of fixed asset	Transfers	Accumulated depreciation net off before revaluation	Revaluation	31 December 2013
Cost/revaluation:								
Land	6.984.000	25.000	(69.769)	-	-		424.769	7.364.000
Buildings and land improvements	16.943.316	403.227	-	-	-	(972.139)	886.845	17.261.249
Machinery and equipment	36.216.960	2.190.088	(1.273.244)	(104.331)	14.335.546	-	-	51.365.019
Motor vehicles	311.001	-	-	-	-	-	-	311.001
Furniture and fixtures	14.392.630	2.960.831	(582.282)	-	-	-	-	16.771.179
Construction in progress	-	14.335.546	-	-	(14.335.546)	-	-	-
	74.847.907	**19.914.692**	**(1.925.295)**	**(104.331)**	**-**	**(972.139)**	**1.311.614**	**93.072.448**
Accumulated depreciation:								
Buildings and land improvements	(633.706)	(702.740)	-	-	-	972.139	-	(364.306)
Machinery and equipment	(3.217.934)	(3.769.876)	787.277	-	-	-	-	(6.200.533)
Motor vehicles	(292.921)	(7.542)	-	-	-	-	-	(300.463)
Furniture and fixtures	(8.611.190)	(1.213.146)	245.556	-	-	-	-	(9.578.781)
	(12.755.751)	(5.693.303)	1.032.832	-	-	972.139	-	(16.444.083)
Net book value	**62.092.156**	**14.221.389**	**(996.793)**	**(104.331)**	**-**	**-**	**1.311.614**	**76.628.365**

Additions to the property, plant and equipment within the year 2013 mainly consist of machinery purchases due to construction in progress.

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Movements of property, plant and equipment between 1 January - 31 December 2012 were as follows:

	1 January 2012	Additions	Disposals	31 December 2012
Cost/revaluation:				
Land	6.984.000	-	-	6.984.000
Buildings and land improvements	15.505.000	1.438.316	-	16.943.316
Machinery and equipment	35.660.000	556.960	-	36.216.960
Motor vehicles	462.822	-	(151.821)	311.001
Furniture and fixtures	12.406.733	2.279.893	(293.996)	14.392.630
	71.018.555	**4.275.169**	**(445.817)**	**74.847.907**
Accumulated depreciation:				
Buildings and land improvements	-	(633.706)	-	(633.706)
Machinery and equipment	-	(3.217.934)	-	(3.217.934)
Motor vehicles	(437.193)	(7.542)	151.814	(292.921)
Furniture and fixtures	(7.765.499)	(1.024.293)	178.602	(8.611.190)
	(8.202.692)	**(4.883.475)**	**330.416**	**(12.755.751)**
Net book value	**62.815.863**			**62.092.156**

Additions to the property, plant and equipment within the year 2012 mainly consist of machinery and warehouse investments related with bottled water production. Additions to furnitures and fixtures are mainly related with the addition of water dispensers, steel and plastic racks.

Current year's depreciation and amortisation charges were allocated to cost of production by TL4.372.023 (31 December 2012: TL3.771.475), to selling and marketing expenses by TL1.120.255 (31 December 2012: TL850.274) (Note 34.a) and to general and administrative expenses by TL270.966 (31 December 2012: TL408.835) (Note 34.b).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2013 and 2012 were as follows:

1 January 2012	**25.390.898**
Depreciation on revaluation reserve transferred to retained earnings-net	(1.317.048)
31 December 2012	**24.073.850**
Depreciation on revaluation reserve transferred to retained earnings-net	(1.332.940)
Increase in revaluation reserve of land, land improvements and buildings - net	1.113.006
Disposal from revaluation reserve due to sales of property, plant and equipment - net	(104.331)
31 December 2013	**23.749.585**

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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 2013 and 2012, are as follows:

31 December 2013:	**Land**	**Building and land improvements**	**Machinery and equipment**
Cost	926.794	9.908.250	48.391.852
Less: Accumulated depreciation	-	(3.648.615)	(28.920.131)
Net book value	**926.794**	**6.259.635**	**19.471.721**
31 December 2012:			
Cost	971.563	9.505.023	47.448.054
Less: Accumulated depreciation	-	(3.370.436)	(27.178.217)
Net book value	**971.563**	**6.134.587**	**20.269.837**

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

None (31 December 2012: None)

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

None (31 December 2012: None).

NOTE 18 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the periods 1 January - 31 December 2013 and 2012 were as follows:

	1 January 2013	**Additions**	**31 December 2013**
Costs:			
Rights	1.264.978	166.976	1.431.954
Accumulated amortisation	(1.132.957)	(69.941)	(1.202.898)
Net book value	**132.021**	**97.035**	**229.056**

	1 January 2012	**Additions**	**31 December 2012**
Costs:			
Rights	1.222.256	42.722	1.264.978
Accumulated amortisation	(985.848)	(147.109)	(1.132.957)
Net book value	**236.408**	**(104.387)**	**132.021**

NOTE 19 - GOODWILL

None (31 December 2012: None).

