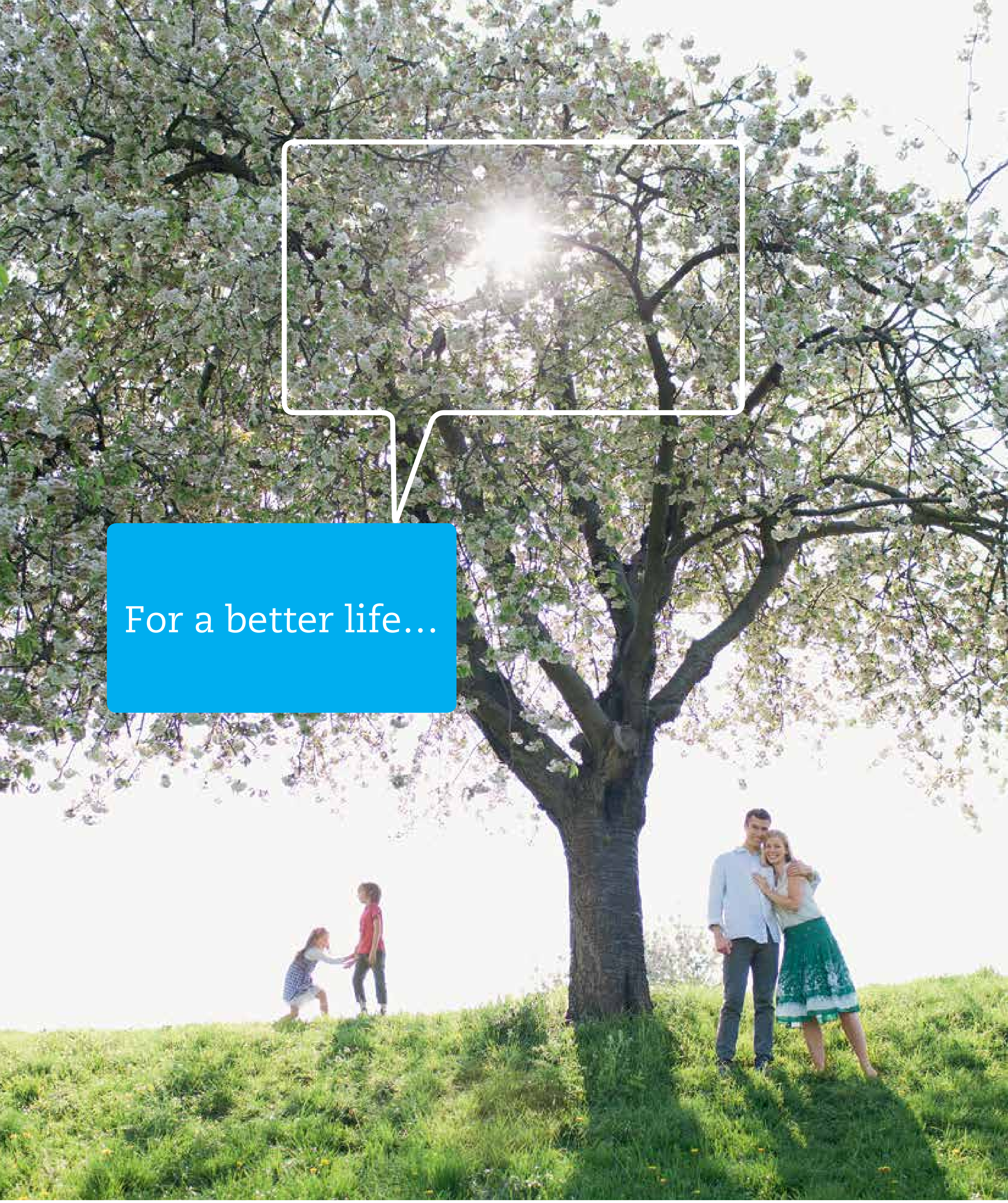


Pınar Su Annual Report 2012

for a better life

Hygienic and trusted products for a better life...

Pınar Su first introduced Turkey to packaged water in 1984 and it has continued to provide consumers with mineral water harvested under the most hygienic conditions ever since then. Pınar Su's purity and quality have been verified by numerous national and international certifications.

In keeping with its long-established principle of being a consumer-focused innovator, Pınar Su continues to add new offerings to its product line.

