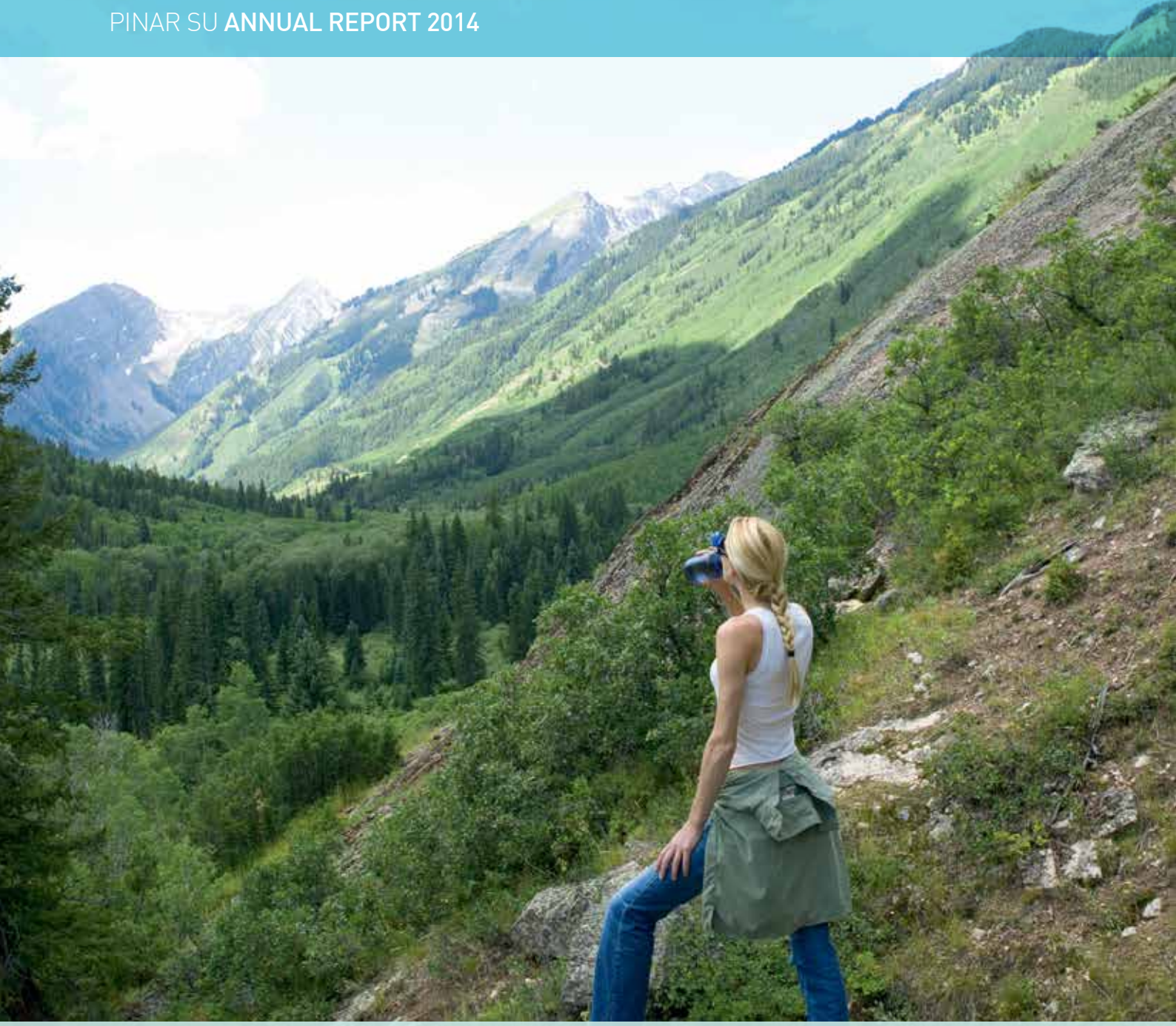


# For a better life...

PINAR SU ANNUAL REPORT 2014



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# My source of health, flavor & innovation

## FROM SOURCE TO CONSUMER, NATURALLY...

FOR NO LESS THAN THREE DECADES SINCE ITS INCEPTION IN 1984 AS TURKEY'S FIRST PACKAGED WATER BRAND, PINAR SU HAS BEEN SUPPLYING CONSUMERS WITH THE MOST PALATABLE NATURAL MINERAL WATER UNDER THE MOST SANITARY CONDITIONS.

**Reporting period**  
01.01.2014 – 31.12.2014

**Trade Name**  
Pinar Su Sanayi ve Ticaret A.Ş.

**Trade Registration**  
İzmir 45707 K:2016

**Authorized Capital**  
TL 50,000,000.00

**Paid-in Capital**  
TL 12,789,345.27

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# My source of life

WITH NUMEROUS NATIONAL AND INTERNATIONAL CERTIFICATIONS ATTESTING TO ITS QUALITY, PINAR SU COMBINES ITS ROLE AS A PIONEER AND INNOVATOR IN ITS SECTOR TO KEEP ON STRENGTHENING ITS POSITION WITH THE ADDITION OF NEW AND DISTINCTIVE PRODUCTS.

GUIDED BY ITS PHILOSOPHY OF PROVIDING ONLY HYGIENE AND PALATABILITY TO ITS CUSTOMERS, PINAR SU CONTINUES TO HARVEST WATER AT SOURCE AND DELIVER IT TO CONSUMERS IN ITS ORIGINAL, NATURAL STATE.

**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

**Website**

[www.pinar.com.tr](http://www.pinar.com.tr)

## PINAR SU IN BRIEF

PRODUCED UNDER HYGIENIC CONDITIONS THAT ARE WELL ABOVE ITS INDUSTRY'S STANDARDS, PINAR SU'S PRODUCTS ARE MUCH APPRECIATED BY CONSUMERS. PINAR SU IS ALSO A LEADER IN CONFORMING TO THE HIGHEST STANDARDS IN ALL OF ITS BUSINESS PROCESSES.

### PINAR SU'S SHAREHOLDING STRUCTURE (%)



Shareholder	%	Share Amount (TL)
Yaşar Holding A.Ş.	58.00	7,417,546.56
Pınar Süt Mamülleri San. A.Ş.	8.77	1,122,150.07
Others	33.23	4,249,648.64
<b>Total</b>	<b>100.00</b>	<b>12,789,345.27</b>

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.

When Pınar Su laid the foundations of its first plant in 1984, it also became the first company to introduce Turkish consumers to mineral water bottled in non-returnable containers. Today, water which Pınar Su obtains from its Madran, Gökçeada, 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.

Keeping on top of the latest developments in its industry, Pınar Su makes use of the world's most advanced technology and infrastructure in the conduct of its manufacturing operations. 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.

Produced under hygienic conditions that are well above its industry's standards, Pınar Su's products are much appreciated by consumers. Pınar Su is also a leader in

conforming to the highest standards in all of its business processes.

Pınar Su's concerns for food safety, cleanliness, hygiene, health, quality, and environmental wellbeing are all attested to by the national and international certifications that it has been awarded. 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.

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



TODAY, WATER WHICH PINAR 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 “PINAR YAŞAM PINARIM” (PINAR: MY LIFE SOURCE) LABEL.

## hygiene

PRODUCED UNDER HYGIENIC CONDITIONS THAT ARE WELL ABOVE ITS INDUSTRY'S STANDARDS, PINAR SU'S PRODUCTS ARE MUCH APPRECIATED BY CONSUMERS.

## quality

PINAR SU PRODUCTS WERE THE FIRST BEVERAGES MADE IN TURKEY TO QUALIFY FOR AMERICAN NATIONAL SANITATION FOUNDATION (NSF INTERNATIONAL) ACCREDITATION.

## technology

PINAR SU MAKES USE OF THE WORLD'S MOST ADVANCED TECHNOLOGY AT ITS PLANTS.



## PINAR SU'S COMPETITIVE ADVANTAGES

PINAR 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 Pinar name

### QUALITY

TSE-ISO-EN 9000 Quality Management System certification  
 TSE-ISO-EN 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  
 BRC (British Retail Consortium) Food Safety Certification

### DISTRIBUTION AND SERVICE NETWORK

Sales and distribution network of dealers located all over Turkey  
 Pinar Su Order Hotline  
 Online ordering  
 Smart phone based ordering

### 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, Gökçeada, and Akçaağaç springs supplied to market in all packaging formats  
 Plain, fruit-flavored, and vitamin-enriched fruit-flavored naturally-sparkling mineral water portfolio

## SHARED VALUES

---

EVER SINCE ITS INCEPTION, PINAR SU HAS HAS BEEN

CONTRIBUTING TO THE DEVELOPMENT OF ITS  
INDUSTRY AND STRENGTHENING ITS OWN MARKET  
POSITION WITH COMPETITIVE PRODUCTS THAT  
APPEAL TO CONSUMERS.

---

SHIPPING GOODS TO NEARLY THIRTY COUNTRIES,  
PINAR SU CREATES ADDED VALUE BOTH FOR ITS  
STAKEHOLDERS AND FOR THE NATIONAL ECONOMY  
AS A WHOLE.

---

THE JOB OPPORTUNITIES THAT PINAR SU CREATES  
BENEFIT THE ENTIRE TURKISH ECONOMY.

---

PINAR SU CONTINUES TO WORK FOR A CLEANER  
ENVIRONMENT BY RECOVERING AND RECYCLING A  
SIGNIFICANT PORTION OF ITS PACKAGING MATERIALS.

---

## PINAR SU'S "FIRSTS" AND HIGHLIGHTS FROM ITS HISTORY

# An industry pioneer for three decades

PINAR SU FOCUSES ON SUSTAINABLE GROWTH THROUGH NEW VENTURES THAT IT HAS UNDERTAKEN AND WILL UNDERTAKE IN NATIONAL AND INTERNATIONAL MARKETS.



### 1984

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

### 1985

Pinar Su exports goods to Germany for the first time.

PVC containers are used for the first time.

### 1989

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

### 1995

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

### 1996

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

### 1997

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

### 1999

Pinar Su receives ISO 9002 Quality Management System certification.

### 2001

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

### 2002

Pinar 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 "Pinar Yaşam Pınarım" and the "Pinar Denge" labels respectively.

Pinar Su is awarded TS ISO 9001:2000 certification.

### 2005

Pinar Su is awarded TS 13001 HACCP Food Safety System certification.

Additional investments at the Pinar Madran plant occupying 64,000 m<sup>2</sup> of land in Aydın-Bozdoğan increase the facility's enclosed space from 14,000 m<sup>2</sup> to 17,000 m<sup>2</sup>.



## WHEN PINAR SU LAID THE FOUNDATIONS OF ITS FIRST PLANT IN 1984, IT ALSO BECAME THE FIRST COMPANY TO INTRODUCE TURKISH CONSUMERS TO MINERAL WATER BOTTLED IN NON-RETURNABLE CONTAINERS.

### 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.

Akçağaç replaces Toros as source of the Company's mineral water in Isparta.

Pınar Su is awarded TS 18001 Occupational Health & Safety Management System certification.

### 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.

Turkey's first web-based online carboy-ordering system is launched.

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.

### 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 Ambalaj Ay Yıldızları awards competition.

PET container production capacity is nearly doubled at the Hendek and Isparta plants.

The Company enters the naturally-sparkling mineral water category with plain, fruit-flavored, and vitamin-enriched fruit-flavored products.

### 2014

Newly redesigned 0.33 lt and 0.75 lt glass bottles are introduced to the market.

Consumers are given the option of placing orders for PET-container and naturally-sparkling mineral water products through the same dealers who supply them with 19 lt carboys.

Pınar Su receives British Retail Consortium (BRC) food safety certification.

With the reduction of the amount of plastic raw material used in their manufacture, the labels on Pınar Su's PET containers begin displaying an eco-friendly bottle icon indicating the reduction both in their environmental impact and in their energy and carbon footprints.

## THE YAŞAR GROUP

# the best-known brands in many sectors

WITH 21 COMPANIES, 23 FACTORIES AND PLANTS, 2 CHARITABLE FOUNDATIONS, AND 7,500 EMPLOYEES, THE YAŞAR GROUP IS THE HOME OF SOME OF TURKEY'S LEADING **FOOD, BEVERAGE, AND PAINT BRANDS AND ALSO HAS OPERATIONS IN THE AGRICULTURE, LIVESTOCK, AQUACULTURE, PAPER, TOURISM, FOREIGN TRADE, AND ENERGY.**

YAŞAR UNIVERSITY, SET UP AND RUN BY THE SELÇUK YAŞAR SPORT AND EDUCATION FOUNDATION, IS AN EDUCATIONAL INSTITUTION ATTENDED BY MORE THAN 6,000 STUDENTS.

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".

### A corporate group that has authored many firsts

Under the leadership of Honorary President Selçuk Yaşar, the Yaşar Group has been the author of many firsts in Turkey.

- DYO: First national paints brand,
- PINAR SÜT: First privately-owned dairy plant conforming to international standards,
- ALTIN YUNUS ÇEŞME: First 1,100 bed capacity hotel,
- VİKİNG KAĞIT: First privately-owned paper plant,
- PINAR SU: First mineral water supplied in non-returnable packaging
- PINAR ET: First privately-owned integrated meat processing & packing plant,
- First integrated turkey plant
- PINAR DENİZ: 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 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, 2012 and 2013.

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](http://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 IS TO PROVIDE TRUSTED-BRAND, SUPERIOR-QUALITY PRODUCTS AND SERVICES THAT ADD VALUE TO CONSUMERS LIVES.

## 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  
Dyo Africa Paints and Varnishes

## TISSUE PAPER DIVISION

ECO-FRIENDLY PRODUCTION  
INNOVATIVE PRODUCTS



Viking Kağıt

## TRADE & SERVICE DIVISION

COMMITTED TO SUPERIOR SERVICE



RESORT & THERMAL HOTEL

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

## 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



## BOARD OF DIRECTORS, SENIOR MANAGEMENT, COMMITTEES



**Emine Feyhan Yaşar**  
Chairperson



**İdil Yiğitbaşı**  
Deputy Chairperson



**Turhan Talu**  
Independent Director



**Atila Sezgin**  
Independent Director



**Yılmaz Gökoğlu**  
Director



**Mehmet Aktaş**  
Director



**Zeki Ilgaz**  
Director

**The Board of Directors and Terms of Office**

Name	Title	Term of Office
Emine Feyhan Yaşar	Chairperson	27 March 2014 – One year
İdil Yiğitbaşı	Deputy Chairperson	27 March 2014 – One year
Turhan Talu	Independent Director	27 March 2014 – One year
Atila Sezgin	Independent Director	27 March 2014 – One year
Yılmaz Gökoğlu	Director	27 March 2014 – One year
Mehmet Aktaş	Director	27 March 2014 – One year
Zeki Ilgaz	Director	27 March 2014 – 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, 12 and 13 of the Company's articles of association.

**Senior Management**

Name	Position
Hüseyin Karamehmetoğlu	General Manager
Emin Ağa Türkmen	Sales Director
Onur Öztürk	Financial Affairs and Finance Director

**Audit Committee**

Name	Title
Atila Sezgin	Head of the Committee
Turhan Talu	Member

**Corporate Governance Committee**

Name	Title
Atila Sezgin	Head of the Committee
Turhan Talu	Member
Zeki Ilgaz	Member
Onur Öztürk	Member

**Early Detection of Risk Committee**

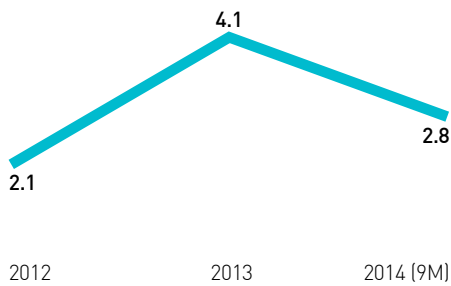
Name	Title
Turhan Talu	Head of the Committee
Atila Sezgin	Member
Zeki Ilgaz	Member

\* Background information about members of the Board of Directors and senior managers is provided on page 33 of this report.

## THE TURKISH ECONOMY AND OUR SECTOR IN 2014

# Growth in packaged water consumption

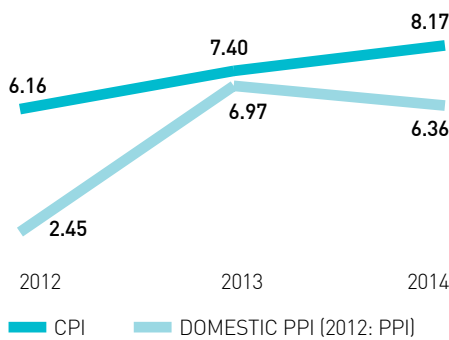
GDP GROWTH RATE - FIXED PRICES (%)



### THE TURKISH ECONOMY CONTINUED TO GROW ALBEIT WITH SOME LOSS OF MOMENTUM.

The Turkish economy experienced some loss of momentum in the pace of its growth last year. Having grown by 4.1% in the first three quarters of 2013, it grew by only 2.8% during the same period in 2014. The components of growth shifted in favor of exports though this was partly due to the effects of a weak Turkish lira. Owing to TCMB interest rate policies and to BDDK-imposed restrictions on credit in general and credit cards in particular, there was a steady decline in the contributions made by consumption-related outlays to overall growth.

INFLATION (%)

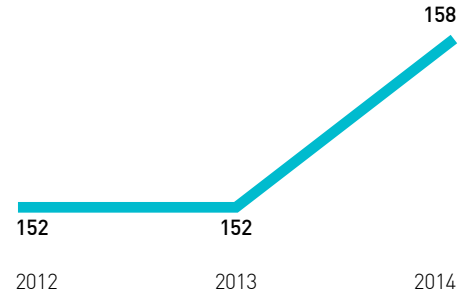


### THE CPI ENDED UP ABOVE ITS 2013 LEVEL.

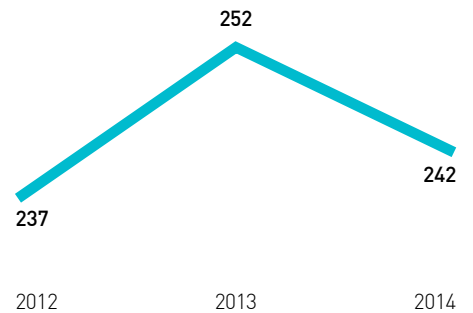
Although the rise in the producer price index was somewhat lower last year than the year before, inflation as measured by consumer prices was higher. In the twelve months to end-2014, TurkStat's producer price and consumer price indexes increased by 6.36% and 8.17% respectively.