NOTE 20 - EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

None (31 December 2012: None).

NOTE 21 - LEASING

None (31 December 2012: None).

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NOTE 22 - SERVICE CONCESSION AGREEMENTS

None (31 December 2012: None).

NOTE 23 - IMPAIRMENT IN ASSETS

Please see Note 2.4.5.

NOTE 24 - GOVERNMENT GRANTS AND INCENTIVES

In 2013, the Company has obtained deduction of investment incentive amounting to TL14.433.545 due to supporting programme of manufacturing industry, nonalcoholic beverage production of ministry of Economy and recognised deferred income tax amounting to TL2.886.709 related to the investment incentive mentioned (31 December 2012:None).

There are investment certificates to which the Company has been entitled by the official authorities on 19 March 2013 and the Company benefits from these deductions within the scope of related regulation (Note 41).

NOTE 25 - BORROWINGS AND BORROWING COSTS

	Effective weighted average interest rate p.a. %		Original currency		TL equivalent	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Short term borrowings:						
Borrowings TL (*)	4,96	-	1.572.827	66.463	1.572.827	66.463
Borrowings USD	-	5,75	-	4.011.500	-	7.150.900
Short term portion of long term borrowings:						
Borrowings TL (**)	10,92	-	2.564.204	-	2.564.204	-
Borrowings EUR (***)	4,69	3,46	291.358	322.415	855.573	758.223
Total short term borrowings					**4.992.603**	**7.975.586**
Long term borrowings:						
Borrowings TL (**)	10,92	-	10.002.432	-	10.002.432	-
Borrowings EUR (***)	4,75	4,50	783.507	66.666	2.300.768	156.778
Total long term borrowings					**12.303.200**	**156.778**

(*) TL denominated short-term bank borrowings consist of borrowings with spot loans fixed interest rates of 4,96% p.a.(31 December 2012: Interest is not paid for spot loans).

(**) TL denominated bank borrowings consist of working capital borrowings with fixed interest rates of 10,92% p.a. as of 31 December 2013.

(***) EUR denominated short-term bank borrowings consist of borrowings with fixed interest rates of 4,69% and 4,75% p.a. respectively (31 December 2012: Borrowings with semi-annually repricing floating interest rate Euribor +0,50% p.a. and borrowings with fixed interest rate of 4,50% p.a.).

The redemption schedule of long-term bank borrowings at 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
2015	3.324.062	156.778
2016	3.324.062	-
2017	3.324.062	-
2018	2.331.014	-
	12.303.200	**156.778**

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As of 31 December 2013 and 2012, 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 2013:		
Borrowing with variable interest rates	-	-
Borrowings with fixed interest rates	-	17.295.804
	-	**17.295.804**
31 December 2012**:**		
Borrowing with variable interest rates	440.805	440.805
Borrowings with fixed interest rates	-	7.691.559
	440.805	**8.132.364**

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

	Carrying amount		**Fair value**	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
Bank borrowings	17.295.804	8.132.364	17.416.047	8.527.107

The fair values are based on cash flows discounted using the rate of 0,43% p.a. and 9,65% p.a. for EUR denominated bank borrowings and TL denominated bank borrowings, respectively (31 December 2012: 0,14% p.a., 0,31% p.a., 5,67% p.a. for EUR, USD and TL denominated bank borrowings, respectively).

NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2013	**31 December 2012**
a) Other short-term provisions:		
Provision of advertising and promotion	185.250	137.876
Provision for spring water fee	95.226	1.304.297
Other	17.500	27.511
	297.976	**1.469.684**

Aydın Bozdoğan Municipality charged a total of TL3.135.534 TL 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 2013 (31 December 2012: 3.101.159 TL). Regarding the mentioned spring water fee, the Company filed a lawsuit against Aydın Bozdoğan Municipality based on the claim that all procedures related to production permit, licensing, packaging, labeling, sales and audit of natural mineral waters are carried out by the Turkish Ministry of Health and its relevant bodies in line with the provisions of the "Regulation on Natural Mineral Waters" No. 25657, dated 1 December 2004. As of 31 December 2013, the local court rejected the lawsuit, which was subsequently taken to a higher court for appeal. In line with the prudency principle of accounting, Company management recognised the mentioned spring water fee provision in the cost of sales.

Movements of the provision the spring water fee provision during the years 2013 and 2012 are as follows:

	2013	**2012**
1 January	**1.304.297**	**1.783.138**
Charged to statement of comprehensive income (Note 29)	3.135.534	3.101.159
Paid	(4.344.605)	(3.580.000)
31 December	**95.226**	**1.304.297**

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b) Guarantees given:	**31 December 2013**	**31 December 2012**
Bails	664.086.110	666.592.500
Letters of guarantee	10.262.458	8.522.336
	674.348.568	**675.114.836**

As of 31 December 2013, guarantees given are mainly related with joint guarantees provided by the Company along with Yaşar Group companies in relation to the repayment of loans obtained by Yaşar Group companies from financial institutions amounting to EUR 44.444.444 and USD 250.000.000, equivalent of TL 664.086.110 (31 December 2012: EUR75.000.000 and USD275.000.000, equivalent of TL666.592.500).