"The leading name in customer satisfaction in the bottled water category", Pınar Su supplies consumers with mineral water whose natural qualities are perfectly preserved.

All for a better life...

Trade Name
Pınar Su Sanayi ve Ticaret A.Ş.

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

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

Trade Registration
İzmir 45707 K:2016

Website
www.pinar.com.tr

Authorized Capital
TL 50,000,000.00

Paid-in Capital
TL 12,789,345.27

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

Pınar Su in Brief

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

firsts

Pınar Su is the first beverage produced in Turkey whose quality has been recognized and approved by NSF International.

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

Water which Pınar Su obtains from its Madran, Gökçeağaç, and Akçaağaç springs is supplied to consumers in Turkey and in the nearly thirty countries to which the company exports under the "Pınar Yaşam Pınarım" (Pınar: My Life Source) label.

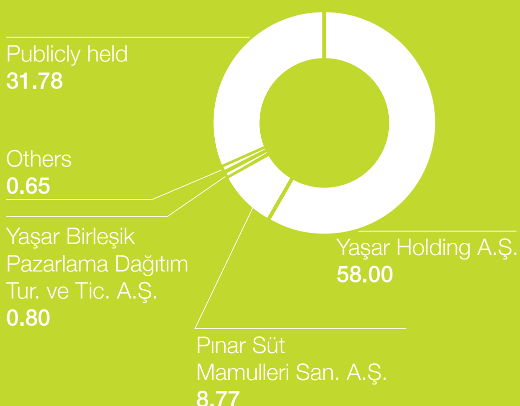
In bottling plants whose ultra-hygienic conditions are far superior to industry standards, water is packaged exactly as it was harvested at source and without any changes in its natural state or balanced mineral content.

Pınar Su employs class 100 barrier isolator and cleanroom technologies in its fully-automated filling plant environments, in which a positive interior air pressure is maintained while ambient air is continuously filtered. Pınar Su water is subjected to a battery of physical, chemical, and microbiological tests at every stage of production.

Pınar Su is the first beverage product made in Turkey whose quality has been recognized and approved by NSF International, a public health and environmental organization that provides standards development, product certification, auditing, education and risk management services. Keeping a close watch on innovations and technological developments that will increase its production quality, Pınar Su is focused on increasing its market shares through new undertakings in national and international markets by introducing new products, on further enhancing consumer satisfaction, and on pursuing sustainable growth.

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

Pınar Su's Shareholder Structure (%)



Shareholder	Share (%)	Share Amount (TL)
Yaşar Holding A.Ş.	58.00	7,417,546
Pınar Süt Mamulleri San. A.Ş.	8.77	1,122,150
Yaşar Birleşik Pazarlama Dağıtım Tur. ve Tic. A.Ş.	0.80	101,992
Publicly held	31.78	4,064,924
Others	0.65	82,733
Total	**100.00**	**12,789,345**

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

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

Pınar Su's Competitive Advantages

Pınar Su's competitive advantages are rooted in:

- Superior quality standards
- Logistical strengths
- A talent for keeping a close watch on national and international consumer trends and preferences and transforming them into marketable products.

Brand Awareness

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

Distribution and Service Network

- Sales and distribution network of dealers located all over Turkey
- Pınar Su Order Hotline on 444 99 00
- Alternative order-placement channels
- Online ordering
- IPhone-based ordering

Quality

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

Production

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

Product Portfolio

- Natural mineral water harvested from the Madran, Gökçeağaç, and Akçaağaç springs supplied to market in all packaging formats
- Plain and flavored mineral waters [2]

Shared Values

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

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

A success story that began 40 years ago...

Pınar: The Source of Firsts in Turkey

Imagine a time... When it took courage to be optimistic about the present, much less the future... When the economy had collapsed and every new day brought a new worry... When soaring prices, energy shortages, and black marketeering made life unbearable... When even the most basic foods were unavailable in many places and things like meat, milk, cheese, and butter were "luxuries"... When no one could be sure how they'd wake up the next day or make plans... It was a time such as this that Selçuk Yaşar, imbued with an enterprising and idealistic spirit, introduced Turkey to Pınar, a name that would give birth to a brand-new sector, launch a host of new products, and foster economic growth.