EXPORTS (USD BILLION)



IMPORTS (USD BILLION)



### EXPORTS MADE THE BIGGEST CONTRIBUTION TO OVERALL GROWTH.

According to provisional end-2014 figures available at this time, Turkey's exports were worth USD 157.7 billion while its imports weighed in at USD 242.2 billion. This performance corresponds to a 15.4% year-on-year decline in the country's foreign trade deficit, which was down to USD 84.5 billion. It also means that the ratio of Turkey's exports to imports was up by 4.8 points to 65.1%.

The current account deficit narrowed by 29% to USD 45.8 billion in 2014.

## 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 4.6 BILLION

According to SUDER, the Packaged Water Manufacturers Association, the packaged water sector in Turkey is estimated to have reached a total volume of 10.4 billion liters and a total turnover worth about TL 4.6 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 2014 per capita packaged water consumption is estimated to have been 137 liters, of which 54 liters was supplied in PET containers and 83 liters in carboys. Some 56% 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 16.9% and by 11.8% as measured by tonnage and turnover respectively in 2014. The biggest contributor to growth in the PET-container market was the 5-liter bottle intended for the household-consumption channel.

### DEPRESSED DEMAND FOR CARBOYS

The 5% year-on contraction in the 19-liter carboy market that was observed in 2014 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 consumer demand being stimulated by new brands entering the market with glass packaging in different sizes and formats of their own, this form of packaging that used to be consumed almost exclusively at restaurants, hotels, cafes, and similar away-from-home venues is now being supplied to retailers and homes as well. Owing to their consumer appeal, the 5-, 8-, 12-, 15- and 19-liter carboy formats are driving the glass-container market's growth.

## 2014 OPERATIONS

# For all of our stakeholders...

### İN 2014 PINAR SU:

REGISTERED TOTAL SALES GROWTH RATES OF 8.8% ON A TONNAGE AND 20.3% ON A TURNOVER BASIS.

REMAINED THE LEADER IN EXPORTING GOODS TO THE EUROPEAN MARKET, STILL THE FOREMOST DESTINATION FOR TURKISH-BRANDED GOODS.

WAS THE PACKAGED WATER INDUSTRY'S BRAND WITH THE HAPPIEST CUSTOMERS ACCORDING TO THE 2014 SECOND-QUARTER RESULTS OF THE TURKISH NATIONAL CUSTOMER SATISFACTION INDEX SURVEY.



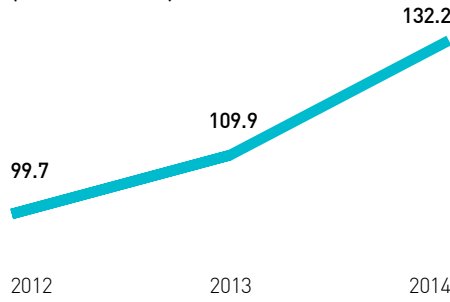


## IN 2014 PINAR SU REGISTERED GROWTH RATES OF 9% ON A TONNAGE AND 20.3% ON A TURNOVER BASIS AS COMPARED WITH 2013.

# 20.3%

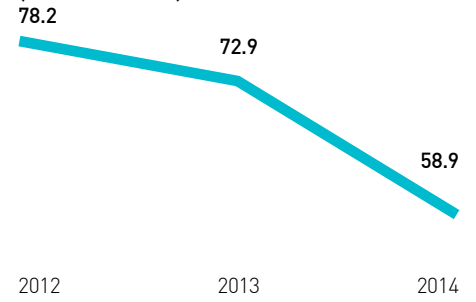
AS OF END-2014, TOTAL SALES TURNOVER WAS 20.3% HIGHER THAN WHAT IT HAD BEEN TWELVE MONTHS EARLIER.

NET SALES  
(TL MILLION)



NET SALES ROSE BY 20.3% AND REACHED TL 132.2 MILLION.

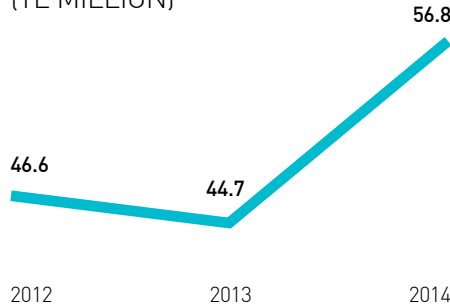
SHAREHOLDERS' EQUITY  
(TL MILLION)



AT YEAR-END 2014 PINAR SU'S SHAREHOLDERS' EQUITY TOTALLED TL 58.9 MILLION AND ITS DEBT/EQUITY RATIO WAS 1.1.

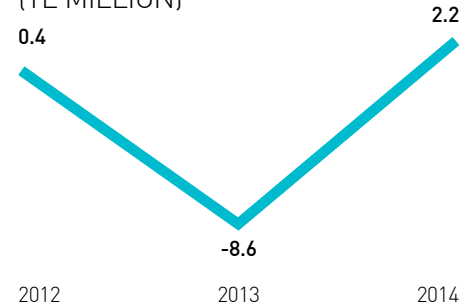


GROSS PROFIT  
(TL MILLION)



GROSS PROFIT INCREASED BY 27.1% AND AMOUNTED TO TL 56.8 MILLION.

NET PROFIT  
(TL MILLION)



AT YEAR-END 2014 PINAR SU'S NET PROFIT REACHED TL 2.2 MILLION.

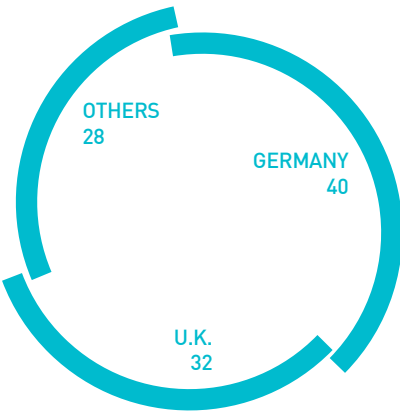
## 2014 OPERATIONS

9.5%

İN 2014, THE SHARE OF EXPORTS WAS 9.5%.



## EXPORTS (%)



## HIGH INCREASE IN TURNOVER

As of end-2014, Pınar Su's total assets were worth TL 122.2 million while its equity stood at TL 58.9 in value.

As of end-2014, Pınar Su's total sales turnover was 20.3% higher than what it had been twelve months earlier and amounted to TL 132.2 million. Domestic sales accounted for 90.5% of that total with exports contributing the remaining 9.5%.

On a tonnage basis, Pınar Su's total sales were up by 9% as compared with 2013 and reached 524 thousand tons.

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

In the carboy format, Pınar Su registered a 2% contraction in a market segment whose total sales were down by 5% in 2014. This had the effect of boosting the Company's market share in the carboy category.

## PINAR SU EXPORTS GOODS TO NEARLY 30 COUNTRIES ACROSS A BROAD REGION.

By keeping a close watch on global developments and identifying customer needs in existing and potential foreign markets, Pınar Su has been an active player in Turkey's export markets for thirty years.

Continuing to grow and defend its leading position in the European market, which is still the foremost destination for Turkish-branded goods, in 2014 Pınar Su expanded its export market portfolio while shipping its products to Germany, UK, Ireland, Belgium, Netherlands, Austria, Switzerland, France, Kosovo, Czech Republic, Macedonia, Greece, Malta, Northern Cyprus, and Romania as well as to Azerbaijan, Libya, Kuwait, Qatar, Palestine, Israel, Bahrain, UAE, and Iraq, to Singapore and Australia, and to the USA. Seeking to feel out the Chinese market, the Company also made its first trial shipment to that country last year.

## PINAR SU INTENDS TO PURSUE GROWTH THROUGH NEW SALES CHANNELS IN EUROPE IN THE PERIOD AHEAD AND IS THEREFORE ENGAGED IN BRAND-COMMUNICATION ACTIVITIES THERE AT THIS TIME.

Pınar Su intends to pursue growth through new sales channels in Europe in the period ahead and is therefore engaged in brand-communication activities there at this time. The company will also be increasing its international marketing effectiveness by adding new destinations to its export portfolio.

Pınar Su's export sales were worth USD 5.8 million in 2014.

The consumer trend towards glass-packaged goods continues to get stronger in other countries just as it is doing in Turkey. Market-specific format and container design work is being carried out in order to respond to this demand.

### MODERNIZATION INVESTMENTS FOCUSED ON BOOSTING PRODUCTIVITY

Pınar Su constantly upholds and continuously improves its high production-quality standards through strategic investments.

Pınar Su's investment outlays amounted to TL 5,903,576 in 2014. Of this total, TL 1,822,670 was for land and land improvements, TL 1,144,952 was for machinery & equipment, TL 181,863 was for vehicles, and TL 2,754,091 was for fixtures.

### PINAR 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.

### AWARDS & RECOGNITIONS

- In the Business Awards program of the Ege University Business Club, Pınar placed first in both the "Most Admired Brand Management" and the "Best Social Media Use" categories.
- In the "Brand Voice" category of the Felis series awards given out by Mediacat for successful public relations projects, Pınar received the grand prize for the Pınar Kids' Art Competition.

- According to the second-quarter results of the TMME 2014 Turkey Customer Satisfaction Index, Pınar Su ranked first in the packaged water industry with a score of 82 out of a possible 100 points as the brand with the happiest customers.
- According to the 2014 results of "The One Awards" survey, a brand-reputation and brand-value measurement poll conducted by Akademetre for Marketing Türkiye, Pınar ranks among the brands that have enhanced their reputation the most.
- In the 2014 series of Aegean Region Chamber of Industry awards, Pınar Su placed second in the "Most investment undertaken" and "Biggest contribution to manufacturing-industry employment" categories.

### CORPORATE GOVERNANCE RATING

In the most recent (December 2014) corporate governance compliance report prepared by SAHA Corporate Governance and Credit Rating Services, Pınar Su was assigned a corporate governance rating of 9.28/10 (92.77%).

## 2014 OPERATIONS

# For our customers and consumers...

THANKS TO PINAR SU'S EXTENSIVE LABORATORY FACILITIES, MINERAL WATER IS SUBJECTED TO PHYSICAL, CHEMICAL, AND MICROBIOLOGICAL TESTS AT EVERY STAGE OF PRODUCTION FROM HARVESTING TO BOTTLING.



## PRISTINE SOURCES OF SUPERIOR-QUALITY WATER

Turkey's first nationally-recognized brand of bottled natural mineral water, Pınar Su takes great pains to select only sources of water that are located 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.

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.

## PINAR YAŞAM PINARIM-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 Yaşam Pınarım-Madran plant is supplied in 0.33 liter, 0.5 liter handy-

cap, 1.5 liter, 2.5 liter, 5 liter, and 10 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
NO <sub>2</sub> -	None
Ph	7.04

## PINAR YAŞAM PINARIM-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 0.33 liter, 0.5 liter, 1 liter, 1.5 liter, 3.25 liter, 5 liter and 10 liter PET containers and 19 liter carboys.

SO <sub>2</sub> -	2.2 mg/l
Na+	1.5 mg/l
Cl-	2.0 mg/l
NO <sub>2</sub> -	None
Ph	8.01

## PINAR SU TAKES GREAT PAINS TO SELECT ONLY SOURCES OF WATER THAT ARE LOCATED 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.

### PINAR YAŞAM PINARIM-GÖKÇEAĞAÇ

The Pinar Yaşam Pınarım-Gökçeaağaç 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, 1.5 liter, 3.25 liter, 5 liter, and 10 liter PET containers and in 19 liter carboys.

SO <sub>2</sub> -	7.7 mg/lt
Na+	5.6 mg/lt
Cl-	1 mg/lt
NO <sub>2</sub> -	None
Ph	8.2

### PINAR DENGE SPARKLING MINERAL WATER

In 2013 Pinar Su introduced "Pinar Denge Maden Suyu", a naturally-sparkling mineral water that both addresses consumer demand and rounds out its product portfolio. In 2014 efforts continued to be made to boost product penetration and to recruit new dealerships in order to increase both distribution and sales.

Besides plain, Pinar Denge Sparkling Mineral Water also comes in three normal fruit-flavored varieties (Lemon, Apple, Strawberry) and two vitamin-c enriched varieties (Lemon and Bodrum Tangerine). Pinar Denge Sparkling Mineral Water's rich mineral but low sodium content makes it especially appealing to health-conscious connoisseurs.



### HYGIENE SUPPORTED BY EFFICIENT INFRASTRUCTURE AND STATE-OF-THE-ART TECHNOLOGY

Pinar Su's bottling plants are equipped with state-of-the-art technology. At all of its plants, Pinar 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.

### METICULOUSLY-CHOSEN PACKAGING MATERIALS AND SUPPLIERS

Pinar Su procures PET preforms and all of its other packaging materials only from fully accredited national and international manufacturers. 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.



### INTERNATIONALLY-RECOGNIZED QUALITY SYSTEMS AND STANDARDS

In its never-ending efforts to achieve and maintain the highest level of quality, Pinar 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, Pinar Su makes use of internationally-approved quality systems and it abides by recognized international standards.

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



## 2014 OPERATIONS



PINAR SU ENGAGES IN AN ONGOING EFFORT TO FIND WAYS TO IMPROVE ITS BUSINESS PROCESSES THROUGH OPERATIONAL COST IMPROVEMENT PROJECTS.



### OPERATIONAL COST IMPROVEMENT AND LEAN SIX SIGMA PROJECTS

Pınar Su engages in an ongoing effort to find ways to improve its business processes through operational cost improvement (OCI) projects. OCI projects are conducted under two separate headings: "Cost Optimization" and "Energy Efficiency".

Pınar Su also continues to engage in Lean Six Sigma projects with the aims of increasing the efficiency of all business processes, achieving excellence, and maximizing customer satisfaction.

Besides making sustainable improvements in business processes, all such projects also focus on improving the efficiency and effectiveness of the Company's human resources.

In 2014 a total of seven projects were carried out under the headings of "Operational Excellence", "Productivity Enhancement", "Process Design", and "Cost Improvement".

### EFFECTIVE SERVICE AND DELIVERY PERFORMANCE MANAGEMENT

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.

## PINAR SU GIVES GREAT IMPORTANCE TO THE EFFECTIVE MANAGEMENT OF ITS PINAR SU ORDER HOTLINE CALL CENTER IN ORDER TO HOLD ONTO EXISTING CUSTOMERS, GAIN NEW ONES, AND BOOST CUSTOMER SATISFACTION IN GENERAL.

# 444 99 00

BY MEANS OF A SINGLE AND EASILY-REMEMBERED TELEPHONE NUMBER (444 99 00), THE PINAR SU ORDER HOTLINE MAKES IT EASY FOR CUSTOMERS TO REACH PINAR SU FROM EVERYWHERE IN TURKEY.



A procedure incorporating an interactive voice response system and the Pinar 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.

In 2014 a market research consultancy was contracted to quantify the performance of the Company's carboy dealerships. Under this project, consumers are queried about dealerships' service quality and delivery performance and also about their satisfaction with Pinar Su in general. Each dealership is assigned points based on consumers' responses to questions about their individual performance.

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.

### A CALL CENTER ACCESSIBLE FROM EVERYWHERE IN TURKEY

Pinar Su gives great importance to the effective management of its Pinar Su Order Hotline call center in order to hold onto existing customers, gain new ones, and boost customer satisfaction in general.

By means of a single and easily-remembered telephone number (444 99 00), the Pinar Su Order Hotline makes it easy for customers to reach Pinar 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.

Recognizing that excellence in service is one of the prerequisites for staying ahead of the competition, Pinar Su originally launched the Pinar 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.

The Pinar Su order-placement app accounted for 4% of all orders submitted by consumers through all channels during 2014. Information about the different order-placement options available

## 2014 OPERATIONS



# 89%

89% OF THE CONSUMERS WHO DEALT WITH PINAR COMMUNICATION CENTER IN 2014 SAID THAT THEY WERE SATISFIED WITH THE QUALITY OF THE SERVICE THEY HAD RECEIVED.

was prominently included in all printed materials so as to make consumers better aware of them and especially to encourage consumers to make greater use of Pinar Su's online and smart-phone channels.

Substantial improvements in the customer relationship management (CRM) system that was introduced in 2011 have increased its effectiveness and brought it a step closer to its goal of being an effective way for Pinar Su to know its customers and respond to their needs and to boost consumer loyalty and allegiance. Because CRM infrastructure enhancement allows for greater customer segmentation, we have begun planning loyalty campaigns that target specific customer segments. In the returnable packaging category we conducted national- and regional-level promotional campaigns in line with household consumers' expectations all year long in 2014.

Accessible from everywhere in Turkey on 444 7627 without the need to dial an area code, the Pinar 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.

90% of all calls received by PİM are responded to before the caller hangs up; 92% of them are responded to within 15 seconds. Through its Twitter account, PİM keeps track of, examines, and responds to consumers' requests and suggestions received via social media. PİM service quality and the satisfaction of consumers with which PİM interacts are measured at regular intervals by means of polls. 89% of the consumers who dealt with PİM in 2014 said that they were satisfied with the quality of the service they had received.

An official Twitter account was also opened at [twitter.com/InfoPinar](https://twitter.com/InfoPinar) to which consumers who access the Pinar corporate Twitter account to express their views and suggestions are redirected. All consumer tweets received through this account are examined and dealt with by PİM.