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2013 and 2012 were as follows:

	31 December 2013			**31 December 2012**		
CPM provided by the Company:	**Currency**	**Amount**	**TL Equivalent**	**Currency**	**Amount**	**TL Equivalent**
A. Total amount of CPM given on behalf of the Company	TL	10.262.458	10.262.458	TL	8.522.336	8.522.336
B. Total amount of CPM given on behalf of fully consolidated companies	-	-	-	-	-	
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	
D. Total amount of other CPM		664.086.110			666.592.500	
i. Total amount of CPM given on behalf of the main shareholder	*US Dollar*	*250.000.000*	*533.575.000*	*US Dollar*	*250.000.000*	*445.650.000*
ii. Total amount of CPM given on behalf other group companies which are not in scope of B and C	-	-	-	*US Dollar*	*25.000.000*	*44.565.000*
	Euro	*44.444.444*	*130.511.110*	*Euro*	*75.000.000*	*176.377.500*
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	
			674.348.568			**675.114.836**
The ratio of total amount of other CPM to Equity			911%			853%

c) Guarantees received:	**31 December 2013**	**31 December 2012**
Letters of guarantee	18.347.983	18.267.807
Bails	15.436.500	7.130.400
Mortgages	5.148.189	5.975.035
Guarantee notes	2.226.503	1.941.283
Other	536.773	600.319
	41.695.948	**33.914.844**

Guarantees are mainly received from customers.

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NOTE 27 - COMMITMENTS

Total amount of raw material purchase commitments as of 31 December 2013 is TL3.236.000 (31 December 2012: TL 3.062.000). Purchase commitments are expected to be fulfilled in accordance with the Company's management predictions and budgets for the year of 2014 (31 December 2012: Purchase commitments were fulfilled on subsequent period).

NOTE 28 - EMPLOYEE BENEFITS

	31 December 2013	31 December 2012
a) Payables for employee benefits		
Social security premiums	253.987	221.128
Payables to employees	14.505	10.974
	268.492	**232.102**
b) Short- term provisions for employee benefits		
Management bonus accrual	220.000	220.000
Seniority incentive bonus	35.633	136.693
	255.633	**356.693**
c) Long - term provisions for employee termination benefits		
Provision for employment termination benefits	1.900.678	1.502.602
Seniority incentive bonus	70.402	-
	1.971.080	**1.502.602**

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 TL3.254,44 for each year of service as of 31 December 2013 (31 December 2012: TL3.033,98).

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 3.438,22 which is effective from 1 January 2014 (1 January 2013: 3.129,25 TL) 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 2013	31 December 2012
Discount rate (p.a) (%)	4,09	3,50
Probability of retirement (%)	97,61	97,61

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

	2013	2012
1 January	**1.502.602**	**847.798**
Interest costs	104.123	39.507
Actuarial loss	252.838	338.688
Current service cost	207.256	382.829
Paid during the year	(166.141)	(106.220)
31 December	**1.900.678**	**1.502.602**

The total of interest cost and current service cost amounting to TL311.379 (31 December 2012: TL 422.336) were allocated to general administrative expenses by TL228.142 (31 December 2012: TL368.784) (Note 34) and to cost of sales by TL83.237 (31 December 2012: TL53.552).

NOTE 29 - EXPENSES BY NATURE

	1 January - 31 December 2013	1 January - 31 December 2012
Raw material, direct material and finished goods	36.701.151	32.156.119
Transportation and export	24.988.903	21.247.471
Personnel	12.907.373	10.530.023
Outsourced services	8.088.898	6.704.581
Advertising	6.299.971	7.391.230
Depreciation and amortisation	5.763.244	5.030.584
Energy	4.737.612	4.306.069
Maintenance	3.700.928	2.811.432
Fee of mineral resource	3.135.534	3.101.159
Rent	2.671.610	1.664.525
Consultancy	2.414.120	1.721.392
Travel	473.846	458.739
Communication	317.582	159.880
Employment termination benefits	311.379	422.336
Representation	221.294	198.926
Other	7.586.352	3.630.512
	120.319.797	**101.534.978**

NOTE 30 - OTHER ASSETS AND LIABILITIES

	31 December 2013	31 December 2012
Other current assets		
VAT receivable	2.682.245	761.299
Other	51.787	26.214
	2.734.032	**787.513**

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NOTE 31 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of Kr1. The Company's historical authorised registered share capital at 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Registered share capital (historical values)	50.000.000	50.000.000
Paid-in share capital with nominal value	12.789.345	12.789.345

The compositions of the Company's share capital at 31 December 2013 and 2012 were as follows:

	31 December 2013		31 December 2012	
	Share (%)	TL	Share (%)	TL
Yaşar Holding	58,00	7.417.546	58,00	7.417.546
Public quotation	31,78	4.064.924	31,78	4.064.924
Pınar Süt	8,77	1.122.150	8,77	1.122.150
YBP	0,80	101.992	0,80	101.992
Hedef Ziraat Tic. ve San. A.Ş ("Hedef Ziraat")	0,09	11.318	0,09	11.318
YDT	0,03	3.773	0,03	3.773
Other	0,53	67.642	0,53	67.642
Total share capital	**100,00**	**12.789.345**	**100,00**	**12.789.345**
Adjustment to share capital		11.713.515		11.713.515
Total paid-in capital		**24.502.860**		**24.502.860**

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

Inflation adjustment to share capital amounting to TL11.713.515 (31 December 2012: TL11.713.515) represents the remaining amount after netting-off the accumulated losses of the year 2003 from the difference between restated share capital and historical cost of share capital.