The Yaşar Group believed that it was only in such times of crisis that ventures could succeed in spite of all the risks involved. They recognized that the lack of modern agro-industry in a country whose economy was still heavily dependent on agriculture not only created bottlenecks but also led to the consumption of unwholesome foods. For an industrialist in a developing country not to recognize such a need was unacceptable.

The foundations of the Pınar name, which many years later would become identified with its slogan "Yaşam Pınarım" (Pınar: The source of life), were laid with the establishment of Pınar Süt in 1973. Two years later the company introduced consumers to Turkey's first long-life UHT milk packaged in aseptic containers. Located in the Pınarbaşı district of İzmir (from which it took its name), Pınar's original plant took a major step in the creation of a modern dairy industry by accepting tons of milk produced by some 8,000 local dairy farmers. The introduction of wholesome, long-life UHT milk, the first of its kind in Turkey at the time, was followed almost immediately with the addition of yoghurt, cheese, butter, and milk powder to the product line. Today Pınar is Turkey's biggest milk and dairy products producer, whose procurements of raw milk have expanded far beyond the Aegean into the Marmara, Central Anatolia, and Mediterranean regions and contribute to the livelihoods of Turkish farmers everywhere, while the system which it has created ensures that the same internationally recognized standards of quality apply to all aspects of its production from animal husbandry and milk procurements to the delivery of products to end-users.

Nine years after its introduction of long-life UHT milk packaged in aseptic containers to the market, Pınar authored yet another first with the launch of Turkish Standards Institution-certified

packaged water for the consumer market. At the outset this seemed a hard sell in a country where people were not in the habit of buying and consuming prepackaged water when they could get it for free from taps and public fountains. But burgeoning population, urban sprawl, inadequate infrastructure, and pollution all made access to sources of clean water vitally important. Pınar Süt's sister company Pınar Su commenced production with water harvested from the Şaşal springs in İzmir. In 1996 the company began harvesting water from the Madran springs in Bozdoğan. Today, Pınar Su has expanded its sources to include springs in Sakarya and Isparta. The water which the company harvests is packaged in fully-automated filling plant environments in which a positive interior air pressure is maintained and ambient air is constantly filtered.

The support and encouragement which Pınar Süt gave to dairy farming also led to the growth and development of livestock raising after 1973. The Meat and Fish Authority, a state-owned company, was unable to keep up with demand even in a few big cities much less throughout the whole country. The result was the perpetuation of traditional methods of livestock raising, slaughtering, butchering, and selling, all of which took place under the most unwholesome conditions making it extremely difficult to supply consumers with safe and hygienic meat and meat products. To address these and similar problems, the Yaşar Group set up Turkey's first privately-owned integrated meat-processing plant as well as its first aquaculture facility. Pınar Et, another sister company, produces processed meat, meat products, and frozen meats and meat products in laboratory-equipped plants that conform to the highest standards. Pınar Et was the first meat processor in Turkey to be awarded both ISO 9001 and ISO 9002 certifications. Today the company has a quality assurance system that incorporates US- and EU-recognized hazard analysis and critical control point (HAACP) elements. Pınar Et remains the leader of its sector, of which it controls a 20.7% market share.

Thanks to Pınar's pioneering efforts, a host of products whose wholesomeness would once have been regarded with suspicion or which would have been either difficult to find or else regarded as luxuries have become wholesome, trusted, easily-affordable products that grace our tables. Having transformed milk, water, meat, and fish and their products into organized industries with its Pınar brand, the Yaşar Group continues to lead the way forward as it creates a brighter and healthier future for all.

Highlights from Pınar Su's History

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

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

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

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

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

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

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

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

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

2002
- Pınar Madran is marketed in polycarbonate bottles.

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

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

2009
- Pınar Su is awarded TS ISO EN 9001:2008 Customer Satisfaction 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 System certification.

2011
- Bottle weights are significantly reduced with the introduction of a newly-designed “short-neck” format.
- Pınar Su’s glass container design is revamped.
- Product is supplied to market in a new 1 liter container.
- Akçaağaç replaces Toros as source of the company’s mineral water in Isparta.
- Container and label designs are revamped at all of the company’s plants.
- The Pınar Su brand is supported by TV advertising and a variety of other communication activities.