### SOCIAL MEDIA

#### [twitter.com/PinarKurumsal](https://twitter.com/PinarKurumsal)

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



### PINAR COMMUNICATION CENTER

Pinar'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 and take a nimble, proactive, and innovative approach in responding to their expectations for a better way of life. Adhering to a customer-focused business approach, Pinar Su carefully examines and gives importance to requests and suggestions received from consumers.

# For our employees...

CREATING EMPLOYEES WHO ARE SUCCESSFUL AND HAVE A STRONG SENSE OF LOYALTY BY PUTTING THE RIGHT PEOPLE IN THE RIGHT JOBS IS A FUNDAMENTAL PRINCIPLE OF PINAR SU'S HUMAN RESOURCES POLICY.

## 463

İN 2014 PINAR SU HAD AN AVERAGE OF 463 PEOPLE ON ITS PAYROLL.

Recognizing that human resources are the only non-copyable production factor, the fundamental mission of human resources management at Pinar Su is to attract qualified people as employees, to create personnel whose loyalty and performance are strong, whose are committed to the total quality approach, whose easy adaptability to change and progress gives the Company a competitive edge, and who are innovative.

Pinar Su's human resources policy is rooted in the principles of:

- Creating employees who are successful and have a strong sense of loyalty by putting the right people in the right jobs
- Speeding up newly-hired employees' adaptation to their job and workplace through orientation programs
- Conducting a variety of intramural and extramural training programs that address many different issues while focusing on the progression of employees in line with the current and future needs
- Being mindful of equality of opportunity in the management of career planning and of promotions and appointments throughout the Company

- Evaluating employees' performance in order to encourage performance-focused work and using the results of such evaluations in HR training & development activities, career planning, and compensation & merit awards
- Conducting Employee Opinion Surveys in order to solicit employees' opinions on various issues and, based on their results, developing and implementing appropriate action plans that enhance employee job 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.

In 2014 Pinar Su had an average of 463 people on its payroll.

## 2014 OPERATIONS

# For the environment and the community...

## PINAR SU: FOR A SUSTAINABLE FUTURE...

In the management of its products from initial inputs to final consumption, Pinar 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.

Pinar 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.

## REDUCED ENERGY CONSUMPTION

In 2014 Pinar Su reduced both its energy costs and the amount of energy that it used.

Intensive, ongoing efforts are made at Pinar 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, Pinar 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.





## PINAR SU 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.

# CO<sub>2</sub>

PINAR 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.

Pinar 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, Pinar Su generates 0.019 tons of CO<sub>2</sub> on average for every ton of product that it makes. 75% of Pinar Su's CO<sub>2</sub> emissions stem from its use of electricity.

### IMPROVEMENTS IN CONSOLIDATED PRODUCTION LINE EFFICIENCY

Pinar 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 2014, Pinar Su achieved consolidated production line efficiency performance ratings of:

- 77.0% at its Aydın-Bozdoğan plant
- 77.3% at its Adapazarı-Hendek plant
- 78.8% at its Isparta-Eğirdir plant
- 77.7% overall.

### PINAR SU - ÇEVKO COLLABORATION

Pinar 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.

Pinar 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 Pinar 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.

### RECYCLED PACKAGING MATERIALS

[Kg]	2013		2014	
	Supplied to Market	Recovered	Supplied to Market	Recovered
PET	4,169,493	1,751,187	4,354,026	1,915,771
PE	1,165,206	489,387	1,326,772	583,780
Cardboard	1,115,294	468,423	1,023,476	450,329
Glass	1,616,558	678,954	1,921,581	845,516

## 2014 OPERATIONS



# 27 years

IN THE COURSE OF TWENTY-SEVEN YEARS, THE PINAR CHILDREN'S THEATER HAS REACHED MORE THAN THREE MILLION CHILDREN, THROUGH PERFORMANCES TO WHICH NO ADMISSION IS CHARGED.



### 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 sharing with the society.

#### Pinar Children's Theater in its 27<sup>th</sup> year

In the course of twenty-seven years, the Pinar 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 Pinar Children's Theater even functions as a sort of school of the performing arts.

Since 1987, the Pinar 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 2013-2014 academic year, the theater mounted a new play, "Sütle Gelen Sevgi" ["The Love That Comes With Milk"], 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 Pinar Children's

Theater went on tour and mounted performances in Diyarbakır, Şanlıurfa, Gaziantep, Konya, Karaman, Aksaray, Eskişehir and İzmir that were watched by thousands of kids.

According to a public-awareness poll conducted by GfK, the Pinar Children's Theater's public-awareness rating was 25.1% in 2014 (Source: GfK Flavored Dairy Products Tracking Survey).

#### Pinar Children's Art Competition

The Pinar Art Competition has been held for 33 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.

One of the goals of the Pinar Kids' Art Competition, which has been held with a different theme every year since 1981, is to give the artists of the future a chance to display their talents at an early age. The theme of the 2014 competition was "I Drink Milk & I Grow Up Healthy".

From among 19,538 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 33<sup>rd</sup> Pinar Children's Art Competition were rewarded with a chance to take part in a one-week art camp in İstanbul

## “THE FUTURE OF OUR MILK IS IN KNOWLEDGEABLE HANDS” IS A PROJECT WHOSE AIM IS TO ACHIEVE GREATER PUBLIC- AND PRIVATE-SECTOR COLLABORATION IN THE EDUCATION AND TRAINING OF RAW MILK PRODUCERS ON SUCH ISSUES AS ANIMAL HEALTH, NOURISHMENT, HYGIENE, AND SANITATION.

### 33 years

THE PINAR ART COMPETITION HAS BEEN HELD FOR 33 YEARS WITH THE AIMS OF INCREASING PRIMARY SCHOOL CHILDREN'S INTEREST IN THE FINE ARTS IN GENERAL AND PAINTING AND DRAWING IN PARTICULAR, AND OF EDUCATING THE ARTISTS OF THE FUTURE.



under the coordination of the well-known artist Ergin İnan. At an award ceremony that was held on the last day of the art camp, the children also received certificates of attendance and iPad Minis as prizes.

According to a public-awareness poll conducted by GfK, the Pinar Children's Art Competition's public-awareness rating was 24.9% in 2014 (Source: GfK Flavored Dairy Products Tracking Survey).

#### Pinar Institute

Headquartered on the campus of Yaşar University, the Pinar 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 Pinar 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.

Pinar Institute representatives attended the 21<sup>st</sup> European Congress on Obesity held in Sofia on 28-31 May 2014 and also the İstanbul Health and Nutrition Biennial held

in İstanbul on 12-14 November 2014. During the latter event, a "Food safety and what the industry does about it" presentation was given by the institute during the "What's on the food industry's agenda?" session.

Pinar Institute's first project as a new member of the European Food Information Council was to translate into Turkish and print 10 Tips for the Kids, a booklet prepared for EUFIC's CoolFoodPlanet website. The book will be used extensively in all of the institute's activities aimed at fostering healthy nutrition habits in children.

#### Support for Sport

Pinar demonstrates its support for sports through its sponsorship of the Pinar Karşıyaka Basketball Team

#### Pinar Karşıyaka

A team which has been contending in the Turkish Premier Basketball League since 1998, Pinar Karşıyaka 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 Pinar's support.

## 2014 OPERATIONS

### sport

PINAR DEMONSTRATES ITS SUPPORT FOR SPORTS THROUGH ITS SPONSORSHIP OF THE PINAR KARŞIYAKA BASKETBALL TEAM.



Pınar Karşıyaka;

- Pınar Karşıyaka beat Anadolu Efes in the Spor Toto Türkiye Cup final and took home the trophy for the second time in the club's history.
- In the 30<sup>th</sup> Men's President's Cup Tournament, the Pınar Karşıyaka's team defeated the Fenerbahçe Ülker team to claim the cup again for the first time since 1987.
- Having qualified to play in ULEB Eurocup's 2013-2014 season, Pınar Karşıyaka was one of the Last 32 contenders in Group I.

### EVENTS

Pınar supported the Men's and Women's Turkish National Cup and the Turkish President's Cup matches organized by the Turkish Basketball Federation.

Pınar was the official beverages supplier at the FIBA Women's World Championship when it was held in Ankara and İstanbul last year and in which Turkey's A National Women's Basketball Team placed fourth. Held every four years and one of the most prestigious events in the international women's basketball calendar, the 2014 FIBA Women's World Championship games were played in Ankara and İstanbul from September 27<sup>th</sup> to October 5<sup>th</sup>. Pınar supplied beverages to all sixteen of the teams from five continents that took part in the tournament.

### PUBLICATION

#### 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.

### 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.

**SINCE THE DAY IT WAS FOUNDED, PINAR 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.**

## sponsor

PINAR WAS THE OFFICIAL BEVERAGES SUPPLIER AT THE FIBA WOMEN'S WORLD CHAMPIONSHIP.



Held in Dubai between February 23<sup>rd</sup> and 27<sup>th</sup>, GULFOOD 2014 is the most prestigious and highly-attended food industry gathering in the Middle East. Pinar Su was on hand to show off its products to an international audience of visitors and buyers.

Pinar Su took part in the AFH EXPO fair and displayed its away-from-home products at İstanbul CNR one March 28-31.

One of only three brands whose products from Turkey have received approval for importation into Russia by that country's authorities, Pinar sent representatives to take part in WorldFood Moscow on 15-18 September 2014.

### SPONSORSHIPS

Major events for which Pinar Su acted as a sponsor in 2014:

- "Indoor Cup", organized by Fanatik, a sports newspaper (12 January)
- "7<sup>th</sup> Logistics Days", organized by Yaşar University (6-7 March)
- "1<sup>st</sup> Art Days Artists' Gathering", organized by Harran University (10-20 March)
- "Marketing Power Conference" (20 March)
- "3<sup>rd</sup> Media Days", organized by Ege University
- "Industry Summit", organized by Ege University (7 April)
- "3<sup>rd</sup> Innovative Brands Summit" (10 April)
- "29<sup>th</sup> Grandkids' Athletics Meet", organized by the Karşıyaka Rotary Club (16-17 April)
- "Career Adventures", organized by Dokuz Eylül University (30 April)
- "Career Days" organized by Ege University Faculty of Engineering (30 April)

- "Quality of Life Project Idea Competition", organized by KalDer (8-9 May)
- "International Food Congress", organized by Ege University (26-29 May)
- "15. Quest for Excellence Symposium" (3-5 June)
- "RSX Surfing Championship" (28 June - 5 July)
- "Turkish National Men's and Women's Teams Warmup Matches" (22 August)
- "TEDxAlsancak" (30 August)
- "Pinar Official Beverages Supplier To FIBA Women's World Championship" (27 September - 5 October)
- "3<sup>rd</sup> Bursa International Food Congress", organized by Uludağ University (26-27 September)
- "World Food Day" organized jointly by the Turkish Food & Beverage Industry Employers' Association and the Food and Agriculture Organization of the United Nations (16 October)
- "11<sup>th</sup> Aegean Human Management Summit", organized by Per-Yön Ege (24-25 October)
- "2<sup>nd</sup> International Congress on Food Technology", organized by the Food Technology Association and supported by Ankara University (5-7 November)
- "3<sup>rd</sup> International İzmir Theatre Festival", organized by the Foundation for Social Research, Culture, and Art (5-15 December)
- "İzmir: A Brand City", symposium organized by Ege University (15-16 December)
- "2014-2015 Men's Turkish National Cup Official Beverage Sponsor"
- "2014-2015 Women's Turkish National Cup Official Beverage Sponsor"
- "2014-2015 Turkish President's Cup Official Beverage Sponsor"





## MANAGEMENT

### BOARD OF DIRECTORS

#### **Emine Feyhan Yaşar** **Chairperson**

Feyhan Yaşar received her bachelor's degree from the Faculty of Administrative Sciences at Boğaziçi University in 1978 and her master's degree in economics from Dokuz Eylül University in 1996. After starting her career in the Human Resources Department at the Yaşar Group in 1978, she later served as Personnel Relations Coordinator and Tourism Coordinator. She assumed the positions of vice chairperson, group president and board member in Group companies. After serving as the Vice Chairperson of the Board of Directors of Yaşar Holding from 1997 through 2003, she functioned as the Chairperson of the Board from 2004 until 2009. She currently holds seats as a member or chairperson on the boards of directors of Group companies. Speaking English and French, Ms. Yaşar also serves in the Group's foundations.

The Honorary Consul of Luxembourg in İzmir, Ms. Yaşar is also a member of the Turkish Industry and Business Association (TÜSİAD) and Aegean Industrialists and Businessmen Association (ESİAD), Board member of Turkish Institutional Investment Managers' Association (TKYD), Deputy Head of the Board of Trustees of Yaşar University, and a member on the boards of trustees of Health and Education Foundation (SEV), Boğaziçi University Foundation (BÜVAK), and the Turkish Education Foundation (TEV).

#### **İdil Yiğitbaşı** **Vice 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 began her career in the field of finance at the Yaşar Group in 1986, and subsequently held senior management positions particularly in strategy and marketing, as well as seats on the boards of directors, 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. Ms. Yiğitbaşı is a member of the Turkish Industry and Business Association (TÜSİAD), Union of Dairy, Beef, Food Industrialists and Producers of Turkey (SETBİR), and Turkish Institutional Investment Managers' Association (TKYD). İdil Yiğitbaşı has been holding seats on the boards of directors of other Yaşar Group companies for the last ten years.

#### **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. Mr. Talu also holds seats on the boards of directors of other Yaşar Group companies.

#### **Atila Sezgin** **Independent Director**

Atila Sezgin received a bachelor's degree in business administration from the Middle East Technical University in 1966, and a doctorate degree in the same field from Ankara Academy of Economic and Commercial Sciences in 1974, where he obtained associate professor title in 1976. He became a professor in the Faculty of Economics and Administrative Science at Hacettepe University in 1982. He worked as a budget specialist in the Ministry of Finance Directorate General of Budget and Financial Control (1968-1971), as financial advisor and general coordinator at the Tepe Group Hacettepe University Foundations (1976-1986), member of the Assembly and the Board of Directors at Ankara Chamber of Industry (1984-1986), Chairman of the Board of Directors at KAMU-İŞ (a union of public sector employers), Chairman of the Board of Directors at the Association of Public Enterprises, and a member of the Board of Directors of Central Anatolian Association of Iron and Non-Iron Metal Exporters (1993-1996). He was a member of the EU-Turkey Joint Consultative Committee of the Economic and Social Committee (1995-1998), and the Chair of the Turkish Delegation to the EU-Turkey Coal and Steel Community Treaty Task Force (1994-1996), Vice Chairman of the Board of Directors of İstanbul Association of Iron and Non-Iron Metal Exporters, Chairman of the Board and Member of the Economics Committee at the International Iron and Steel Institute, General Manager and Chairman of the Board of Directors of Turkish Coal and Steel Enterprises (1992-1996), member of the Board of Directors of Eurasiasat SAM and General Manager and Vice Chairman of the Board of Directors of Türk Telekomünikasyon A.Ş. (1998-1999). Mr. Sezgin also holds seats on the Boards of Directors of other companies under the Yaşar Group. Having held various academic positions including Vice Dean, Dean and Vice President at Ankara Academy of Economic and Commercial Sciences and Dokuz Eylül University, Atila Sezgin served as the President of İzmir University of Economics from October 2001 until January 2012. He is currently a member of the Board of Trustees of Yaşar University.

## MANAGEMENT

### **Yılmaz Gökoğlu**

#### **Director**

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.

### **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 also holds seats on the boards of directors of other Yaşar Group companies.

### **Zeki Ilgaz**

#### **Director**

Zeki Ilgaz graduated with an M.Sc. in agricultural engineering from the Department of Food Science and Technology, Faculty of Agriculture at Ankara University in 1974. After starting his professional life as a production manager at Asya Meyve Suyu A.Ş. in 1977, he joined Yaşar Group in 1979 as a shift engineer at Pınar Süt, where he later worked as a production supervisor, and production department supervisor. He transferred to Pınar Entegre Et ve Un Sanayi A.Ş. in 1986, and functioned as Meat Products Department Supervisor, Production Manager, Assistant General Manager of Technical Affairs, and Pınar Et General Manager. He then worked as an Advisor to Yaşar Holding CEO. He has been serving as Advisor to the Chairman of the Board of Directors of Yaşar Holding since March 2014. He has also been holding the office of the Chairman of the Board of Directors of the Union of Dairy, Beef, Food Industrialists and Producers of Turkey (SETBİR) since 17 April 2014. Mr. Ilgaz also sits on the boards of directors of other 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.

### **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 Manager 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.

### **Onur Öztürk**

#### **Financial Affairs Manager**

Onur Öztürk received a bachelor's degree in business administration from Dokuz Eylül University in 2000 and a master's degree from the Total Quality Management Department at the same university in 2009. Having started his business life in 2000 at Aktif Finansal Kiralama A.Ş. (Garanti Leasing), he functioned as an assistant inspector on the Board of Inspectors of Tansaş Perakende Mağazacılık A.Ş. from 2001 to 2005. He joined Yaşar Group in 2005 as an Internal Auditor at Yaşar Holding A.Ş. He has been appointed as the Financial Affairs Manager of Pınar Su in May 2014, a position he still holds.

## 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

The decisions adopted in the Ordinary General Assembly Meeting held on 27 March 2014 have been implemented. An Extraordinary General Assembly Meeting was not convened during 2014.

### 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 2012, 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 explanatory notes to the financial statements. In this report, the Company's Board of Directors concluded that in all transactions the Company carried out during 2014 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 2014, the Company's donations and grants to various organizations and institutions amounted to TL 80,455.**

Law suits 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 2014 - 31 December 2014.

### 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

No changes were made to the articles of incorporation during the reporting period.

### 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. In the twelve months that ended on 31 December 2014, remunerations and similar payments made to the members of the Board of Directors and senior executives amounted to TL 604,404.

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

During 2014, 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 58,942,993 as at 31 December 2014 indicates that the issued capital of TL 12,789,345 has been very well maintained.