The Company has 1.278.934.500 (31 December 2012: 1.278.934.500) units of shares with a face value of Kr1 each as of 31 December 2013.

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

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

The aforementioned reserves were accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The restricted reserves of the Company amount to TL4.180.008 (31 December 2012: TL4.180.008) as of 31 December 2013. The unrestricted extraordinary reserves the Company amount to TL11.673.135 (31 December 2012: TL11.673.135), and classified in the retained earnings.

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

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

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

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

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

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

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

On the other hand, in accordance with the Articles of Association of the Company, up to 5% of retained earnings after dividend distribution could be allocated to the Board of Directors or used for certain reasons designated by the Board of Directors when necessary.

- Based on the approval of the General Assembly, up to 3% of retained earnings after dividend distribution could be allocated to plant investments designated in accordance with article of 468 in TCC,
- Up to 5% of retained earnings after dividend distribution could be allocated to the Board of Directors as necessary,
- Up to 5% of retained earnings after dividend distribution could be allocated to donations, bonuses etc.

NOTE 32 - REVENUE

	1 January - 31 December 2013	1 January - 31 December 2012
Domestic sales	212.095.680	186.641.107
Export sales	7.872.693	7.730.394
Trade goods sales	4.212.781	-
Gross Sales	224.181.154	194.371.501
Less: Discounts	(113.732.595)	(94.303.232)
Return	(534.085)	(376.527)
Net sales	**109.914.474**	**99.691.742**
Cost of sales	**(65.243.248)**	**(53.112.036)**
Gross Profit	**44.671.226**	**46.579.706**

NOTE 33 - CONSTRUCTION CONTRACTS

None (31 December 2012: None).

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

	1 January - 31 December 2013	1 January - 31 December 2012
a) General administrative expenses:		
Personnel	5.516.549	4.625.692
Outsourced services	1.862.381	1.646.530
Consultancy	1.844.422	1.721.392
Energy	361.834	324.062
Rent	344.319	333.344
Depreciation and amortisation	270.966	408.835
Travel	268.544	241.775
Employment termination benefit	228.142	368.784
Representation	201.515	198.926
Communication	180.445	159.880
Other	1.002.256	792.374
	12.081.373	**10.821.594**

	1 January - 31 December 2013	1 January - 31 December 2012
b) Marketing, selling and distribution expenses:		
Transportation and export expenses	24.232.650	20.512.041
Advertising	6.299.971	7.391.230
Outsourced services	3.636.480	2.806.760
Personnel	3.321.801	3.024.024
Rent	1.252.629	674.687
Amortization and depreciation cost	1.120.255	850.274
Energy	755.075	694.099
Export commission	755.054	735.430
Maintenance	599.647	477.848
Licences	569.698	-
Other	451.916	434.955
	42.995.176	**37.601.348**

NOTE 35 - OTHER OPERATING INCOME AND EXPENSE

	1 January - 31 December 2013	1 January - 31 December 2012
a) Other operating income:		
Foreign exchange gain arising from commercial activities	336.352	105.262
Other	25.402	107.747
	361.754	**213.009**

b) Other operating expense:

Foreign exchange loss arising from commercial activities	(1.154.829)	(116.444)
Fees and aid	(54.595)	(83.064)
Provision for doubtful receivables	-	(35.073)
Other	(242.473)	(175.722)
	(1.451.897)	**(410.303)**

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NOTE 36 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2013	1 January - 31 December 2012
a) Income from investment activities:		
Dividend income	528.158	808.643
Gain on sale of property plant and equipment	-	166.244
	528.158	**974.887**

b) Expense from investment activities:		
Loss on sale of property plant and equipment	(222.246)	-
	(222.246)	**-**

NOTE 37 - EXPENSES BY NATURE

Please see Note 29.