2012
- Pınar Su is awarded TSE-ISO-EN 10002 Customer Satisfaction Management System certification.
- Pınar Su’s first “Season” concept glass bottles are introduced in the 0.33-liter and 0.75-liter format.
- A new, POS-specific 3.25-liter PET bottle is introduced to the market.
- For the first time in Turkey a new alternative online order-placement channel is introduced that allows consumers to conveniently place advance orders for delivery on dates and at times of their choosing.
- Five-liter glass carboys are introduced to the market.
- A licensed Smurf-theme half-liter Handy-Cap PET bottle is introduced for the children’s segment of the market.
- Product-based communication is used for new products for the first time via the printed media, outdoor, and digital platforms.

One of Turkey's leading corporate groups...

7,200

The Yaşar Group provides goods and services through 20 companies, 19 factories and plants, 2 charitable foundations, and about 7,200 employees.

The Yaşar Group

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

Well-known brands in different sectors

With 20 companies, 19 factories and plants, 2 charitable foundations, and about 7,200 employees, the Yaşar Group is the owner of brands that rank among the leaders of their respective business lines:

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

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

Food & Beverages Division

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

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

Coatings Division

Technological leadership
Strong brands and distribution network

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

A corporate group that has authored many firsts

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

The Yaşar Group launched Turkey's

- First national paints brand
- First 1,100 bed capacity hotel
- First privately-owned dairy plant conforming to international standards
- First privately-owned composite fertilizer plant
- First privately-owned paper plant
- First bottled mineral water supplied in non-returnable packaging
- First privately-owned integrated meat processing & packing plant

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.

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 corporate responsibility towards its stakeholders as being synonymous with its economic responsibility towards them, on 12 November 2007, the Yaşar Group joined the United Nations Global Compact (UNGC) Network, a voluntary international corporate citizenship initiative. Yaşar Holding published its second UNGC communication on progress report in March 2011 and its first sustainability report in 2012.

The UNGC progress reports published by the group may be accessed and downloaded from the Yaşar Holding corporate website located at www.yasar.com.tr.

The Yaşar Group's mission

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

Tissue Paper Division

Eco-friendly production Innovative products

- Viking Kağıt

Trade & Service Division

Committed to superior service

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

Foundations

A responsible corporate citizen

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


Protecting the beautiful…

Consumer-focused innovations...

Chairperson's Message

Seeking to shape markets by spearheading innovations in its sector and to create change rather than just following it, Pınar Su introduced more consumer-focused innovations in 2012 as well.

goal

Our goal is to make use of our superior quality standards, logistical strengths, and competencies to supply our consumers with only the very best while protecting our natural resources.

Esteemed stakeholders,

In 2012 the global economy continued to be affected by recession in the world's developed economies.

In the more than half-decade since the initial outbreak of the global financial crisis in 2008, it now seems clear that the world economy is not going to return to the high growth rates it used to enjoy for at least some more time to come. To one degree or another this fact is having an impact on every country and continues to exert pressure on global financial markets.

The Turkish economy is one of the world's rising stars.

The Turkish economy grew by 2.2% in 2012. While this is below the average growth rate to which our country had become accustomed in the course of the last decade, it is evidence of an economic rebalancing act intended to keep Turkey on the path of sustainable growth.

Recession in Europe continued to throttle external demand in the Turkish economy in 2012. In response to this, many Turkish exporters had recourse to sales in African and Middle Eastern countries, which strongly boosted such destinations' shares of Turkey's overall export trade. With domestic demand slowing down, the current account deficit also continued its decline last year: having amounted to 10% of GDP at end-2011, it was down to around the 7% level twelve months later. Twelve-month inflation, which was 10.45% in 2011, was just 6.16% in 2012.

The packaged water sector remained on course in 2012.

In 2011 our industry's performance was severely affected by wholly price-driven competition among numerous small-scale–and essentially–local suppliers. Somewhat better results were achieved in 2012 thanks in part to relaxations in both raw material prices and exchange rates. Last year the total packaged water market amounted to 10.2 billion liters, on which was generated a turnover worth some TL 3.7 billion.

Pınar Su outperformed its targets in 2012.

As a result of its successful financial and operational performance in 2012, Pınar Su exceeded its targets for the year and registered growth above the market average.

Paralleling the overall improvement in the sector's performance, Pınar Su saw its total sales grow by 10% (as measured by tonnage) and by 26% (as measured by turnover) in 2012 as compared with 2011. Last year our company booked net sales worth TL 99.7 million.