## AGENDA

### **PINAR SU SANAYİ VE TİCARET A.Ş.**

#### **AGENDA FOR 2014 ORDINARY GENERAL ASSEMBLY MEETING HELD ON 26 MARCH 2015**

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 2014 by the Company's Board of Directors,
4. Reading and deliberating the Independent Auditor's Report for 2014 fiscal year,
5. Reading, deliberating and approving the financial statements for 2014 fiscal year,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2014 operations,
7. Laying down the Independent Audit Firm designated by the Board of Directors for the approval of the General Assembly pursuant to the Turkish Commercial Code and the Capital Markets Board requirements,
8. Determining the number of Board directors and their terms of office; making elections in accordance with the number of Board directors so determined; designating independent Board members,
9. Determining the rights provided to the Board directors such as compensation and attendance fees, bonuses and premiums pursuant to Article 408 of the Turkish Commercial Code,
10. Informing shareholders, pursuant to Article 12 of the Corporate Governance Communiqué no. II-17.1 issued by the Capital Markets Board, about guarantees, pledges, mortgages and sureties that have been granted by the Company in favor of third parties and about any income and benefits that may have been derived,
11. Informing shareholders about any donations that were made during the year and laying down the donation limit set under the Capital Market legislation for the approval of the General Assembly,
12. Deliberating and voting on matters pertaining to the year's profits,
13. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,
14. Wishes and comments.

PINAR SU SANAYİ VE TİCARET A.Ş.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### PART 1. Statement of Compliance with Corporate Governance Principles:

a) During the operating period ended 31 December 2014, 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 No: II.17.1 on Corporate Governance ("the Communiqué ") issued by the Capital Markets Board of Turkey (CMB).

b) Our Company spends maximum effort to achieve full compliance also with the non-compulsory Corporate Governance Principles. Justifications for currently non-implemented non-compulsory principles are presented hereinbelow, and it is considered that the said matters do not lead to any major conflicts of interest under the current circumstances.

The Company maintains its position for the principles numbered 1.3.10 and 1.3.11 as their implementation is non-compulsory.

While the Company intends to achieve full alignment with the principles numbered 2.1.2 and 2.2.2/a, the hardships in practice create obstacles against full compliance.

Alignment with the principles numbered 1.5.2 and 4.6.5 cannot be realized due to the fact that these principles do not fully coincide with the market and the Company's existing structure.

The Company is currently in the process of assessment in relation to efforts for full compliance with the principle numbered 4.2.8.

During 2014, the Investor Relations Department at our Company was structured as stipulated by the legislation, necessary Board of Directors decisions were passed regarding common and continuous transactions with related parties, employee compensation policies were developed, material event disclosures incorporating significant Board of Directors decisions were separately classified on the website, and improvements to the website continued.

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 II: SHAREHOLDERS

#### 2.1. Investor Relations Department:

The Investor Relations Department handling communication with the investors has been set up at the Company pursuant to Article 11 of the Communiqué. The Investor Relations Department reports to Onur Öztürk, the Finance Affairs and Finance Manager of the Company.

Contact information for Investor Relations Department employees is presented below:

Head of the Investor Relations Department: Didem Öztekin (holds Capital Market Activities Advanced Level License)

Investor Relations Department Officer: Erkan Oflaz

Tel : +90 232 482 2200

Fax : +90 232 489 1562

Email : investorrelations@pinarsu.com.tr

The Investor Relations Department is mainly charged with the following:

- Ensure that records of correspondence by and between the investors and the Company, and of other information and documents are maintained in a reliable, secure and up-to-date manner,
- Respond to shareholders' written requests for information about the Company,
- Prepare the documents related to the general assembly meetings, which need to be made available for the information of, and review by, shareholders, and take necessary steps to make sure that the general assembly meetings are carried out in accordance with the applicable legislation, the Company's articles of incorporation and other bylaws,
- Supervise and monitor that obligations arising out of the capital market legislation are fulfilled, including all aspects of corporate governance and public disclosure,
- Ensure that investor relations activities are properly conducted.



Having obtained the views of other units when necessary and in coordination with such units, the Investor 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 50 Turkish and foreign investors, and responded to more than 100 queries by phone or e-mail. In addition, the Unit maintained contacts with Turkish and foreign analysts who are carrying out studies about our Company. The website was 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.

### **2.3. 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 2014, 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 2014.

### **2.3. General Assembly Meetings**

Pursuant to "Article 20 - Meeting Quorum" of the Company's articles of incorporation, the quorum requirements at annual and extraordinary General Assembly meetings are subject to the provisions of the Capital Market Law and of the Turkish Commercial Code.

The 2013 Annual General Assembly meeting took place on 27 March 2014 at the Pinar Süt factory located at Kemalpaşa Asfaltı No: 317 Pınarbaşı/İZMİR during the reporting period. At the 2013 Annual General Assembly meeting, 67.72% of the Company's capital was represented. During the meeting, shareholders electronically or physically attending the meeting or their proxies expressed their comments and wishes. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. representative participated in the meeting, whereas no media representatives were present. In addition to shareholders, representatives of the independent auditors were also sent written invitations to attend the meetings. Invitations to the meetings were made by the Board of Directors.

The Company's General Assembly meeting announcements were promulgated under "Article 22 - Announcements" of the Company's articles of incorporation, and in accordance with the relevant provisions of the Turkish Commercial Code and with other regulations, communiqués, Capital Markets Board requirements to be published under the said Code, as well as other applicable legislation. The meeting announcement was published in the Turkish Trade Registry Gazette at least three weeks (excluding the dates of the meeting and announcement) in advance. The meeting announcement was also published on the corporate website, and 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 meeting, the meeting date, place and agenda, the information that the Informational Document regarding the agenda is posted on the website, and the profit distribution proposal to be submitted by the Board of Directors to the General Assembly were publicly disclosed in material event disclosures. The Informational Document drawn up for 2013 Ordinary General Assembly Meeting covered detailed descriptions about each general meeting agenda item, as well as all the explanations, information and documents required by the legislation.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

The Company's annual report and the informational document for the general assembly meeting were made available for shareholders' review at the Company's headquarters and on its corporate website as of twenty-one days before the General Assembly Meeting date. To facilitate attendance to the General Assembly Meeting, shuttle buses were provided for transportation between downtown and the factory. During the General Assembly Meeting, issues on the agenda were explained impartially and in detail so as to be clear and intelligible. Shareholders were given equal opportunities to express their thoughts and to ask questions, and a healthy climate of debate was 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 eight years are also accessible in the Investor Relations section of the Company website at [www.pinar.com.tr](http://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. This matter is addressed as a separate agenda item. An upper limit was set for the donations to be made during 2014 at the meeting.

### 2.4. 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 does not have any cross-shareholding relationships.

Minority rights are not represented on the Board of Directors. The articles of incorporation do not set minority rights to be less than one twentieth of the capital.

### 2.5. Entitlement to Dividends:

No privileges are granted with respect to participating in the Company's profit. The Company's annually reviewed policy for profit distribution is to pay out cash dividends and/or bonus shares corresponding to minimum 20% of the distributable profit for the period, which is calculated in accordance with the capital market regulations and other applicable legislation, taking into consideration the economic conjuncture, market projections, the Company's long-term strategies and long-term investment and financing policies, the Company's financial position, profitability and cash position, to the extent allowed by relevant regulations and finances.

Unless otherwise decided in the general assembly meeting in which the profit distribution decision is discussed, it is intended to realize the dividend payout by no later than in May in the same year in which the relevant general assembly meeting is held, and the date of profit distribution is decided by the General Assembly of Shareholders. The General Assembly of Shareholders, or the Board of Directors, if authorized, may decide to pay out the dividends in installments in accordance with the capital market regulations and rules.

The Company's articles of incorporation permit distribution of advances on dividends, and the Board of Directors may decide to distribute advances on dividends restricted to the relevant fiscal year, provided that it is authorized by the General Assembly of Shareholders and provided further that capital market regulations and rules are adhered to.

The Company's Dividend Policy for 2013 and thereafter, which was formulated in line with the capital market legislation, has been laid down for approval at the 2013 Annual General Assembly Meeting and publicly disclosed. Our Dividend Policy is publicly disclosed also via our website.

No profit will be distributed since the Company posted loss on its 2013 operations.

### 2.6. Transfer of shares

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

## PART III: PUBLIC DISCLOSURES AND TRANSPARENCY

### 3.1. The Corporate Website and its Content:

The Company's corporate website ([www.pinar.com.tr](http://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.

### 3.2. Annual Report:

The Company's annual reports contain all the information specified in the Corporate Governance Principles; however, declarations of independence by the independent board members and remuneration of the board of directors and senior executives and other benefits provided to them individually are not disclosed. Benefits provided to executives are provided as a cumulative amount.

## PART IV: STAKEHOLDERS

### 4.1. 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 4.2 hereinbelow.

### 4.2. Stakeholder Participation in Management

Stakeholders participate in management through consideration of suggestions and proposals that will help with development in any matter concerning the Company's activities, which are received at the general assembly meetings or through various communication means.

For the purpose of securing customer satisfaction with the services rendered by our Company, job descriptions have been spelled out for all employees and related guidelines were formulated and made available for the information of our employees. Our customers can communicate their requests, and complaints, if any, about the Company's services to any level at the Company and they can also convey the same online to our Company. In line with the goals of customer retention, new customer acquisition and enhancing customer satisfaction, Pinar Su facilitates access of customers anywhere in Turkey to Pinar Su via the Call Center (Pinar Su Order Line) at the easy-to-remember number (444 99 00) that can be dialed from all over the country, as well as through online ordering option and Android application.

To guarantee customer satisfaction, the feedbacks received through Pinar Online phone line, our dealers, customer satisfaction questionnaire and other channels are evaluated by the Marketing, Total Quality and Production departments, and constant improvements are carried out. Dealer surveys are administered every year with our dealers, who are also our customers, and their problems, if any, are evaluated by the Sales, Marketing and Total Quality departments upon which improvements are made. Pinar Su established standards for the warehouse, office, stock, vehicle and distribution staff of 19-liter bottle and PET dealers in a bid to maximize the quality of the service rendered to customers. To this end, support is extended to dealers through training booklets, regional exchanges and training programs; and specialists reporting to Pinar Su quality department regularly control, score and certify them.

Our suppliers are subjected to assessment within the scope of ISO 9000 Quality System Certificate, and are scored on a monthly basis with respect to prices, quality and delivery. Furthermore, information is exchanged regarding company visits, and efforts are spent to improve our quality and costs. Dealer meetings organized by the Company serve to communicate the opinions and suggestions of dealers having direct business relationship with the Company to the upper management.

To seek the employees' opinions about various topics, Employee Opinion Surveys are administered, and the activities to further employee satisfaction and loyalty are carried out on the basis of action plans designed according to survey outcomes.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

### 4.3. 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 did not receive any complaints about discrimination as at 2014. The Company's basic human resources policies are set forth clearly in the Company's Personnel Regulations, which are issued to all non-contract 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. Human resources policies and practices pertaining to employees who are covered by collective bargaining agreements are spelled out in such agreements. Job descriptions are devised for all of the Company employees. Performance and rewarding criteria for the white-collar employees are disclosed in the White Collar Employee Regulation, while the rewarding criteria for our blue-collar workers are described in the Collective Bargaining Agreement.

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 once in two years, seeking employees' views about the working environment, development and career, salaries and fringe benefits, job satisfaction, managers, engagement, corporate reputation, corporate structure and management policies. 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 unionized workers 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.

#### 4.4. Rules of Ethics and Social Responsibility:

In order to fulfill its responsibilities related to public health and the nature, Pinar 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 via ÇEVKO as per environment ministry regulatory requirements.

Pinar Su creates value for the entire society through the direct and indirect employment opportunities it creates, its investments, goods and services supplied and the taxes it pays, as well as its products. In addition to those, the Company regards the constant support and contribution it extends to the arts, education, sports and preservation of cultural assets as a vital and integral instrument of its principle of giving back to the community.

Pinar Çocuk painting contests and Pinar Çocuk children's theater; sponsorship of Pinar Karşıyaka Basketball Team, official beverage sponsorship of FIBA World Basketball Championship for Women, and its support to the Turkey Cup and Presidential Cup; Pinar Newsletter and Yaşam Pınarım magazine are aimed at giving employees and the society an insight into culture, arts, sports and education.

The Company supports education by collaborating with organizations such as Yaşar University and Yaşar Education and Culture Foundation.

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. A summary version of the Yaşar Group Rules of Ethics is posted on the corporate website.

### PART V: BOARD OF DIRECTORS

#### 5.1. 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
Emine Feyhan Yaşar	Chairperson	Non-independent Board Director	Non-executive	1 year
İdil Yiğitbaşı	Vice Chairperson	Non-independent Board Director	Non-executive	1 year
Turhan Talu	Director	Independent Board Director	Non-executive	1 year
Atila Sezgin	Director	Independent Board Director	Non-executive	1 year
Yılmaz Gökoğlu	Director	Non-independent Board Director	Non-executive	1 year
Mehmet Aktaş	Director	Non-independent Board Director	Non-executive	1 year
Zeki Ilgaz	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 and external positions held, if any, are stated in their résumés covered in annual reports. 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.

The General Manager's résumé is provided in the Company's annual report, and the résumés of Board of Directors members are given both in the Company's annual report and also on the 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.

## CORPORATE GOVERNANCE PRINCIPLES COMPLIANCE REPORT

Two independent director candidates were presented for 2014 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 meeting of 3 March 2014 and in the meetings of the Board of Directors, and it has been decided to nominate all of them as independent directors. No situations arose that prejudiced independence as at 2014 operating period. There are two women members on the Board of Directors. Hence, the Company has secured a ratio of not less than 25% with respect to the number of women members on the Board of Directors.

### 5.2. Operating Principles of the Board of Directors

The operating principles of the Board of Directors are spelled out as follows in Article 11 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."

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.

The details of the operating principles and 2014 activities of the Board of Directors are provided below:

During the reporting period, the Board of Directors convened forty-five 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 invitation is made by sending the meeting agenda to the members before a meeting. All directors are usually present at meetings. In 2014 operating year, all decisions were passed with the unanimous votes of all members present at the relevant meetings. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights.

### 5.3 Number, Structure and Independence of the Committees Established under the Board of Directors

The Audit Committee, the Corporate Governance Committee and the Early Detection of Risk Committee have been 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 is headed by Atila Sezgin and its other member is Turhan Talu. Both members are non-executive and independent Board directors. The Audit Committee meets at least on a quarterly basis and holds at least four meetings in one year. Within the scope of the Committee's activities, information has been obtained on operations and internal control systems from company executives and findings related to the audit from independent auditors. The Committee oversees the operation and efficiency of the Company's bookkeeping system, public disclosure of financial information, independent audit and internal control system. The Audit Committee also supervises the designation of the independent audit firm, drafting of the independent audit agreement, initiation of the independent audit process, and the activities of the independent auditor. The Committee reports on the fairness and accuracy of annual and interim financial statements that will be publicly disclosed to the Board of Directors.

The Corporate Governance Committee is headed by Atila Sezgin, a non-executive, independent Board member, and its other members are Turhan Talu, non-executive, independent Board member, Zeki Ilgaz, non-executive Board member, and Onur Öztürk, Financial Affairs and Finance Manager to whom Head of the Investor Relations Department reports. Corporate Governance Committee meets at least four times a year, held at least on a quarterly basis. The Corporate Governance Committee establishes whether the Corporate Governance Principles are implemented at the Company, the grounds for non-implementation, if applicable, and the conflicts of interest arising from failure to fully comply with these principles. The Committee proposes improvement actions to the Board of Directors. Corporate Governance Committee oversees the activities of the Investor Relations Department.

Within the scope of the duties of the Nomination Committee, the Corporate Governance Committee works to create a transparent system to deal with the matters of identifying, evaluating, training, and rewarding candidates suitable for board membership and to establish policies and strategies applicable to that system. In addition, the Committee evaluates the nominations for independent Board membership including the management and shareholders, taking into consideration whether the candidate bears the independence criteria or not, and presents its relevant assessment to the Board of Directors for approval.



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

The Early Detection of Risk Committee is responsible for early detecting the risks that may endanger the existence, development and survival of the Company, taking necessary measures for the identified risks, and managing the risks. The Committee is headed by Turhan Talu, a non-executive, independent Board member, and its members are Atila Sezgin, non-executive, independent Board member, and Zeki Ilgaz, non-executive Board member.

According to the Corporate Governance Principles, all members of the Audit Committee, and the heads of Early Detection of Risk Committee and Corporate Governance Committee must be independent Board members. The Financial Affairs and Finance Manager, to whom the Head of the Investor Relations Department reports, is appointed as a member of the Corporate Governance Committee by the Board of 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.

#### **5.4. 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.

#### **5.5. 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.

#### **5.6. 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 members and executives with administrative responsibility 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

[Convenience translation into English - the Turkish text is authoritative]

### To the Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş.

#### *Auditor's Report on the Board of Directors' Annual Report*

1. We have audited the annual report of Pınar Su Sanayi ve Ticaret A.Ş. (the "Company") for the period ended 31 December 2014.

#### *Board of Directors' responsibility for the Annual Report*

2. The Company's management is responsible for the fair preparation of the annual report and its consistency with the financial statements in accordance with Article 514 of Turkish Commercial Code ("TCC") No. 6102 and Capital Markets Board's ("CMB") Communiqué Serial II, No:14.1 "Principles of Financial Reporting in Capital Markets" (the "Communiqué") and for such internal control as management determines is necessary to enable the preparation of the annual report.

#### *Independent Auditor's Responsibility*

3. Our responsibility is to express an opinion on the Company's annual report based on the independent audit conducted pursuant to Article 397 of TCC and the Communiqué, whether or not the financial information included in this annual report is consistent with the Company's financial statements that are subject to independent auditor's report dated 2 March 2015 and presented fairly.

Our independent audit was conducted in accordance with Independent Auditing Standards that are part of the Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial information in the annual report is fairly presented and consistent with the financial statements.