NOTE 38 - FINANCIAL EXPENSES

	1 January - 31 December 2013	1 January - 31 December 2012
Bail income	895.592	1.048.028
Interest income	215.049	988.541
Foreign exchange gain	178.636	168.221
Interest income on term sales	52.491	187.814
	1.341.768	**2.392.604**
Interest expense	(1.037.248)	(401.588)
Foreign exchange loss	(772.393)	(51.205)
Bank commissions and overdue charges	(276.157)	(182.477)
Interest expense on credit purchases	(113.306)	(152.709)
Bail expense	-	(71.467)
Other	(9.210)	(15.167)
	(2.113.608)	**(874.583)**

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NOTE 39 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

As of 31 December 2013 and 2012, analysis of other comprehensive incomes is as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
OTHER COMPREHENSIVE INCOME:		
Other comprehensive income/expense not to be reclassified to profit or loss		
- Actuarial loss arising from defined benefit plans	(252.838)	(338.688)
- Increase/decrease in revaluation reserve	1.311.614	-
- Taxes for other comprehensive income/expense not to be reclassified to profit or loss	(148.040)	67.737
Other comprehensive income/expense to be reclassified to profit or loss		
- Increase in fair value reserve of available-for-sale investments	2.783.230	4.536.334
- Taxes for other comprehensive income/expense to be reclassified to profit or loss	(271.294)	(248.451)
OTHER COMPREHENSIVE INCOME	**3.422.672**	**4.006.932**

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

None (31 December 2012: None).

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

Current income tax liabilities

As of 31 December 2013 and 2012, prepaid taxes and corporation taxes currently payable are as follows:

	31 December 2013	31 December 2012
Provision for income taxes	-	544.356
Less: Prepaid income taxes	(2.090)	(1.106.126)
Current income tax liabilities	**(2.090)**	**(561.770)**

In Turkey, the corporation tax rate of the fiscal year 2013 is 20% (31 December 2012: 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 2012: 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 2012: 15%). An increase in capital via issuing bonus shares is not considered profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (31 December 2012: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

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

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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 Turkish Corporate Income Tax Law numbered 5520, effective from 21 June 2006, 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property, which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realised.

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

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

Apart from the exemptions mentioned in the preceding paragraphs, the deductions granted in 14th and recurring 8^{th} articles of Corporate Tax Law and 40^{th} article of the Income Tax Law together with the 10^{th} 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 2013 and 2012 are summarised as follows :

	31 December 2013	31 December 2012
- Current year corporation income tax expense	-	(544.356)
- Deferred tax income	3.319.909	479.099
Taxation on income	**3.319.909**	**(65.257)**

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Reconciliation of taxation on income is as follows:

	1 January - 31 December 2013	1 January - 31 December 2012
Loss/(profit) before tax	**(11.961.394)**	**452.378**
Tax calculated at rates applicable to the (loss)/profit	2.392.278	(90.475)
Recognition of deferred income tax asset on investment incentive	2.886.709	-
Tax losses for which no deferred income tax asset was recognized	(1.912.957)	-
Income not subject to tax	415.146	215.458
Non-deductible expenses	(295.849)	(154.591)
Other	(165.418)	(35.649)
Taxation on income/(expense)	**3.319.909**	**(65.257)**

Deferred taxes

The Company recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the statutory tax financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (31 December 2012: 20%).

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2013 and 2012 were as follows:

	Cumulative temporary differences		Deferred income tax assets/ (liabilities)	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Revaluation of land, land improvements, buildings, machinery and equipment	28.036.735	28.916.649	(4.287.152)	(4.842.799)
Difference between carrying value (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	5.999.708	7.294.814	(1.501.254)	(1.464.987)
Deduction of investment incentive	(14.433.546)	-	2.886.709	-
Provision for employment termination benefits	(1.900.678)	(1.502.602)	380.136	300.520
Difference between carrying value and tax bases of available-for-sale investments	14.649.703	11.866.473	(401.084)	(129.790)
Provisions	(94.874)	(1.499.322)	18.975	299.864
Other	(163.404)	(328.135)	32.680	65.627
Deferred income tax assets			3.318.500	666.011
Deferred income tax liabilities			(6.189.490)	(6.437.576)
Deferred tax liabilities-net			**(2.870.989)**	**(5.771.565)**

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

1 January 2012	**(6.059.950)**
Credited to statement of comprehensive income	479.099
Charged to actuarial loss arising from defined benefit plans	67.737
Charged to fair value reserve of available-for-sale investments	(258.451)
31 December 2012	**(5.771.565)**
Credited to statement of comprehensive income	3.319.909
Revaluation of property, plant and equipment	(198.608)
Charged to actuarial loss arising from defined benefit plans	50.569
Charged to fair value reserve of available-for-sale investments	(271.294)
31 December 2013	**(2.870.989)**

The Company did not recognise deferred income tax assets of TL1.912.957 arising from tax losses carried forward as their future utilization is not virtually certain.

Years of expiration of tax losses carried forward which were not recognized as of 31 December 2013 are as follows:

Expiration years	31 December 2013	31 December 2012
2018	(9.564.784)	-
	(9.564.784)	**-**

NOTE 42 - (LOSS)/EARNINGS PER SHARE

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

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

		1 January - 31 December 2013	1 January - 31 December 2012
Net (loss)/profit for the year	A	(8.641.485)	387.121
Weighted average number of shares	B	1.278.934.500	1.278.934.500
(Loss)/earning per 100 shares with a Kr1 face value	**A/B**	**(0,6757)**	**0,0302**

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

NOTE 43 - SHARE BASED PAYMENTS

None (31 December 2012: None).

NOTE 44 - INSURANCE CONTRACTS

None (31 December 2012: None).

