

## CHAIRPERSON'S MESSAGE



### ESTEEMED STAKEHOLDERS

## future

OUR MOST IMPORTANT COMMITMENT TO OUR CUSTOMERS IS OUR PLEDGE TO MAINTAIN THE HIGHEST STANDARDS OF QUALITY AND HYGIENE. FOR THEM WE SHALL ALWAYS BE A WELLSPRING OF HEALTHFULNESS, THEIR "SOURCE OF LIFE".

The aftershocks of the economic crisis that began seven years ago and disrupted the global economy's balances continue to be felt albeit to a lesser degree. While 2014 was a year in which global economic activity gradually recovered, the positive outlook in the US economy is what set it most apart from other developed economies. Despite measures to counter it, the fragility of the Eurozone's economy continued to pose risks.

Although it was among the earliest to emerge from the global economic crisis and has suffered relatively less from more recent global uncertainties, Turkey managed to sustain its growth in 2014 though with some loss of momentum. In the first nine months of the year, Turkey's GDP grew by just 2.8%, about two-thirds the previous year's 4.1% rate during the same period. The 3.3% and 4.0% growth rates posited in the government's Medium-Term Program for 2014 and 2015 respectively still look like being achievable however. The marked decline in oil prices in recent months can be expected to have a beneficial impact both on the current account deficit and on inflation in the period ahead.

Despite global uncertainties, precarious risks, and stiffer international competition, our own country nonetheless continues to have strong potential thanks to encouraging economic indicators, a singular geopolitical position, a dynamic home market, and a youthful population.

### **Our sector's capacity is sufficient to satisfy potential demand.**

The packaged water market in Turkey is thought to have been worth something on the order of TL 4.6 billion in 2014. Per capita consumption of its products amounted to 137 liters.

Although there is not the slightest evidence that there are any hygienic or microbiological differences between glass and polycarbon containers, consumers' health perceptions and misinformation concerning polycarbon carboys in particular have led to a 5% contraction in the polycarbon carboy market (markedly so in the western parts of our country) while also fuelling increased consumer demand for products bottled in glass. Whatever problems there may be with polycarbon containers on the hygiene front, they stem essentially from informal production. Although packaged water is relatively inexpensive as most consumer products go, its market is notoriously price-sensitive. This is why we believe that measures taken to educate consumers in general on such issues are very important both to their own health and to that of our market.

In an industry in which there are about 300 firms that have been licensed by the Turkish health ministry, the overall capacity utilization rate is on the order of 40% or so. That observation leads to the conclusion that any increased demand for packaged water among consumers can easily be met by mobilizing currently unused capacity.

## AS TURKEY'S FIRST COUNTRYWIDE PACKAGED WATER BRAND, PINAR SU HAS MORE THAN THREE DECADES OF EXPERIENCE AND EXPERTISE IN KEEPING CONSUMERS SUPPLIED WITH PRODUCTS THAT PROMISE AND DELIVER UNCONDITIONAL CUSTOMER SATISFACTION.

In view of the universal human need for water and its importance to people's lives, the strictest attention to hygiene issues in general but especially in logistics is a matter of the utmost concern. In late 2014 the health ministry announced new rules in a communique concerning places that sell and vehicles that transport packaged water. Our belief is that compliance with these rules will largely resolve our industry's problems with packaged water transport and storage. Our hope is that the communique will contribute towards safeguarding the quality of packaged water from source to final consumer.

### **We continued to grow in 2014.**

In 2014 Pinar Su registered growth rates of 9% on a tonnage and 20.3% on a turnover basis as compared with 2013.

We continued to undertake modernization and capacity-increase investments last year both to maintain and to further improve the high quality standards of our operations. Thanks in part to cost optimization and to sustainable improvements in business processes, we boosted our gross profit by 27.1% year-on and brought it to TL 56.8 million.

Despite the fierce competition that prevails in the PET-container product segment, Pinar Su controlled a 6.4% share of that market in 2014.

Exports accounted for a 9.5% of our total sales last year. Pinar Su's products are supplied to large numbers of consumers in nearly 30 countries across a broad region of the world. We are keeping a close watch on global developments in existing and potential foreign markets with the aim of pursuing growth in the export channel.

### **Two unwavering priorities: Quality and hygiene**

As Turkey's first countrywide packaged water brand, Pinar Su has more than three decades of experience and expertise in keeping consumers supplied with products that promise and deliver unconditional customer satisfaction.

In modern plants located at Aydın-Bozdoğan, Isparta-Eğirdir, and Sakarya-Hendek, water harvested from nearby springs that are far from inhabited places and whose flow rates and chemical properties do not vary during the year owing to changes in rainfall or to drought is then bottled immediately without any impairment of or changes in its original, naturally-occurring mineral composition. All of our plants are equipped with the most advanced technology available so as to achieve and maintain the highest standards of hygiene.

Placing quality at the focal point of all of its business processes, Pinar Su was the first packaged water brand in Turkey to receive Turkish Standards Institution (TSE) certification while its products are the first beverages made in Turkey to qualify for NSF International accreditation. Having been awarded ISO 10002 Customer Satisfaction Management System certification, Pinar Su has also had its products and services certified for compliance with the highest standards currently recognized.

According to the results of the Turkish National Customer Satisfaction Index survey in the second quarter of 2014, Pinar Su ranked first in the packaged water industry with a score of 82 out of a possible 100 points.

### **Corporate governance is another of our priorities.**

Both as a publicly-traded company and as a member of the Yaşar Group, Pinar Su adheres to corporate governance principles in all of its operations. Our company conducts all of its operations in keeping with the principles of commitment to ethical values, transparency, and mutualism. As a result of its strict and sustainable compliance with corporate governance principles and with the requirements of commercial and capital market laws and regulations, Pinar Su's corporate governance rating was revised upwards to 9.28/10.00 in 2014.

### **Our sustainability approach**

Compared with that of other consumer goods, the production of packaged water is relatively less energy-intensive and leaves rather less of a carbon footprint. Nevertheless Pinar Su has set itself low-carbon emission targets, calculates its carbon footprint based on its energy-efficiency and alternative-energy performance, and keeps a close watch on issues pertaining to such matters.

As a founding member of the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO), Pinar Su works closely with that organization in its packaging waste collection and recycling efforts while also constantly striving to improve its own packaging recovery and reuse performance.

As a member of the Pinar family of brands, we diligently fulfill our mission to create value for all of society by supporting art, education, sport, and the protection of cultural assets.

Our most important commitment to our customers is our pledge to maintain the highest standards of quality and hygiene. For them we shall always be a wellspring of healthfulness, their "Source of Life".

In closing, I take this opportunity to express my appreciation to all of our shareholders, consumers, customers, and employees who have contributed to the sustainability of our success and to our ability to achieve our goals.

Very truly yours,

Emine Feyhan Yaşar  
Chairperson of the Board of Directors