An independent audit requires applying audit procedures to obtain audit evidence on the historical financial information. The procedures selected depend on the professional judgement of the independent auditor.

We believe that the independent audit evidences we have obtained during our independent audit, are sufficient and appropriate to provide a basis for our opinion.

#### *Opinion*

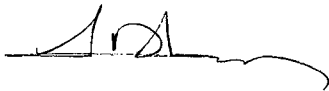
4. Based on our opinion, the financial information in the annual report of Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş. is consistent with the audited financial statements and presented fairly, in all material respects.

#### *Other Responsibilities Arising From Regulatory Requirements*

5. Pursuant to subparagraph 3 of Article 402 of the TCC No. 6102, within the context of ISA 570 "Going Concern", we have not encountered any significant issue which we are required to be reported with regard to the inability of Pınar Su Sanayi ve Ticaret A.Ş. to continue its operations for the foreseeable future.

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

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Atilla Yılmaz Dölarslan, YMM  
Partner

İzmir, 2 March 2015

## INDEPENDENT AUDITOR'S REPORT

(Convenience translation into English - the Turkish text is authoritative)

### To the Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş.

#### *Report on the Financial Statements*

1. We have audited the accompanying financial statements of Pınar Su Sanayi ve Ticaret A.Ş. (the "Company"), which comprise the statement of financial position as of 31 December 2014 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

#### *Management's responsibility for the financial statements*

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

#### *Independent auditor's responsibility*

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

An independent audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments; the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 financial statements present fairly, in all material respects, the financial position of Pınar Su Sanayi ve Ticaret A.Ş. as of 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards (Note 2).

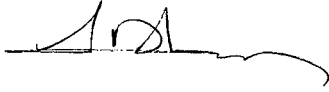
## INDEPENDENT AUDITOR'S REPORT

### *Other Responsibilities Arising From Regulatory Requirements*

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 2 March 2015.
6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period
- 1 January – 31 December 2014 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

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

### **ORIGINAL COPY ISSUED AND SIGNED IN TURKISH**



Atila Yılmaz Dölarslan, YMM  
Partner

İzmir, 2 March 2015

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## Pınar Su Sanayi ve Ticaret A.Ş.

## Statements of Financial Position (Balance Sheets) at 31 December 2014 and 2013

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

Convenience translation into English of financial statements Originally issued in Turkish

	Notes	31 December 2014	31 December 2013
<b>ASSETS</b>			
<b>Current assets</b>		<b>42.657.131</b>	<b>28.486.492</b>
Cash and Cash Equivalents	6	2.614.392	1.157.012
Trade Receivables		21.835.777	15.282.172
- Due From Related Parties	7	1.927.407	2.294.890
- Other Trade Receivables	8	19.908.370	12.987.282
Other Receivables		9.447.327	940.405
- Due From Related Parties	7	8.860.902	429.980
- Other receivables	10	586.425	510.425
Inventories	11	6.765.922	7.588.210
Prepaid Expenses	13	156.841	782.571
Other Current Assets	30	1.836.872	2.736.122
<b>Non-Current Assets</b>		<b>79.523.300</b>	<b>101.420.523</b>
Financial Assets	48	3.756.456	24.499.401
Other Receivables	10	1.800	1.800
- Other Receivables		1.800	1.800
Property, Plant and Equipment	15	75.502.358	76.628.365
Intangible Assets	18	253.293	229.056
Prepaid Expenses	13	9.393	61.901
<b>TOTAL ASSETS</b>		<b>122.180.431</b>	<b>129.907.015</b>

The financial statements at 1 January - 31 December 2014 and for the year then ended have been approved for issue by Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş. on 2 March 2015.



## Pınar Su Sanayi ve Ticaret A.Ş.

**Statements of Financial Position (Balance Sheets)  
at 31 December 2014 and 2013**

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

Convenience translation into English of financial statements Originally issued in Turkish

	Notes	31 December 2014	31 December 2013
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>38.457.787</b>	<b>35.008.737</b>
Short Term Borrowings		1.574.375	1.572.827
- Short Term Borrowings to Non-Related Parties	25	1.574.375	1.572.827
Short-Term Portion of Long-Term Borrowings	25	4.879.201	3.419.777
- Short-Term Portion of Long-Term Borrowings		4.879.201	3.419.777
Trade Payables		30.035.528	26.543.198
- Due to Related Parties	7	825.671	1.226.771
- Other Trade Payables	8	29.209.857	25.316.427
Payables for Employee Benefits	28	338.716	268.492
Other Payables		793.102	2.153.913
- Due to Related Parties	7	18.787	1.539.114
- Other Payables to Non-Related Parties	10	774.315	614.799
Deferred Income	13	236.762	496.921
Short-Term Provisions		600.103	553.609
- Provisions for Employee Benefits	28	261.621	255.633
- Other Short-Term Provisions	26	338.482	297.976
<b>Non-Current Liabilities</b>		<b>24.779.651</b>	<b>21.965.534</b>
Long-Term Borrowings	25	17.910.049	12.303.200
- Long-Term Borrowings to Non-Related Parties		17.910.049	12.303.200
Trade Payables		3.287.896	4.820.265
- Other Trade Payables	8	3.287.896	4.820.265
Long-Term Provisions		1.868.604	1.971.080
- Provisions for Employee Termination Benefits	28	1.868.604	1.971.080
Deferred Tax Liabilities	41	1.713.102	2.870.989
<b>TOTAL LIABILITIES</b>		<b>63.237.438</b>	<b>56.974.271</b>
<b>EQUITY</b>			
<b>Share Capital</b>		<b>58.942.993</b>	<b>72.932.744</b>
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		21.788.895	23.350.623
- Revaluation of Property, Plant and Equipment	15	22.402.601	23.749.585
- Actuarial loss arising from Defined Benefit Plans		[613.706]	[398.962]
Other comprehensive Income/ Expense to be Reclassified to Profit or Loss		917.076	16.850.943
- Fair Value Reserves of Available-for-Sale Investments	48	917.076	16.850.943
Restricted Reserves	31	4.180.008	4.180.008
Retained Earnings		5.395.294	12.689.795
Profit/ (Loss) for the Year		2.158.860	[8.641.485]
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>122.180.431</b>	<b>129.907.015</b>

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 2014 And 2013

(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 2014	1 January - 31 December 2013
Revenue	32	132.182.842	109.914.474
Cost of Sales (-)	32	(75.387.129)	(65.243.248)
<b>GROSS PROFIT</b>	<b>32</b>	<b>56.795.713</b>	<b>44.671.226</b>
Marketing Expenses (-)	34	(48.531.995)	(42.995.176)
General Administrative Expenses (-)	34	(12.418.491)	(12.081.373)
Other Operating Income	35	770.366	537.905
Other Operating Expenses (-)	35	(1.781.466)	(1.629.102)
<b>OPERATING LOSS</b>		<b>(5.165.873)</b>	<b>(11.496.520)</b>
Income from Investment Activities	36	9.442.719	528.157
Expense from Investment Activities (-)	36	(3.645)	(222.243)
<b>OPERATING PROFIT/ (LOSS) BEFORE FINANCIAL EXPENSE</b>		<b>4.273.201</b>	<b>(11.190.606)</b>
Financial Income	38	1.045.150	1.260.323
Financial Expenses (-)	38	(3.516.579)	(2.031.111)
<b>PROFIT/ (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>1.801.772</b>	<b>(11.961.394)</b>
Tax income of Continuing Operations		357.088	3.319.909
- Current Income Tax Expense	41	-	-
- Deferred Tax Income	41	357.088	3.319.909
<b>PROFIT/ (LOSS) FOR THE PERIOD</b>	<b>42</b>	<b>2.158.860</b>	<b>(8.641.485)</b>
<b>Earnings/ (Loss) per share</b>		<b>0,1688</b>	<b>(0,6757)</b>
- Earning/ (Loss) Per Share From Continuing Operations	42	0,1688	(0,6757)
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>Other comprehensive income/ expense not to be reclassified to profit or loss</b>		<b>(214.744)</b>	<b>910.736</b>
- Actuarial Loss Arising from Defined Benefit Plans	28	(268.430)	(252.838)
- Increase in Revaluation Reserve		-	1.311.614
- Taxes for Other Comprehensive Income/ Expense not to be Reclassified to Profit or Loss	41	53.686	(148.040)
<b>Other Comprehensive Income/ Expense to be</b>			
Reclassified to Profit or Loss		(8.120.890)	2.511.936
- (Decrease)/ Increase in Fair Value Reserve of Available-for-Sale Investments		(8.868.003)	2.783.230
- Taxes for Other Comprehensive Income/ Expense to be Reclassified to Profit or Loss	41	747.113	(271.294)
<b>OTHER COMPREHENSIVE (LOSS)/ INCOME</b>		<b>(8.335.634)</b>	<b>3.422.672</b>
<b>TOTAL COMPREHENSIVE LOSS</b>		<b>(6.176.774)</b>	<b>(5.218.813)</b>

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 2014 and 2013

(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 2014	1 January - 31 December 2013
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Period Income/ (Loss)		2.158.860	(8.641.485)
Adjustments to Reconcile Net Cash Generated from Operating Activities		2.879.640	6.590.625
Adjustment to Taxation on Income		(357.088)	(3.319.909)
Depreciation and Amortization of Fixed Assets	29	6.806.290	5.763.245
Gain from Sales of Property, Plant and Equipment - net	36	(127.738)	(222.246)
Interest Income	38	(248.922)	(215.049)
Interest Expense	38	2.910.049	1.037.248
Provision for Employment Termination Benefits	28	422.420	311.379
Provision for Spring Water Fee	26	2.841.595	3.135.534
Dividend Income	36	(172.523)	(528.158)
Unrealized Foreign Exchange (Gain)/ Loss		(91.408)	628.581
Gain from Sale of Available for Sale Investments	36	(9.103.035)	-
Changes in working capital		(5.942.006)	6.001.945
Increase in Trade Receivables	8	(6.921.088)	(1.635.205)
Decrease/(Increase) in Inventories	11	822.288	(1.388.211)
Decrease/(Increase) in Trade Receivables From Related Parties	7	367.483	(74.053)
Decrease in Other Receivables from Operating Activities		1.501.488	437.222
Increase in Trade Payables	8	2.361.059	8.303.573
(Decrease)/ Increase in Due to Related Parties	7	(401.100)	749.845
Increase/(Decrease) in Other Debt and Liabilities from Operating Activities		160.069	(90.248)
Employee Termination Benefits Paid	28	(842.092)	(166.141)
Litigation Expenses and Fees Paid	26	(2.936.821)	(4.344.605)
Net Cash Used in Operating Activities		(3.778.913)	(4.510.746)
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	38	248.922	215.049
Dividends Received	7.ii.g	172.523	528.157
(Increase)/ Decrease in Non-Trade Receivables from Related Parties	7	(8.430.922)	10.940.582
Purchases of Property, Plant and Equipment and Intangible Assets		(5.903.576)	(19.977.337)
Proceeds from Sales of Property, Plant and Equipment		326.794	1.114.708
Cash Inflow Related to Sale of Available for Sale Investments	48	13.165.000	-
Net Cash (Used In)/ Generated From Investing Activities		(421.259)	(7.178.841)
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash Inflows Related to Increase in Financial Liabilities		10.946.490	9.158.322
Redemption of Borrowings		(4.399.328)	(1.629.651)
Interest Paid		(2.297.982)	(966.846)
(Decrease)/ Increase in Non - Trade Due to Related Parties		(1.520.327)	1.528.779
Net Cash Used in Financing Activities		2.728.853	8.090.604
Net Increase in Cash and Cash Equivalents Before Foreign Currency Translation Differences		1.457.380	653.080
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		-	(57.197)
Net (Decrease)/ Increase in Cash and Cash Equivalents		1.457.380	595.883
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		1.157.012	561.129
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	6	2.614.392	1.157.012

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

Pınar Su Sanayi ve Ticaret A.Ş.

## Statements of Changes in Equity for the Years Ended 31 December 2014 and 2013

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

Convenience translation into English of financial statements Originally issued in Turkish

	Share capital	Adjustment to share capital	Other comprehensive income/(expense) not to be reclassified to profit or loss	
			Revaluation reserve	Actuarial loss arising from defined benefit plans
<b>Balances at 1 January 2013</b>	<b>12.789.345</b>	<b>11.713.515</b>	<b>24.073.850</b>	<b>(196.692)</b>
Transfer of loss for prior year to retained earnings	-	-	-	-
Total comprehensive income	-	-	1.113.006	(202.270)
Depreciation transfer - net (Note 15)	-	-	(1.332.940)	-
Sale of property, plant and equipment	-	-	(104.331)	-
<b>Balances at 31 December 2013</b>	<b>12.789.345</b>	<b>11.713.515</b>	<b>23.749.585</b>	<b>(398.962)</b>
Adjustment (Note 48)	-	-	-	-
Transfer of profit for prior year to retained earnings	-	-	-	-
Total comprehensive loss	-	-	-	(214.744)
Depreciation transfer - net (Note 15)	-	-	(1.344.767)	-
Sale of property, plant and equipment	-	-	(2.217)	-
<b>Balances at 31 December 2014</b>	<b>12.789.345</b>	<b>11.713.515</b>	<b>22.402.601</b>	<b>(613.706)</b>

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	Profit/(Loss) for the period	Total equity
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
(7.812.977)	-	-	-	(7.812.977)
-	-	(8.641.485)	8.641.485	-
(8.120.890)	-	-	2.158.860	(6.176.774)
-	-	1.344.767	-	-
-	-	2.217	-	-
917.076	4.180.008	5.395.294	2.158.860	58.942.993

**Pınar Su Sanayi ve Ticaret A.Ş.**

## **Notes to the Financial Statements for the Period Between 1 January - 31 December 2014**

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

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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 İzmir.

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

The Company is subject to the regulations of Turkish Capital Markets Board ("CMB") and 31,78% (2013: 31,78%) of its shares are quoted on the "Borsa İstanbul" ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 58.00% of shares of the Company (2013: 58,00%) (Note 31).

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

Şehit Fethibey Caddesi No: 120

Alsancak/ İzmir

### **NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

#### **2.1.1 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 Amendments in Accounting Policies, Comparative Informations and Correction of Prior Year Financial Statements**

##### **2.2.1 Amendments in Turkish Financial Reporting Standards**

**a) New standards, amendments and interpretations issued and effective for the financial year beginning 31 December 2014 and are adopted by the Company:**

- Amendment to TAS 32 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities, effective from annual periods beginning on or after 1 January 2014. This 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.
- Amendment to TAS 36, "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.

**Pınar Su Sanayi ve Ticaret A.Ş.**

## **Notes to the Financial Statements for the Period Between 1 January - 31 December 2014**

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

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- Amendment to TAS 39, "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.
- TFRIC 21, 'Levies', effective from annual periods beginning on or after 1 January 2014. This interpretation is on TAS 37, 'Provisions, contingent liabilities and contingent assets'. TAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

**b) Other new standards, amendments and interpretations issued and effective as of 31 December 2014 have not been presented since they are not relevant to the operations of the Group or have insignificant impact on the financial statements.**

**c) Standards and amendments to existing standards that are not yet effective but issued as of 31 December 2014 and have not been early adopted by the Company:**

- Annual improvements 2012; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2010 - 12 cycle of the annual improvements project, that affect 9 standards:
  - TFRS 2, 'Share-based payment'
  - TFRS 3, 'Business Combinations'
  - TFRS 8, 'Operating segments'
  - TFRS 13, 'Fair value measurement'
  - TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets'
  - Consequential amendments to TFRS 9, 'Financial instruments', TAS 37, 'Provisions, contingent liabilities and contingent assets', and
  - TAS 39, Financial instruments - Recognition and measurement'.
- Annual improvements 2013; effective from annual periods beginning on or after 1 July 2014. These amendments include changes from the 2011 - 12 - 13 cycle of the annual improvements project, that affect 4 standards:
  - TFRS 1, 'First time adoption'
  - TFRS 3, 'Business combinations'
  - TFRS 13, 'Fair value measurement' and
  - TAS 40, 'Investment property'.
- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.
- TFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.
- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2017. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

Pınar Su Sanayi ve Ticaret A.Ş.

## Notes to the Financial Statements for the Period Between 1 January - 31 December 2014

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

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- Amendment to TAS 19 regarding defined benefit plans, effective from annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:
  - TFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
  - TFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to TFRS 1) regarding servicing contracts.
  - TAS 19, 'Employee benefits' regarding discount rates.
  - TAS 34, 'Interim financial reporting' regarding disclosure of information

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 2014 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 2014, on a comparative basis with financial statements for the period 1 January - 31 December 2013.

- As of 31 December 2013, unearned financial income, presented under financial income, amounting to TL176.151 were recognised in other operating income.
- As of 31 December 2013, unearned financial expense, presented under financial expense, amounting to TL177.203 were recognised in operating expense.

### 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 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.



**Pınar Su Sanayi ve Ticaret A.Ş.**

## **Notes to the Financial Statements for the Period Between 1 January - 31 December 2014**

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

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### *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**

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

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

### **2.4.3 Property, plant and equipment**

Property, plant and equipment, except for land and land improvements, buildings, machinery and equipment, are carried at cost less accumulated depreciation. Land and land improvements and buildings are stated at fair value, based on valuations by external independent valuers namely Elit Gayrimenkul Değerleme A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. while machinery and equipment are stated at fair value, based on valuations by external independent valuers namely Vakıf Gayrimenkul Değerleme A.Ş. (Note 15). Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount is restated to the revalued amount of the asset.

Increases in the carrying amount arising on the revaluation of land, land improvements, buildings and machinery and equipment are credited to the revaluation reserve in equity, net of applicable deferred income tax. For certain assets, the increase was recognized in the consolidated statement of comprehensive income to the extent that it reversed the impairment of the same asset previously recognized in the consolidated statement of comprehensive income. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to the statement of comprehensive income. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of comprehensive income) and depreciation based on the asset's original cost is transferred from the revaluation reserve to the accumulated losses.