NOTE 45 - EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

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

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NOTE 46 - REPORTING IN HYPERINFLATIONARY ECONOMIES

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

NOTE 47 - DERIVATIVE FINANCIAL INSTRUMENTS

None (31 December 2012: None).

NOTE 48 - FINANCIAL INSTRUMENTS

The breakdown of available-for-sale investments for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013		31 December 2012	
	Carrying amount (TL)	Share (%)	Carrying amount (TL)	Share (%)
YBP	20.855.029	4,74	18.952.683	4,74
Desa Enerji	2.642.855	6,07	1.466.552	6,07
Viking Kağıt	467.077	1,69	676.923	1,69
YDT	534.440	1,76	620.014	1,76
	24.499.401		**21.716.172**	

Viking Kağıt is stated at quoted market prices as it is listed on BIST; YBP, 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 2013 and 2012 are as follows:

	Discount rate		Growth rate	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
YBP	12,62%	8,60%	1%	1%
YDT	9,83%	7,58%	0%	0%
Desa Enerji	12,62%	9,60%	0%	0%

Movements of available-for-sale investments in 2013 and 2012 are as follows:

	2013	2012
1 January	**21.716.172**	**16.915.571**
Contribution to capital increase:		
YDT	-	264.267
Fair value increase/(impairment):		
YBP	1.902.347	4.325.441
Desa Enerji	1.176.303	214.590
YDT	(85.574)	9.842
Viking Kağıt	(209.847)	(13.539)
31 December	**24.499.401**	**21.716.172**

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

1 January	**14.339.007**	**10.061.124**
Increase in fair value	3.078.650	4.549.873
Impairment	(295.420)	(13.539)
Deferred income tax on fair value reserves of available-for-sale investments (Note 41)	(271.294)	(258.451)
31 December	**16.850.943**	**14.339.007**

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

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

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

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

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

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. These risks are monitored by credit ratings and limiting the aggregate risk to any individual counter party and receiving guarantees when required. The Company's exports are realised by its related party, YDT and the related export receivables are monitored by YDT. The following tables analyse the Company's credit risk as of 31 December 2013 and 2012;

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31 December 2013:	Receivables					
	Trade Receivables [1]		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) [2]	**2.294.890**	**12.987.282**	**429.980**	**510.425**	**1.147.359**	**17.369.936**
- The part of maximum credit risk covered with guarantees	-	5.873.759	-	-	-	5.873.759
A. Net book value of financial assets not due or not impaired	294.313	10.798.465	104.420	510.425	1.147.359	12.854.981
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]	2.000.577	2.188.817	325.561	-	-	4.514.955
- The part covered by guarantees etc	-	723.623	-	-	-	723.623
D. Net book value of assets impaired -	-	-	-	-	-	-
- Past due (gross book value)	-	827.885	-	-	-	827.885
- Impairment amount (-)	-	(827.885)	-	-	-	(827.885)
- 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	-	-	-	-	-	-

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	Receivables					
	Trade Receivables [1]		Other Receivables			
31 December 2012:	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) [2]	**2.220.837**	**11.352.077**	**10.314.246**	**621.109**	**536.425**	**25.044.694**
- The part of maximum credit risk covered with guarantees	-	5.185.702	-	-	-	5.185.702
A. Net book value of financial assets not due or not impaired	643.582	9.722.436	9.937.900	621.109	536.425	21.461.452
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired [3]	1.577.255	1.629.641	376.346	-	-	3.583.242
- The part covered by guarantees etc	-	823.053	-	-	-	823.053
D. Net book value of assets impaired -						
- Past due (gross book value)	-	832.375	-	-	-	832.375
- Impairment amount (-)	-	(832.375)	-	-	-	(832.375)
- The part of net value covered with guarantees etc	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

[1] Trade receivables balances mainly resulted from the sale of pet bottled and bottled water.
[2] In the determination of related amounts, guarantees received providing increase credit reliability are not take into account.
[3] Considering the past experiences and collections subsequent to the balance sheet date, the Company management does not foresee any collection problem for the overdue receivables.

	Receivables		
31 December 2013	**Trade Receivables**	**Other Receivables**	**Total**
1 - 30 days overdue	2.031.979	-	2.031.979
1 - 3 months overdue	1.344.661	-	1.344.661
3 - 12 months overdue	812.753	325.561	1.138.314
The part covered by guarantees	(723.623)	-	(723.623)
	4.189.394	**325.561**	**4.514.954** [*]

[*] TL753.332 of the receivables that were overdue but not impaired have been collected as of the approval date of the financial statements.

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	Receivables		
31 December 2012	**Trade Receivables**	**Other Receivables**	**Total**
1-30 days overdue	1.456.761	198.915	1.655.676
1-3 months overdue	846.089	177.431	1.023.520
3-12 months overdue	904.046	-	904.046
The part covered by guarantees	(823.053)	-	(823.053)
	3.206.896	**376.346**	**3.583.242**

b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of fund providers' lines from high quality lenders. In order to maintain liquidity, the Company management closely monitors the collection of trade receivables on time in order to and to prevent any financial burden that may result from late collections and arranges cash and non-cash credit lines with banks for the use of the Company.