Buildings, machinery and equipment are capitalised and depreciated when they are in the location and condition necessary for it to be capable of operating in the manner intended by the management. At each balance sheet date, residual values and estimated useful lives of property, plant and equipment are reviewed and adjusted if appropriate, prospectively.

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment (Note 15). Land is not depreciated as it is deemed to have an indefinite life. The 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 (including leased machinery and equipment)	5 years
Furniture and fixtures	5 - 10 years

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

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An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use. The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Repairs and maintenance are charged to the statements of 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. Major overhauls are depreciated over shorter of their useful lives or the remaining useful life of the related assets. 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. 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 mainly comprise acquired rights. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition. Costs associated with maintaining computer software programs are recognized as an expense when incurred. Gain or losses on disposals or on impairments of intangible assets with respect to their amounts are included in the related income and expense accounts. Residual values of intangible assets are deemed as negligible. Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (Note 2.4.5). For the purpose of assessing impairment, intangible assets are grouped at the lowest levels for which there are separately identifiable cash flows. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

### 2.4.5 Impairment of assets

#### *Impairment of financial assets*

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

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

- Significant financial difficulty of the issuer or obligor,
- A breach of contract, such as a default or delinquency in interest or principal payments,
- The Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation,
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (iii) Adverse changes in the payment status of borrowers in the portfolio; and
  - (iv) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The Company first assesses whether objective evidence of impairment exists.

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

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

- Assets classified as available for sale

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from equity and recognized in the consolidated statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, impairment losses recognized in the consolidated comprehensive income statement, on equity instruments are not reversed through the consolidated statement of comprehensive income.

### *Impairment of non-financial assets:*

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

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 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.

### **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 TAS 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**

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

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### i. Classification

#### - Loans and receivables

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

The accrued interest represents the apportionment to the current period of the difference between future sale prices and the amount provided by the company. Such originated loans where original maturity at the time the money is directly transferred to the bank is less than three months, are considered and classified as cash equivalents for the purposes of cash flow statements (Note 6).

#### - Available-for-sale investments

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

### ii. Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date -the date on which the Company commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized 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. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value.

Loans and receivables are subsequently carried at amortized cost using the effective interest method.

Dividend income is recognized in the statement of income as part of investment income when the Company's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognized in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the income statement as 'gains and losses from investment securities'. Interest on available-for-sale securities calculated using the effective interest method is recognized in the income statement as part of other 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. In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

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### **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).

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 Current and deferred income taxes**

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date (Note 41).

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 is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying values in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects either accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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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).

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

### 2.4.16 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 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, machinery and equipments*

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

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

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- Revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements and machinery and equipment were based on the method of cost approach, considering existing utilization of the aforementioned property, plant and equipments are consistent to the highest and best use approach.
- In the market reference comparison method, current market information was utilized, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m<sup>2</sup> sale value was determined for lands subject to the valuation. The similar pieces of land found were compared in terms of location, accessibility, size, settlement status, changes in settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilized.
- In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components.
- Since a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment. Such machinery and equipment were reviewed and assessed by their line.

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

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

### ***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 48).

### ***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.

## **2.7 Compliance declaration to resolutions published by POAASA and TMS/ TFRS**

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

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**NOTE 3 - BUSINESS COMBINATIONS**

None (31 December 2013: 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 2014	31 December 2013
Cash in hand	18.178	9.653
Banks	1.298.599	861.582
- Demand deposits	1.298.599	131.582
- Turkish Lira	1.298.599	131.582
- Time deposit	-	730.000
- Turkish Lira	-	730.000
Other	1.297.615	285.777
	<b>2.614.392</b>	<b>1.157.012</b>

Company does not have any time deposits as of 31 December 2014 (31 December 2013: Time deposits are denominated in TL, all mature in less than one month and bear the effective weighted average interest rate of 8,65% per annum). Other cash and cash equivalents includes the credit cards slips with an average term of 30 days (31 December 2013: 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 2014 and 2013 are as follow:

**i) Balances with related parties:****a) Trade receivables from related parties:**

Yaşar Dış Ticaret A.Ş. ("YDT")	1.342.667	1.461.645
DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("DYO Boya")	312.273	204.977
Pınar Entegre Et ve Un Sanayii A.Ş. ("Pınar Et")	10.862	11.970
Pınar Süt Mamülleri Sanayii A.Ş. ("Pınar Süt")	-	106.144
Other	266.583	514.820
	<b>1.932.385</b>	<b>2.299.556</b>
Less: Unearned finance income	(4.978)	(4.666)
	<b>1.927.407</b>	<b>2.294.890</b>



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As of 31 December 2014, effective weighted average interest rates of due from related parties to TL and EUR denominated receivables are 8,67% and 2,17% p.a., respectively (31 December 2013: TL, EUR and USD denominated receivables are 7,50%, 2,21% respectively) and due from related parties mature within one month (31 December 2013: one month).

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 2014, due from related parties amounting to TL1.176.137 (31 December 2013: TL2.000.577) were overdue for a period of 3 months (31 December 2013: 3 months).

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

**b) Other receivables from related parties:**

	31 December 2014	31 December 2013
Yaşar Holding	8.542.218	-
DYO Boya	169.773	186.821
Yaşar Dış Ticaret	115.370	4.406
Viking Kağıt	15.850	188.231
Other	17.691	50.522
	<b>8.860.902</b>	<b>429.980</b>

As of 31 December 2014, the Company has short-term receivables from Yaşar Holding amounting to TL8.542.218 (2013: None) which are non-trade. The effective weighted average interest rate applied to those receivables is 10% p.a. (2013: None). Company management expects to collect other receivables from Yaşar Holding between three to twelve months.

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.

**c) Trade payables to related parties:**

Yaşar Holding	657.890	1.008.879
Pınar Foods GmbH ("Pınar Foods")	70.518	73.413
Other	102.837	149.233
	<b>831.245</b>	<b>1.231.525</b>
Less: Unearned finance cost	(5.574)	(4.754)
	<b>825.671</b>	<b>1.226.771</b>

The effective weighted average interest rate applied to due to related parties is 8,46% p.a. as of 31 December 2014 (31 December 2013: 7,86% p.a.) Due to related parties mature mainly within 1 months (31 December 2013: 2 months).

**d) Other payables to related parties:**

Desa Enerji	-	1.517.208
Other	18.787	21.906
	<b>18.787</b>	<b>1.539.114</b>

As of 31 December 2013, the portion of short-term borrowings to Desa Enerji amounting to TL1.500.000 consists of loans obtained from a financial institution and transferred to the Company with the same conditions and TL17.208 consists of accrued interests.

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### ii) Transactions with related parties:

	1 January - 31 December 2014	1 January - 31 December 2013
<b>a) Product sales:</b>		
YDT	8.882.203	6.603.149
Other	872.763	754.548
	<b>9.754.966</b>	<b>7.357.697</b>

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

### b) Service sales:

YDT	254.231	234.093
Desa	208.667	179.809
Yaşar Holding	149.579	116.104
Other	125.048	59.101
	<b>737.525</b>	<b>589.107</b>

### c) Service purchases:

Yaşar Holding	2.622.031	2.247.457
YDT	855.432	732.667
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	210.092	211.150
YBP	185.064	172.277
Pınar Süt	190.955	87.450
Other	86.285	116.006
	<b>4.149.859</b>	<b>3.567.007</b>

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

### d) Product purchases:

Pınar Süt	61.841	31.036
Other	7.857	-
	<b>69.698</b>	<b>31.036</b>

### e) Financial expense:

YDT	239.528	97.846
Desa Enerji	160.636	14.583
Yaşar Holding	55.989	47.064
Other	47.649	593
	<b>503.802</b>	<b>160.086</b>

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	1 January - 31 December 2014	1 January - 31 December 2013
<b>f) Financial income:</b>		
Yaşar Holding	627.008	705.748
Dyo Boya	124.082	136.066
Viking Kağıt	98.391	93.083
YBP	-	46.669
Other	215.667	274.413
	<b>1.065.148</b>	<b>1.255.979</b>

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 2013: 0,50% p.a. both) (Note 38).

**g) Dividends received:**

YBP	172.523	528.157
	<b>172.523</b>	<b>528.157</b>

**h) Property, plant and equipment purchases:**

Yaşar Holding	104.568	76.436
YBP	-	46.076
Other	17.713	1.582
	<b>122.281</b>	<b>124.094</b>

**i) Bails given:**

As of 31 December 2014, bails given are mainly related to joint guarantees provided by The Company with Yaşar Group Companies for repayment of borrowings obtained by Yaşar Group companies from financial institutions amounting to EUR 33.333.333 equivalent of TL94.023.332 (31 December 2013: Bails given are mainly related to joint guarantees provided by The Company with Yaşar Group Companies for repayment of borrowings obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR44.444.444 and USD250.000.000 equivalent of TL664.086.110).

**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 TL20.002.432 and EUR753.507, equivalent of TL22.212.470 as of 31 December 2013 (31 December 2013: TL 12.500.000 and EUR1.000.000, equivalent of TL15.436.500).

**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	722.497	809.629
After severance benefits	26.030	-
Bonus and profit-sharing	-	66.230
Other long-term benefits	1.227	22.249
	<b>749.754</b>	<b>989.108</b>

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### NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	31 December 2014	31 December 2013
<b>a) Short-term trade receivables</b>		
Customer current accounts	14.296.652	9.346.768
Cheques and notes receivables	6.693.342	4.615.043
	<b>20.989.994</b>	<b>13.961.811</b>
Less: Provision for impairment of receivables	(881.812)	(827.885)
Unearned finance income	(199.812)	(146.644)
	<b>19.908.370</b>	<b>12.987.282</b>

At 31 December 2014, the effective weighted average interest rate applied to short-term trade receivables is 8,70% p.a. (31 December 2014: 7,85% p.a.) and average collection terms of trade receivables are within 2 months (31 December 2013: 2 months).

The aging of trade receivables as of 31 December 2014 and 2013 are as follow:

Overdue	3.018.601	2.188.817
0 - 30 days	6.316.604	3.220.910
31 - 60 days	6.649.319	3.570.568
61 - 90 days	2.193.974	3.488.463
91 days and over	1.729.872	518.524
	<b>19.908.370</b>	<b>12.987.282</b>

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 2014 and 2013 are disclosed in Note 49.a.

The aging of overdue receivables as of 31 December 2014 and 2013 are as follow:

0 - 90 days	2.598.122	1.864.937
91 - 180 days	420.479	323.880
	<b>3.018.601</b>	<b>2.188.817</b>

As of 31 December 2014, trade receivables of TL3.018.601 (31 December 2013: TL2.188.817) were past due and the Company holds collateral amounting to TL1.648.122 (31 December 2013: TL723.623) as security for such receivables. Subsequent collections of overdue receivables amounts to TL1.309.797 as of the approval date of these financial statements.

The aging of overdue receivables as of 31 December 2014 and 2013 are as follow:

	2014	2013
<b>1 January</b>	<b>(827.885)</b>	<b>(832.375)</b>
Charged to the statement of comprehensive income (Note 35.b)	(54.927)	-
Collections	1.000	4.490
<b>31 December</b>	<b>(881.812)</b>	<b>(827.885)</b>

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### b) Short-term trade payables::

	31 December 2014	31 December 2013
Supplier current accounts	29.502.666	25.476.618
Less: Unincurred finance cost	(292.809)	(160.191)
	<b>29.209.857</b>	<b>25.316.427</b>

As of 31 December 2014, the effective weighted average interest rates applied to TL and EUR denominated payables are 8,82% p.a., 2,49% p.a. respectively (31 December 2013: 7,86% p.a.). Trade payables mature within two months (31 December 2013: two months).

### c) Long-term trade payables:

Supplier non - current accounts	3.287.896	4.820.265
	<b>3.287.896</b>	<b>4.820.265</b>

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

The redemption schedules of long-term trade payables as of 31 December 2014 and 2013 are as follow:

2015	-	1.377.219
2016	1.303.531	1.377.219
2017	1.322.908	1.377.219
2018	661.457	688.608
	<b>3.287.896</b>	<b>4.820.265</b>

Long term trade payables consist of payables due to property, plant and equipment purchases amounting to EUR 1.172.500 (31 December 2013: 1.641.500) and effective weighted average interest rate is 2,49% p.a. (31 December 2013: 2,49% p.a.).

### NOTE 9 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (31 December 2013: None).

### NOTE 10 - OTHER RECEIVABLES AND PAYABLES

#### a) Other short-term receivables

Value added tax ("VAT") receivables	548.592	465.782
Deposits and guarantees given	28.132	26.105
Other	9.701	18.538
	<b>586.425</b>	<b>510.425</b>

#### b) Other long-term receivables

Deposits and guarantees given	1.800	1.800
	<b>1.800</b>	<b>1.800</b>

#### c) Other payables

Taxes and funds payables	387.909	571.905
Deposits and guarantees received	383.918	42.894
Other	2.488	-
	<b>774.315</b>	<b>614.799</b>

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### NOTE 11 - INVENTORIES

	31 December 2014	31 December 2013
Raw materials	1.908.235	3.076.842
Finished goods	1.952.839	1.437.982
Water bottle stocks	1.099.590	1.151.475
Pallet stocks	575.801	876.722
Spare parts	1.066.599	930.442
Other	162.858	114.747
	<b>6.765.922</b>	<b>7.588.210</b>

Cost of inventories recognized as expense and included in cost of sales amounted to TL46.108.554 (31 December 2013: TL36.701.151) (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 2013: None).

### NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME

#### a) Prepaid expenses - current

	31 December 2014	31 December 2013
Prepaid expenses	155.973	781.703
Order advances given	868	868
	<b>156.841</b>	<b>782.571</b>

#### b) Prepaid expenses - non - current

Advances given	-	61.901
Prepaid expenses	9.393	-
	<b>9.393</b>	<b>61.901</b>

#### c) Deferred income

Advances received	236.762	496.921
	<b>236.762</b>	<b>496.921</b>

### NOTE 14 - INVESTMENT PROPERTY

None (31 December 2013: None).

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### NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment between 1 January - 31 December 2014 was as follows:

	1 January 2014	Additions	Disposals	31 December 2014
<b><u>Cost/ revaluation:</u></b>				
Land	7.364.000	1.530.000	-	8.894.000
Buildings and land improvements	17.261.249	292.670	-	17.553.919
Machinery and equipment	51.365.019	407.233	(66.342)	51.705.910
Motor vehicles	311.001	181.863	-	492.864
Furniture and fixtures	16.771.179	2.626.932	(317.174)	19.080.937
Construction in progress	-	737.719	-	737.719
	<b>93.072.448</b>	<b>5.776.417</b>	<b>(383.516)</b>	<b>98.465.349</b>
<b><u>Accumulated depreciation:</u></b>				
Buildings and land improvements	(364.307)	(751.205)	-	(1.115.512)
Machinery and equipment	(6.200.533)	(4.282.064)	56.218	(10.426.379)
Motor vehicles	(300.463)	(18.936)	-	(319.399)
Furniture and fixtures	(9.578.780)	(1.651.163)	128.242	(11.101.701)
	<b>(16.444.083)</b>	<b>(6.703.368)</b>	<b>184.460</b>	<b>(22.962.991)</b>
<b>Net book value</b>	<b>76.628.365</b>			<b>75.502.358</b>

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

	1 January 2013	Additions	Disposals	Disposal of revaluation fund arising fixed asset	Accumulated depreciation net off from sales of Transfers	before revaluation	Revaluation	31 December 2013
<b>Cost/ revaluation:</b>								
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)	-	-	-
	<b>74.847.907</b>	<b>19.914.692</b>	<b>(1.925.295)</b>	<b>(104.331)</b>	<b>-</b>	<b>(972.139)</b>	<b>1.311.614</b>	<b>93.072.448</b>

**Accumulated depreciation:**

Buildings and land improvements	(633.706)	(702.740)	-	-	-	972.139	-	(364.307)
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)	(1.213.145)	245.555	-	-	-	-	(9.578.780)
	<b>(12.755.751)</b>	<b>(5.693.303)</b>	<b>1.032.832</b>	<b>-</b>	<b>-</b>	<b>972.139</b>	<b>-</b>	<b>(16.444.083)</b>

<b>Net book value</b>	<b>62.092.156</b>							<b>76.628.365</b>
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Additions to the property, plant and equipment within the year 2013 mainly consist of machinery purchases due to construction in progress.

Current year's depreciation and amortisation charges were allocated to cost of production by TL4.923.068 (31 December 2013: TL4.372.023), to selling and marketing expenses by TL1.542.337 (31 December 2013: TL1.120.255) (Note 34.a) and to general and administrative expenses by TL340.885 (31 December 2013: TL270.966) (Note 34.b).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2014 and 2013 were as follows:

<b>1 January 2013</b>	<b>24.073.850</b>
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)
<b>31 December 2013</b>	<b>23.749.585</b>
Depreciation on revaluation reserve transferred to retained earnings-net	(1.344.767)
Disposal from revaluation reserve due to sales of property, plant and equipment - net	(2.217)
<b>31 December 2014</b>	<b>22.402.601</b>



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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 2014 and 2013 are as follow:

	Land	Building and land improvements	Machinery and equipment
<b>31 December 2014:</b>			
Cost	2.456.794	10.200.920	48.732.744
Less: Accumulated depreciation	-	(4.202.836)	(31.662.002)
<b>Net book value</b>	<b>2.456.794</b>	<b>5.998.084</b>	<b>17.070.742</b>
<b>31 December 2013:</b>			
Cost	926.794	9.908.250	48.391.852
Less: Accumulated depreciation	-	(3.648.615)	(28.920.131)
<b>Net book value</b>	<b>926.794</b>	<b>6.259.635</b>	<b>19.471.721</b>

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

None (31 December 2013: None)

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

None (31 December 2013: None).

### NOTE 18 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the periods 1 January - 31 December 2014 and 2013 were as follow:

	1 January 2014	Additions	31 December 2014
<b>Costs:</b>			
Rights	1.431.954	127.159	1.559.113
Accumulated amortisation	(1.202.898)	(102.922)	(1.305.820)
<b>Net book value</b>	<b>229.056</b>	<b>24.237</b>	<b>253.293</b>
	1 January 2013	Additions	31 December 2013
<b>Costs:</b>			
Rights	1.264.978	166.976	1.431.954
Accumulated amortisation	(1.132.957)	(69.941)	(1.202.898)
<b>Net book value</b>	<b>132.021</b>	<b>97.035</b>	<b>229.056</b>

### NOTE 19 - GOODWILL

None (31 December 2013: None).

### NOTE 20 - EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

None (31 December 2013: None).

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### NOTE 21 - LEASING

None (31 December 2013: None).

### NOTE 22 - SERVICE CONCESSION AGREEMENTS

None (31 December 2013: 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 in years of 2014 and 2013.

### NOTE 25 - BORROWINGS AND BORROWING COSTS

	Effective weighted average interest rate p.a. %		Original currency		TL equivalent	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013	31 December 2014	31 December 2013
<b>Short term borrowings:</b>						
Borrowings TL <sup>(*)</sup>	7,95	4,96	1.574.375	1.572.827	1.574.375	1.572.827
<b>Short term portion of long term borrowings:</b>						
Borrowings TL <sup>(**)</sup>	11,03	10,92	4.221.066	2.564.204	4.221.066	2.564.203
Borrowings EUR <sup>(***)</sup>	4,75	4,69	233.323	291.358	658.135	855.574
<b>Total short term borrowings</b>					<b>6.453.576</b>	<b>4.992.604</b>
<b>Long term borrowings:</b>						
Borrowings TL <sup>(**)</sup>	11,17	10,92	16.341.612	10.002.432	16.341.612	10.002.432
Borrowings EUR <sup>(***)</sup>	4,75	4,75	556.045	783.507	1.568.437	2.300.768
<b>Total long term borrowings</b>					<b>17.910.049</b>	<b>12.303.200</b>

<sup>(\*)</sup> TL denominated short-term bank borrowings consist of borrowings with spot loans fixed interest rates of 7,95% p.a.(31 December 2013: Interest rates of 4,96% p.a).

<sup>(\*\*)</sup> As of 31 December 2014, TL borrowings amounting TL10.052.029 with spot loans fixed interest rate 10,92%, TL10.510.649 denominated bank borrowings consist of semi-annually repricing floating interest rate Euribor+2,70% p.a (31 December 2013: borrowings with fixed interest rate of 10,92% p.a.).

<sup>(\*\*\*)</sup> EUR denominated short-term portion of long-term bank borrowings and long-term bank borrowings consist of borrowings with fixed interest rates of 4,75% (31 December 2013: borrowings with fixed interest rate of 4,69% and 4,75% p.a, respectively)

The redemption schedule of long-term bank borrowings at 31 December 2014 and 2013 are as follow:

	31 December 2014	31 December 2013
2015	-	3.324.062
2016	5.502.997	3.324.062
2017	5.601.502	3.324.062
2018	4.583.330	2.331.014
2019	2.222.220	-
	<b>17.910.049</b>	<b>12.303.200</b>

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As of 31 December 2014 and 2013, 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 2014:		
Borrowing with variable interest rates	10.510.649	10.510.649
Borrowings with fixed interest rates	-	13.852.976
	<b>10.510.649</b>	<b>24.363.625</b>
31 December 2013:		
Borrowing with variable interest rates	-	-
Borrowings with fixed interest rates	-	17.295.804
	<b>-</b>	<b>17.295.804</b>

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

	Carrying amount		Fair value	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
<b>Bank borrowings</b>	<b>24.363.625</b>	<b>17.295.804</b>	<b>24.801.926</b>	<b>17.416.047</b>

The fair values are based on cash flows discounted using the rate of 2,17% p.a. and 10,42% p.a. for EUR denominated bank borrowings and TL denominated bank borrowings, respectively (31 December 2013: 2,43% p.a. and 9,65% p.a. for EUR denominated bank borrowings and TL denominated bank borrowings, respectively).

### NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
<b>a) Other short-term provisions:</b>		
Provision of advertising and promotion	329.482	185.250
Provision for spring water fee	-	95.226
Other	9.000	17.500
	<b>338.482</b>	<b>297.976</b>

Aydın Bozdoğan Municipality charged a total of TL2.841.595 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 2014 (31 December 2013: TL3.135.534). Regarding the mentioned spring water fee, the Company filed a lawsuit against Aydın Bozdoğan Municipality based on the claim that all procedures related to production permit, licensing, packaging, labelling, sales and audit of natural mineral waters are carried out by the Turkish Ministry of Health and its relevant bodies in line with the provisions of the "Regulation on Natural Mineral Waters" No. 25657, dated 1 December 2004. As of 31 December 2014, the local court rejected the lawsuit, which was subsequently taken to a higher court for appeal. In line with the prudence principle of accounting, Company management recognised the mentioned spring water fee provision in the cost of sales. Movements of the provision the spring water fee provision during the years 2014 and 2013 are as follow:

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	2014	2013
<b>1 January</b>	<b>95.226</b>	<b>1.304.297</b>
Charged to statement of comprehensive income (Note 29)	2.841.595	3.135.534
Paid	(2.936.821)	(4.344.605)
<b>31 December</b>	<b>-</b>	<b>95.226</b>

Aydın Bozdoğan Municipality charged a total of TL2.841.595 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 2014 and this amount is paid by the Company during the year 2014. As of 31 December 2014, Company's Aydın Bozdoğan spring water usage right has been expired and auction for right of using spring water still continuing.

	31 December 2014	31 December 2013
<b>b) Guarantees given:</b>		
Bails	94.023.333	664.086.110
Letters of guarantee	11.138.728	10.262.458
	<b>105.162.061</b>	<b>674.348.568</b>

As of 31 December 2014, bails given are mainly related to joint guarantees provided by The Company with Yaşar Group Companies for repayment of borrowings obtained by Yaşar Group companies from financial institutions amounting to EUR 33.333.333 equivalent of TL94.023.332 (31 December 2013: Bails given are mainly related to joint guarantees provided by The Company with Yaşar Group Companies for repayment of borrowings obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR44.444.444 and USD250.000.000 equivalent of TL664.086.110) The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2014 and 2013 were as follow:

	31 December 2014			31 December 2013		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
<b>CPM provided by the Company:</b>						
<b>A.</b> Total amount of CPM given on behalf of the Company	TL	11.138.728	11.138.728	TL	10.262.458	10.262.458
<b>B.</b> Total amount of CPM given on behalf of fully consolidated companies		-	-		-	-
<b>C.</b> Total amount of CPM given for continuation of its economic activities on behalf of third parties		-	-		-	-
<b>D.</b> Total amount of other CPM		-	94.023.333			664.086.110
<b>i.</b> Total amount of CPM given on behalf of the main shareholder	-	-	-	USD	250.000.000	533.575.000
<b>ii.</b> Total amount of CPM given on behalf of other group companies which are not in scope of B and C	Euro	33.333.333	94.023.333	Euro	44.444.444	130.511.110
<b>iii.</b> Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
			<b>105.162.061</b>			<b>674.348.568</b>

The ratio of total amount of other CPM to Equity

160%

911%

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	31 December 2014	31 December 2013
<b>c) Guarantees received:</b>		
Letters of guarantee	19.560.564	18.347.983
Bails	22.212.470	15.436.500
Mortgages	5.490.689	5.148.189
Guarantee notes	2.896.503	2.226.503
Other	874.048	536.773
	<b>51.034.274</b>	<b>41.695.948</b>

Guarantees are mainly received from customers.

### NOTE 27 - COMMITMENTS

Company doesn't have raw material purchase commitments as of 31 December 2014. (31 December 2013: TL3.236.000).

### NOTE 28 - EMPLOYEE BENEFITS

#### a) Payables for employee benefits

Social security premiums	322.985	253.987
Payables to employees	15.731	14.505
	<b>338.716</b>	<b>268.492</b>

#### b) Short- term provisions for employee benefits

Management bonus accrual	220.000	220.000
<b>Seniority incentive bonus</b>	<b>41.621</b>	<b>35.633</b>
	<b>261.621</b>	<b>255.633</b>

#### c) Long - term provisions for employee termination benefits

Provision for employment termination benefits	1.749.436	1.900.678
Seniority incentive bonus	119.168	70.402
	<b>1.868.604</b>	<b>1.971.080</b>

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 TL3.438,22 for each year of service as of 31 December 2014 (31 December 2013: TL3.254,44).

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 TL3.541,87 which is effective from 1 January 2015 (1 January 2014: 3.438,22 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.

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

	31 December 2014	31 December 2013
Discount rate (p.a) (%)	3,95	4,09
Probability of retirement (%)	97,09	97,61

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

	2014	2013
<b>1 January</b>	<b>1.900.678</b>	<b>1.502.602</b>
Interest costs	160.071	104.123
Actuarial loss	268.430	252.838
Current service cost	262.349	207.256
<u>Paid during the year</u>	<u>(842.092)</u>	<u>(166.141)</u>
<b>31 December</b>	<b>1.749.436</b>	<b>1.900.678</b>

The total of interest cost and current service cost amounting to TL422.420 (31 December 2013: TL311.379) were allocated to general administrative expenses by TL309.502 (31 December 2013: TL228.142) (Note 34) and to cost of sales by TL112.918 (31 December 2013: TL83.237).

### NOTE 29 - EXPENSES BY NATURE

	1 January - 31 December 2014	1 January - 31 December 2013
Raw material, direct material and finished goods	46.108.554	36.701.151
Transportation and export	26.896.749	24.988.903
Personnel	15.722.402	12.907.373
Outsourced services	7.103.068	8.088.898
Advertising	7.007.261	6.299.971
Depreciation and amortisation	6.806.290	5.763.244
Energy	4.828.577	4.737.612
Maintenance	3.424.702	3.700.928
Rent	2.872.375	2.671.610
Fee of mineral resource	2.841.595	3.135.534
Consultancy	2.520.104	2.414.120
Travel	494.659	473.846
Employment termination benefits	422.420	311.379
Communication	345.933	317.582
Representation	173.557	221.294
<u>Other</u>	<u>8.769.369</u>	<u>7.586.352</u>
	<b>136.337.615</b>	<b>120.319.797</b>

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### NOTE 30 - OTHER ASSETS AND LIABILITIES

	31 December 2014	31 December 2013
<b>Other current assets</b>		
VAT receivable	1.778.023	2.682.245
Other	58.849	53.877
	<b>1.836.872</b>	<b>2.736.122</b>

### 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 2014 and 2013 is as follows:

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 2014 and 2013 were as follow:

	31 December 2014		31 December 2013	
	Share (%)	Share amount (TL)	Share (%)	Share amount (TL)
Yaşar Holding	58,00	7.417.547	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.	0,09	11.318	0,09	11.318
YDT	0,03	3.773	0,03	3.773
Other	0,53	67.641	0,53	67.642
<b>Total share capital</b>	<b>100,00</b>	<b>12.789.345</b>	<b>100,00</b>	<b>12.789.345</b>
Adjustment to share capital		11.713.515		11.713.515
<b>Total paid-in capital</b>		<b>24.502.860</b>		<b>24.502.860</b>

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 2013: 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 2013: 1.278.934.500) units of shares with a face value of Kr1 each as of 31 December 2014.

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

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

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 2013: TL4.180.008) as of 31 December 2014. The unrestricted extraordinary reserves the Company amount to TL11.673.135 (31 December 2013: TL11.673.135), and classified in the retained earnings.

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

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

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

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

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

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

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

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



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### NOTE 32 - REVENUE

	1 January - 31 December 2014	1 January - 31 December 2013
Domestic sales	239.678.419	212.095.680
Export sales	12.352.043	7.872.693
Trade goods sales	3.093.854	4.212.781
Gross Sales	255.124.316	224.181.154
Less: Discounts	(122.032.772)	(113.732.595)
Return	(908.702)	(534.085)
<b>Net sales</b>	<b>132.182.842</b>	<b>109.914.474</b>
<b>Cost of sales</b>	<b>(75.387.129)</b>	<b>(65.243.248)</b>
<b>Gross Profit</b>	<b>56.795.713</b>	<b>44.671.226</b>

### NOTE 33 - CONSTRUCTION CONTRACTS

None (31 December 2013: None).

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

#### a) General administrative expenses:

	1 January - 31 December 2014	1 January - 31 December 2013
Personnel	5.829.338	5.516.549
Consultancy	1.853.883	1.844.422
Outsourced services	1.836.684	1.862.381
Rent	361.957	344.319
Energy	359.302	361.834
Depreciation and amortisation	340.885	270.966
Employment termination benefit	309.502	228.142
Travel	253.461	268.544
Communication	189.601	180.445
Representation	149.927	201.515
Other	933.951	1.002.256
	<b>12.418.491</b>	<b>12.081.373</b>

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	1 January - 31 December 2014	1 January - 31 December 2013
<b>b) Marketing, selling and distribution expenses:</b>		
Transportation and export expenses	26.896.449	24.232.650
Advertising	7.007.261	6.299.971
Outsourced services	4.133.218	3.636.480
Personnel	3.644.826	3.321.801
Amortization and depreciation cost	1.542.337	1.120.255
Rent	1.351.117	1.252.629
Export commission	1.223.148	755.054
Energy	768.943	755.075
Maintenance	751.150	599.647
Consultancy	666.221	569.698
Other	547.325	451.916
	<b>48.531.995</b>	<b>42.995.176</b>

### NOTE 35 - OTHER OPERATING INCOME AND EXPENSE

#### a) Other operating income:

	1 January - 31 December 2014	1 January - 31 December 2013
Foreign exchange gain arising from commercial activities	326.831	336.352
Unearned financial income	284.990	176.151
Other	158.545	25.402
	<b>770.366</b>	<b>537.905</b>

#### b) Other operating expense:

Rent expense	(1.096.731)	-
Foreign exchange loss arising from commercial activities	(222.797)	(1.154.829)
Unearned financial expense	(92.535)	(177.203)
Fees and aid	(80.445)	(54.595)
Provision for doubtful receivables	(54.927)	-
Other	(234.031)	(242.475)
	<b>(1.781.466)</b>	<b>(1.629.102)</b>

### NOTE 36 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

#### a) Income from investment activities:

	1 January - 31 December 2014	1 January - 31 December 2013
Gain from Sale of Available for Sale Asset	9.103.035	-
Dividend income	172.523	528.157
Gain on sale of property plant and equipment	131.383	-
Other	35.778	-
	<b>9.442.719</b>	<b>528.157</b>

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### b) Expense from investment activities:

	1 January - 31 December 2014	1 January - 31 December 2013
Loss on sale of property plant and equipment	(3.645)	(222.243)
	<b>(3.645)</b>	<b>(222.243)</b>

### NOTE 37 - EXPENSES BY NATURE

Please see Note 29.

### NOTE 38 - FINANCIAL INCOME AND EXPENSE

	1 January - 31 December 2014	1 January - 31 December 2013
Bail income	543.824	895.592
Interest income	248.922	91.389
Foreign exchange gain	252.404	273.342
	<b>1.045.150</b>	<b>1.260.323</b>
Interest expense	(2.910.049)	(1.037.248)
Foreign exchange loss	(150.830)	(772.393)
Bank commissions and overdue charges	(455.700)	(212.260)
Other	-	(9.210)
	<b>(3.516.579)</b>	<b>(2.031.111)</b>

### NOTE 39 - ANALYSIS OF OTHER COMPREHENSIVE INCOME

Please see Statements of Income and Other Comprehensive Income.

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

None (31 December 2013: None).

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

In Turkey, the corporation tax rate of the fiscal year 2014 is 20% (31 December 2013: 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 2013: 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 2013: 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 2013: 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<sup>th</sup> articles of Corporate Tax Law and 40<sup>th</sup> article of the Income Tax Law together with the 10<sup>th</sup> 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.

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Taxes on income for the years 1 January- 31 December 2014 and 2013 are summarised as follow:

	31 December 2014	31 December 2013
Current year corporation income tax expense	-	-
Deferred tax income	357.088	3.319.909
<b>Taxation on income</b>	<b>357.088</b>	<b>3.319.909</b>

Reconciliation of taxation on income is as follows:

	1 January - 31 December 2014	1 January - 31 December 2013
<b>(Profit)/ Loss before tax</b>	<b>1.801.772</b>	<b>(11.961.394)</b>
Tax calculated at rates applicable to the (loss)/ profit	(360.354)	2.392.278
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)
Tax credits and tax losses for which deferred income tax asset was recognized	758.907	-
Income not subject to tax	193.088	415.146
Non-deductible expenses	(132.146)	(295.849)
Other	(102.407)	(165.418)
<b>Taxation on income/ (expense)</b>	<b>357.088</b>	<b>3.319.909</b>

### 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 2013: 20%).

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2014 and 2013 were as follows:

	<b>Cumulative temporary differences</b>		<b>Deferred income tax assets/ (liabilities)</b>	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Revaluation of land, land improvements, buildings, machinery and equipment	26.353.006	28.036.737	(3.950.405)	(4.287.152)
Difference between carrying value (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	5.288.733	5.999.708	(1.359.059)	(1.501.254)
Deduction of investment incentive	(14.433.546)	(14.433.546)	2.886.709	2.886.709
Provision for employment termination benefits	(1.749.436)	(1.900.678)	349.887	380.136
Difference between carrying value and tax bases of available-for-sale investments	(2.031.277)	14.649.703	346.029	(401.084)
Other	(68.673)	(258.278)	13.737	51.656
Deferred income tax assets			3.596.362	3.318.501
Deferred income tax liabilities			(5.309.464)	(6.189.490)
<b>Deferred tax liabilities-net</b>			<b>(1.713.102)</b>	<b>(2.870.989)</b>

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

<b>1 January 2013</b>	<b>(5.771.565)</b>
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)
<b>31 December 2013</b>	<b>(2.870.989)</b>
Credited to statement of comprehensive income	357.088
Charged to actuarial loss arising from defined benefit plans	53.686
Charged to fair value reserve of available-for-sale investments	747.113
<b>31 December 2014</b>	<b>(1.713.102)</b>

The Company did not recognise deferred income tax assets of TL1.154.050 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 2014 and 2013 are as follows:

<b>Expiration years</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
2018	(5.770.250)	(9.564.784)
	<b>(5.770.250)</b>	<b>(9.564.784)</b>

### NOTE 42 - EARNINGS/ (LOSS) PER SHARE

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

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

		<b>1 January - 31 December 2014</b>	<b>1 January - 31 December 2013</b>
Net profit/ (loss) for the year	A	2.158.860	(8.641.485)
Weighted average number of shares (Note 31)	B	1.278.934.500	1.278.934.500
<b>Earnings/ (Loss) per 100 shares with a Kr1 face value</b>	<b>A/B</b>	<b>0,1688</b>	<b>(0,6757)</b>

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

### NOTE 43 - SHARE BASED PAYMENTS

None (31 December 2013: None).