The Company's liquidity analysis in respect of categories of financial liabilities as of 31 December 2013 and 2012 are as follows:

31 December 2013:	**Book value**	**Total cash outflows per 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	17.246.638	20.442.712	1.193.316	4.530.671	14.718.725
Trade payables	26.543.198	26.708.143	19.006.267	7.701.876	-
Other payables	630.251	630.251	630.251	-	-
	44.420.087	**47.781.106**	**20.829.834**	**12.232.547**	**14.718.725**

31 December 2012:	**Book value**	**Total cash outflows per 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	8.132.364	8.245.077	7.355.215	729.503	160.359
Trade payables	22.315.164	22.429.260	22.372.660	56.600	-
Other payables	24.013	24.013	24.013	-	-
	30.471.541	**30.698.350**	**29.751.888**	**786.103**	**160.359**

c) Market Risk

i) Foreign exchange risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities. These risks are monitored by analyses of the foreign currency position. Current risks are discussed by the Audit Committee and Board of Director's meetings regularly and the foreign exchange rates relevant to the foreign currency position of the Company are followed up.

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	31 December 2013			
	TL Equivalent	USD	EUR	Other TL Equivalent
1. Trade Receivables	1.781.232	157.571	311.870	529.123
2a. Monetary Financial Assets (Cash, Bank accounts included)	-	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. Current Assets (1+2+3)	**1.781.232**	**157.571**	**311.870**	**529.123**
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)	**1.781.232**	**157.571**	**311.870**	**529.123**
10. Trade Payables	(2.507.892)	(37.644)	(773.855)	(155.123)
11. Financial Liabilities	(855.572)	-	(291.358)	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-
13. Short Term Liabilities (10+11+12)	**(3.363.464)**	**(37.644)**	**(1.065.213)**	**(155.123)**
14. Trade Payables	(4.820.265)	-	(1.641.500)	-
15. Financial Liabilities	(2.300.768)	-	(783.507)	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-
17. Long Term Liabilities (14+15+16)	**(7.121.033)**	**-**	**(2.425.007)**	**-**
18. Total Liabilities (13+17)	**(10.484.497)**	**(37.644)**	**(3.490.220)**	**(155.123)**
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)	**12.265.729**	**195.215**	**3.802.090**	**684.246**
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**1.781.232**	**157.571**	**311.870**	**529.123**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**
23. Export	**8.300.432**	**2.163.238**	**5.372.234**	**-**
24. Import	**15.734.302**	**27.493**	**15.706.809**	**-**

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Foreign Currency Position			
31 December 2012			
TL Equivalent	**USD**	**EUR**	**Other TL Equivalent**
1.712.468	257.297	473.537	140.193
49.821	-	21.185	-
7.240.003	4.011.500	37.889	-
-	-	-	-
9.002.292	**4.268.797**	**532.611**	**140.193**
-	-	-	-
-	-	-	-
-	-	-	-
1.575.639	-	670.000	-
1.575.639	**-**	**670.000**	**-**
10.577.931	**4.268.797**	**1.202.611**	**140.193**
(428.397)	(33.634)	(153.473)	(7.519)
(7.909.121)	(4.011.500)	(322.414)	-
(17.698)	(9.928)	-	-
-	-	-	-
(8.355.216)	**(4.055.062)**	**(475.887)**	**(7.519)**
-	-	-	-
(156.778)	-	(66.666)	-
-	-	-	-
-	-	-	-
(156.778)	**-**	**(66.666)**	
(8.511.994)	**(4.055.062)**	**(542.553)**	**(7.519)**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
2.065.937	**213.735**	**660.058**	**132.674**
2.065.937	**213.735**	**660.058**	**132.674**
-	**-**	**-**	**-**
7.730.394	**1.468.849**	**1.903.000**	**667.062**
522.223	**29.562**	**204.394**	**-**

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	Table of Sensitivity Analysis for Foreign Currency Risk			
	Profit/Loss		Equity	
31 December 2013	**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	41.665	(41.665)	41.665	(41.665)
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**41.665**	**(41.665)**	**41.665**	**(41.665)**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR	1.116.484	(1.116.484)	1.116.484	(1.116.484)
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**1.116.484**	**(1.116.484)**	**1.116.484**	**(1.116.484)**
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies	68.425	(68.425)	68.425	(68.425)
8- The part of other foreign currency risk hedged (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**68.425**	**(68.425)**	**68.425**	**(68.425)**
TOTAL (3+6+9)	**1.226.574**	**(1.226.574)**	**1.226.574**	**(1.226.574)**

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

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Notes to the Financial Statements for the Period Between 1 January - 31 December 2013