### NOTE 44 - INSURANCE CONTRACTS

None (31 December 2013: None).

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### NOTE 45 - EFFECTS OF CHANGES IN FOREIGN EXCHANGE RATES

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

### 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 2013: None).

### NOTE 48 - FINANCIAL INSTRUMENTS

The breakdown of available-for-sale investments for the years ended 31 December 2014 and 2013 are as follows:

	31 December 2014		31 December 2013	
	Carrying amount (TL)	Share (%)	Carrying amount (TL)	Share (%)
YBP	-	-	20.855.029	4,74
Desa Enerji	2.708.317	6,07	2.642.855	6,07
Viking Kağıt	507.692	1,69	467.077	1,69
YDT	540.447	1,76	534.440	1,76
	<b>3.756.456</b>		<b>24.499.401</b>	

At 17<sup>th</sup> November 2014, the Company sold share of 4,74% of YBP shares to Pınar Et in exchange for amounting to TL13.165.000 which is valued by independent valuation firm.

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 2014 and 2013 are as follows:

	Discount rate		Growth rate	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
YBP	-	12,62%	-	1%
YDT	8,54%	9,83%	0%	0%
Desa Enerji	10,62%	12,62%	0%	0%

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Movements of available-for-sale investments in 2014 and 2013 are as follows:

	2014	2013
<b>1 January</b>	<b>24.499.401</b>	<b>21.716.172</b>
YBP <sup>(*)</sup>	(7.812.977)	-
<b>Sales of available for sale investments:</b>		
YBP	(13.042.052)	-
<b>Fair value increase/ (decrease):</b>		<b>14.339.007</b>
YBP	-	1.902.347
Desa Enerji	65.462	1.176.303
YDT	6.007	(85.574)
Viking Kağıt	40.615	(209.847)
<b>31 December</b>	<b>3.756.456</b>	<b>24.499.401</b>

<sup>(\*)</sup> Company made revision in fair value calculation of YBP and accounted towards materiality principle as of 1 January 2014.

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

<b>1 January</b>	<b>16.850.943</b>	<b>14.339.007</b>
YBP <sup>(*)</sup>	(7.812.977)	-
Disposal of fund related with sale of available for sale investments	(8.980.087)	
Increase in fair value	112.084	3.078.650
Impairment	-	(295.420)
Deferred income tax on fair value reserves of available-for-sale investments (Note 41)	747.113	(271.294)
<b>31 December</b>	<b>917.076</b>	<b>16.850.943</b>

### 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.



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### 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 2014 and 2013:

#### 31 December 2014:

31 December 2014:	Receivables					
	Trade Receivables <sup>(1)</sup>		Other Receivables		Bank Deposits	Total
	Related Parties	Third Parties	Related Parties	Third Parties		
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) <sup>(2)</sup>	1.927.407	19.908.370	8.860.902	586.425	2.596.214	33.879.318
- The part of maximum credit risk covered with guarantees	-	10.329.418	-	-	-	10.329.418
A. Net book value of financial assets not due or not impaired	751.270	16.889.769	8.617.868	586.425	2.596.214	29.441.546
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 <sup>(3)</sup>	1.176.137	3.018.601	243.034	-	-	4.437.772
- The part covered by guarantees etc	-	1.648.122	-	-	-	1.648.122
D. Net book value of assets impaired -	-	-	-	-	-	-
- Past due (gross book value)	-	881.812	-	-	-	881.812
- Impairment amount (-)	-	(881.812)	-	-	-	(881.812)
- 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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31 December 2013:

	Receivables					
	Trade Receivables <sup>(1)</sup>		Other Receivables		Bank Deposits	Total
	Related Parties	Third Parties	Related Parties	Third Parties		
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E)<sup>(2)</sup></b>	<b>2.294.890</b>	<b>12.987.282</b>	<b>429.980</b>	<b>510.425</b>	<b>1.147.359</b>	<b>17.369.936</b>
- The part of maximum credit risk covered with guarantees	-	5.873.759	-	-	-	5.873.759
<b>A. Net book value of financial assets not due or not impaired</b>	294.313	10.798.465	104.420	510.425	1.147.359	12.854.982
<b>B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired</b>	-	-	-	-	-	-
<b>C. Net book value of assets past due but not impaired<sup>(3)</sup></b>	2.000.577	2.188.817	325.560	-	-	4.514.954
- The part covered by guarantees etc	-	723.623	-	-	-	723.623
<b>D. Net book value of assets impaired</b>	-	-	-	-	-	-
- 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	-	-	-	-	-	-
<b>E. Off balance items exposed to credit risk</b>	-	-	-	-	-	-

<sup>(1)</sup> Trade receivables balances mainly resulted from the sale of pet bottled and bottled water.<sup>(2)</sup> In the determination of related amounts, guarantees received providing increase credit reliability are not take into account.<sup>(3)</sup> 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.

31 December 2014	Receivables		
	Trade Receivables	Other Receivables	Total
1 - 30 days overdue	1.823.592	-	1.823.592
1 - 3 months overdue	1.441.343	-	1.441.343
3 - 12 months overdue	929.803	243.034	1.172.837
The part covered by guarantees	(1.648.122)	-	(1.648.122)
	<b>4.194.738</b>	<b>-</b>	<b>4.437.772</b>

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TL1.309.797 of the receivables that were overdue but not impaired have been collected as of the approval date of the financial statements.

	Receivables		Total
	Trade Receivables	Other Receivables	
<b>31 December 2013</b>			
1 - 30 days overdue	2.031.979	-	2.031.979
1 - 3 months overdue	1.344.661	-	1.344.661
3 - 12 months overdue	812.754	325.561	1.138.315
The part covered by guarantees	(723.624)	-	(723.623)
	<b>4.189.394</b>	<b>325.561</b>	<b>4.514.955</b>

### 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 2014 and 2013 are as follows:

### 31 December 2014:

	Book value	Total cash outflows per a agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
<b>Contract terms:</b>					
<b>Non-derivative financial liabilities</b>					
Bank borrowings	24.363.625	32.283.041	2.262.851	6.741.980	23.278.210
Trade payables	33.323.422	33.842.521	25.707.895	4.620.442	3.514.184
Other payables	793.102	793.102	793.102	-	-
	<b>58.480.149</b>	<b>66.918.664</b>	<b>28.763.848</b>	<b>11.362.422</b>	<b>26.792.394</b>

### 31 December 2013:

	Book value	Total cash outflows per a agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
<b>Contract terms:</b>					
<b>Non-derivative financial liabilities</b>					
Bank borrowings	17.295.804	20.442.712	1.193.316	4.530.671	14.718.725
Trade payables	31.363.463	31.977.781	19.006.267	7.701.876	5.269.638
Other payables	2.153.913	2.153.913	2.153.913	-	-
	<b>50.813.180</b>	<b>54.574.406</b>	<b>22.353.496</b>	<b>12.232.547</b>	<b>19.988.363</b>

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### 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.

	31 December 2014			
	TL Equivalent	USD	EUR	Other TL Equivalent
1 Trade Receivables	1.502.832	84.281	298.258	466.097
2a. Monetary Financial Assets (Cash, Bank accounts included)	-	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
<b>4. Current Assets (1+2+3)</b>	<b>1.502.832</b>	<b>84.281</b>	<b>298.258</b>	<b>466.097</b>
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
<b>8. Non-Current Assets (5+6+7))</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>1.502.832</b>	<b>84.281</b>	<b>298.258</b>	<b>466.097</b>
10 Trade Payables	1.616.283	24.995	512.186	113.601
11. Financial Liabilities	658.135	-	233.323	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-
<b>13 Short Term Liabilities (10+11+12)</b>	<b>2.274.418</b>	<b>24.995</b>	<b>745.509</b>	<b>113.601</b>
14. Trade Payables	3.307.271	-	1.172.500	-
15. Financial Liabilities	1.568.437	-	556.045	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-
<b>17. Long Term Liabilities (14+15+16)</b>	<b>4.875.708</b>	<b>-</b>	<b>1.728.545</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>7.150.126</b>	<b>24.995</b>	<b>2.474.054</b>	<b>113.601</b>
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	-	-	-	-
<b>20. Net Foreign Asset/(Liability) Position (9+18+19)</b>	<b>(5.647.294)</b>	<b>59.286</b>	<b>(2.175.796)</b>	<b>352.496</b>
21. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (TFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	(5.647.294)	59.286	(2.175.796)	352.496
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	-	-	-	-
23. Export	12.597.903	1.240.224	1.717.215	4.884.909
24. Import	1.162.953	-	447.827	18.006

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### Foreign Currency Position

31 December 2013

TL Equivalent	USD	EUR	Other TL Equivalent
1.781.232	157.571	311.870	529.123
-	-	-	-
-	-	-	-
1.781.232	157.571	311.870	529.123
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1.781.232	157.571	311.870	529.123
2.507.892	37.644	773.855	155.123
855.572	-	291.358	-
-	-	-	-
3.363.464	37.644	1.065.213	155.123
4.820.265	-	1.641.500	-
2.300.768	-	783.507	-
-	-	-	-
-	-	-	-
7.121.033	-	2.425.007	-
10.484.497	37.644	3.490.220	155.123
-	-	-	-
-	-	-	-
-	-	-	-
(8.703.265)	119.927	(3.178.350)	374.000
(8.703.265)	119.927	(3.178.350)	374.000
8.300.432	1.136.306	2.130.979	764.960
15.734.302	15.061	6.489.006	-

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Table of Sensitivity Analysis for Foreign Currency Risk

	Profit/ Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of USD by 10% against TL:</b>				
1- Asset/Liability denominated in USD	13.749	(13.749)	13.749	(13.749)
2- The part of USD risk hedged (-)	-	-	-	-
<b>3- USD Effect - net (1+2)</b>	<b>13.749</b>	<b>(13.749)</b>	<b>13.749</b>	<b>(13.749)</b>
<b>Change of EUR by 10% against TL:</b>				
4- Asset/ Liability denominated in EUR	(613.728)	613.728	(613.728)	613.728
5- The part of EUR risk hedged (-)	-	-	-	-
<b>6- EUR Effect - net (4+5)</b>	<b>(613.728)</b>	<b>613.728</b>	<b>(613.728)</b>	<b>613.728</b>
<b>Change of other currencies by 10% against TL</b>				
7- Assets/ Liabilities denominated in other foreign currencies	35.250	(35.250)	35.250	(35.250)
8- The part of other foreign currency risk hedged (-)	-	-	-	-
<b>9- Other Foreign Currency Effect - net (7+8)</b>	<b>35.250</b>	<b>(35.250)</b>	<b>35.250</b>	<b>(35.250)</b>
<b>TOTAL (3+6+9)</b>	<b>(564.729)</b>	<b>564.729</b>	<b>(564.729)</b>	<b>564.729</b>

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

31 December 2013

Table of Sensitivity Analysis for Foreign Currency Risk

	Profit/ Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of USD by 10% against TL:</b>				
1- Asset/Liability denominated in USD	25.596	(25.596)	25.596	(25.596)
2- The part of USD risk hedged (-)	-	-	-	-
<b>3- USD Effect - net (1+2)</b>	<b>25.596</b>	<b>(25.596)</b>	<b>25.596</b>	<b>(25.596)</b>
<b>Change of EUR by 10% against TL:</b>				
4- Asset/ Liability denominated in EUR	(933.322)	933.322	(933.322)	933.322
5- The part of EUR risk hedged (-)	-	-	-	-
<b>6- EUR Effect - net (4+5)</b>	<b>(933.322)</b>	<b>933.322</b>	<b>(933.322)</b>	<b>933.322</b>
<b>Change of other currencies by 10% against TL e</b>				
7- Assets/ Liabilities denominated in other foreign currencies	37.400	(37.400)	37.400	(37.400)
8- The part of other foreign currency risk hedged (-)	-	-	-	-
<b>9- Other Foreign Currency Effect - net (7+8)</b>	<b>37.400</b>	<b>(37.400)</b>	<b>37.400</b>	<b>(37.400)</b>
<b>TOTAL (3+6+9)</b>	<b>(870.327)</b>	<b>870.327</b>	<b>(870.327)</b>	<b>870.327</b>

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 2014	31 December 2013
<b>Financial instruments with fixed interest rate</b>		
Financial assets	32.580.719	17.238.354
Financial liabilities	58.480.149	50.813.180

The Company does not have financial instruments with floating interest rate as of 31 December 2014 (31 December 2013: Company does not have financial instruments with floating interest rate).

### 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 2014	31 December 2013
Total financial liabilities	24.363.625	17.295.804
Less: Cash and cash equivalents (Note 6)	(2.614.392)	(1.157.012)
Net debt	21.749.233	16.138.792
Total equity	58.942.993	72.932.744
<b>Debt/ equity ratio</b>	<b>37%</b>	<b>22%</b>

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

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

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

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

#### *Financial Assets*

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

#### *Financial Liabilities*

Fair values of bank borrowings are disclosed in Note 25.

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

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

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 2014 and 2013:

#### 31 December 2014

	Level 1	Level 2	Level 3 <sup>(*)</sup>	Total
Available-for-sale investments	507.692	-	3.248.764	3.756.456
<b>Total assets</b>				<b>3.756.456</b>

#### 31 December 2013

Available-for-sale investments	467.077	-	24.032.324	24.499.401
<b>Total assets</b>				<b>24.499.401</b>

<sup>(\*)</sup> Please see Note 48 for the movement of Level 3 financial instruments.



Pınar Su Sanayi ve Ticaret A.Ş.

## Notes to the Financial Statements for the Period Between 1 January - 31 December 2014

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

Convenience translation into English of financial statements Originally issued in Turkish

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

### 31 December 2014

	Level 1	Level 2	Level 3	Total
<b><i>Property, Plant and Equipment:</i></b>				
Land	-	8.894.000	-	8.894.000
Buildings and land improvements	-	16.438.407	-	16.438.407
Machinery and equipment	-	41.279.531	-	41.279.531
<b>Total assets</b>	<b>-</b>	<b>66.611.938</b>	<b>-</b>	<b>66.611.938</b>

### 31 December 2013

	Level 1	Level 2	Level 3	Total
<b><i>Property, Plant and Equipment:</i></b>				
Land	-	7.364.000	-	7.364.000
Buildings and land improvements	-	16.896.942	-	16.896.942
Machinery and equipment	-	45.164.486	-	45.164.486
<b>Total assets</b>	<b>-</b>	<b>69.425.428</b>	<b>-</b>	<b>69.425.428</b>

### NOTE 51 - SUBSEQUENT EVENTS

None.

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

None (31 December 2013: None).

## INFORMATION FOR INVESTORS

### Stock Exchange

Pınar Su Sanayi ve Ticaret A.Ş. shares are traded on the National Market of the Borsa İstanbul (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 26 March 2015 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](http://www.pinar.com.tr).

At a meeting of the Company's Board of Directors held on 4 March 2015, the board voted to recommend to the general assembly of shareholders that no dividends be paid inasmuch as there are no net distributable profits based on legal records due to the previous years' losses although the Company ended the current year's operations showing a profit.

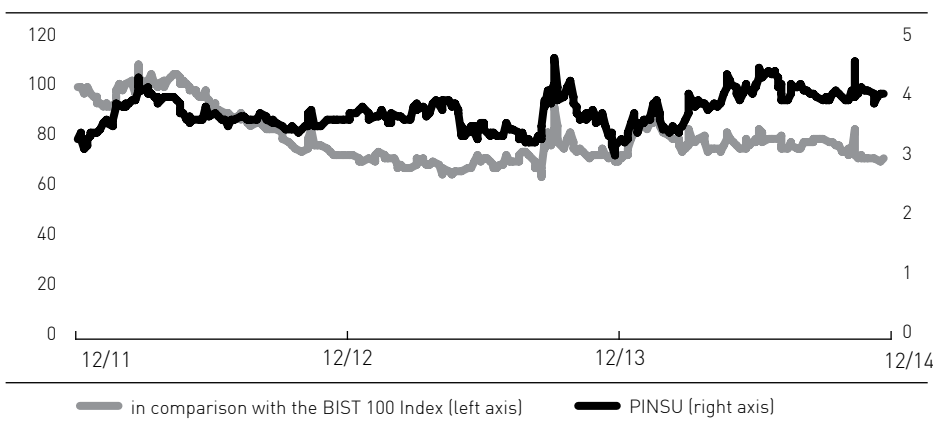
### Investor Relations

Pınar Su Sanayi ve Ticaret A.Ş.  
Yatırımcı İlişkileri Bölümü  
Şehit Fethi Bey Caddesi No: 120 35210 İzmir  
Tel: +90 232 482 22 00  
Faks: +90 232 489 15 62  
E-mail: [investorrelations@pinarsu.com.tr](mailto:investorrelations@pinarsu.com.tr)

Pınar Su investor relations web page:



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



\* Adjusted share prices