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	Table of Sensitivity Analysis for Foreign Currency Risk			
	Profit/Loss		Equity	
31 December 2012	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	38.100	(38.100)	38.100	(38.100)
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**38.100**	**(38.100)**	**38.100**	**(38.100)**
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR	155.227	(155.227)	155.227	(155.227)
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (4+5)	**155.227**	**(155.227)**	**155.227**	**(155.227)**
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies	13.267	(13.267)	13.267	(13.267)
8- The part of other foreign currency risk hedged (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**13.267**	**(13.267)**	**13.267**	**(13.267)**
TOTAL (3+6+9)	**206.594**	**(206.594)**	**206.594**	**(206.594)**

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

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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 2013	**31 December 2012**
Financial instruments with fixed interest rate		
Financial assets	17.238.354	24.294.675
Financial liabilities	45.992.914	30.017.058
Financial instruments with floating interest rate		
Financial assets	-	-
Financial liabilities	-	440.805

The Company does not have financial instruments with floating interest rate as of 31 December 2013 (31 December 2012: net profit for the year would be TL11.116 lower).

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 2013	**31 December 2012**
Total financial liabilities	12.303.200	8.132.364
Less: Cash and cash equivalents (Note 6)	(1.157.012)	(561.129)
Net debt	11.146.188	7.571.235
Total equity	72.932.744	78.151.557
Debt/equity ratio	**15%**	**10%**

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

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

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

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

Financial Assets

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

Financial Liabilities

Fair values of bank borrowings are disclosed in Note 25.

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and

the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

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 2013 and 2012:

31 December 2013

	Level 1	Level 2	Level 3 (*)	Total
Available-for-sale investments	467.077	-	24.032.324	24.499.401
Total assets				**24.499.401**
31 December 2012				
Available-for-sale investments	676.923	-	21.039.249	21.716.172
Total assets				**21.716.172**

(*) Please see Note 49 for the movement of Level 3 financial instruments.

NOTE 51 - SUBSEQUENT EVENTS

Indicative exchange rates of USD Dollar and EUR are set by Central Bank of Turkey as 2,2129 and 3,0477, respectively on 28 February 2014 at 15.30. As of 31 December 2013 USD Dollar and EUR exchange rates are 2,1343 and 2,9365, respectively.

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

None (31 December 2012: None).

Information for Investors

Stock Exchange

Pınar Su Sanayi ve Ticaret A.Ş. shares are traded on the National Market of the Borsa Istanbul (BIST) under the symbol “PINSU”.

Initial public offering date: 28 August 1987 (first transaction date)

Annual General Assembly Meeting

Pursuant to a resolution passed by the Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş., the Company’s annual General Assembly meeting will take place on 27 March 2014 at 10:30 hours at the following address: Kemalpaşa Asfaltı No.317 Pınarbaşı İzmir.

Dividend Policy

Pınar Su Sanayi ve Ticaret A.Ş.’s general policy concerning the distribution of its profits has been publicly disclosed and is accessible in the Turkish and English languages from the “Investor Relations” page of the Company’s corporate website located at www.pinar.com.tr.

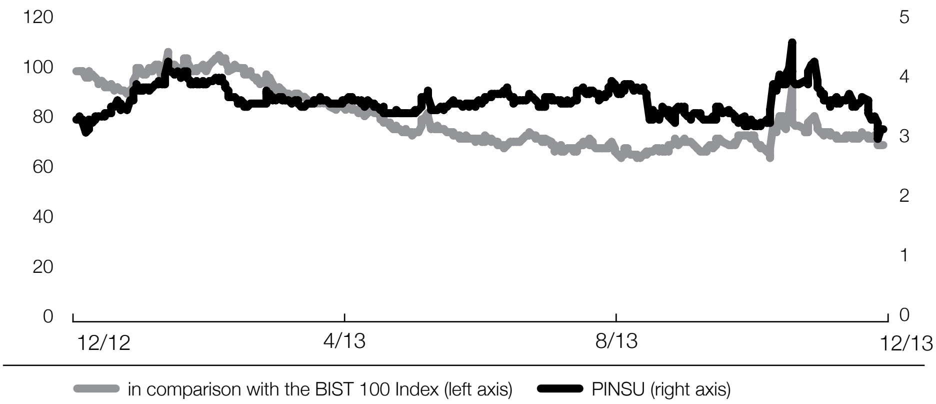
At a meeting of the Company’s Board of Directors held on 3 March 2014, the board voted to recommend to the general assembly of shareholders that no dividends be paid inasmuch as the Company showed a loss as a result of its 2013 operations.

Investor Relations

Pınar Su Sanayi ve Ticaret A.Ş.
Investor Relations Department
Şehit Fethi Bey Caddesi No: 120 35210 İzmir
Tel: +90 232 482 22 00
Fax: +90 232 489 15 62
E-mail: investorrelations@pinarsu.com.tr

Pınar Su investor relations web page:

Pınar Su Share Performance in 2013 (in comparison with the BIST 100 Index)



* Adjusted share prices

Produced by Tayburn
Tel: (90 212) 227 04 36
www.tayburnkurumsal.com

Kemalpaşa Cad. No: 4 35060 Pınarbaşı - İzmir
Tel: (90 232) 436 15 15
Fax: (90 232) 436 20 40
www.pinar.com.tr