In the PET-container segment, which is the one experiencing the most aggressive competition in our industry, our 6.6% 2011 market share increased to 7.0% in 2012.

Last year Pınar Su booked export sales worth USD 4.3 million. This figure, which corresponds to a 40% year-on rise in our company's export earnings, is consistent with the growth in the ratio of our international sales to total sales in recent years: 5.0% in 2010, 6.3% in 2011, and 7.7% in 2012.

Besides managing prices with an eye on market developments, two other factors that contributed to Pınar Su's financial performance last year were lower plastic resin prices (as compared with 2011) and a relaxation in exchange rates. Our company's gross profit margin increased in 2012.

In 2012 Pınar Su introduced many new consumer-focused innovations

Seeking to shape markets by spearheading innovations in its sector and to create change rather than just following it, Pınar Su introduced more consumer-focused innovations in 2012 as well.

The designs of the 75 cl and 33 cl glass bottles used at the Madran plant were renewed. (Pınar Su's bottles have even become a subject of interest among collectors of such objects.) A new half-liter bottle fitted with a Handy-Cap closure and decorated with Smurf characters and themes under license was specially designed for the children's market and became the target of strong appeal. In response to market trends, the Madran plant began producing 5-liter glass carboys and this format is now being put on sale throughout the entire country. In an innovative design that gives it a leg up on its competitors, this product is being marketed in two 5-liter glass containers supplied in a specially-designed basket. A new, POS-specific 3.25-liter PET bottle was introduced to the market as an alternative packaging format.

Another innovation that we introduced in 2012 was a service that allows consumers to place orders over the internet. For the first time in Turkey, customers now have the convenience of directly placing orders online and they are given the option of specifying delivery on dates and times of their own choosing. According to the results of a Turkish National Customer Satisfaction Index (TMME) survey, Pınar Su is the "best-liked" brand in the packaged water category in Turkey. I take this opportunity to extend my sincerest appreciation to our millions of consumers. It is to their loyalty and strong backing that we owe this wonderful accolade.

Two essential responsibilities that we will never shirk: Quality and Hygiene

At Pınar Su, the sustainability of our quality and hygiene standards underlies everything that we do. Water is indispensable to human life and our approach is to supply it to our consumers in its purest and most natural form. Because of our commitment to that approach, we are constantly introducing new processes that raise the bar by which our industry's quality is judged.

At its Aydın, Isparta and Sakarya plants, Pınar Su's bottling operations take place in a completely hygienic environment in which sterile air is maintained at a positive pressure inside to prevent contamination from outside while the interior air is constantly recirculated and refiltered to keep it clean. Bottling takes place without any manual intervention whatsoever. Extensive laboratory facilities allow the water to be subjected to a battery of physical, chemical, and microbiological tests at every stage of production.

Pınar Su regards quality and hygiene as its fundamental commitment to its consumers and as a corporate responsibility that it will never shirk.

Concerning the future…

As Leonardo da Vinci once said "Water is the driving force of all nature". At a time when we are contending with global warming and climate change, everyone at every level from private individual to national government needs to be aware of the importance and indispensability of water as a resource vital to the sustainability of the human race and the planet that it lives on.

We therefore plan and execute all of our investments as a company which understands the importance of sustainability and which has made that understanding n essential component of all of its production and trade processes. Our goal, as ever, is to supply our consumers with only the very best through our high quality standards, our logistical strengths, and our technical and business competencies while always safeguarding our natural resources. An expansion at our Hendek plant is one of the most comprehensive of its kind ever undertaken in our sector. When completed, this investment will substantially increase both our capacity and our efficiency.

Backed by the 40-year traditions of the brand it represents and by the values of the Yaşar Group of which it is a member, Pınar Su will remain on course as it advances into the future as a company whose practices make it a world-beating model and a driving force of Turkey's water industry.

In closing I therefore take this opportunity to extend, personally and on behalf of our Board of Directors, our thanks to all of our stakeholders for their valued support and contributions.

İdil Yiğitbaşı
Chairperson of the Board of Directors

At Pınar Su, the sustainability of our quality and hygiene standards underlies everything that we do.

Board of Directors, Senior Management, Audit Committee

İdil Yiğitbaşı
Chairperson

Yılmaz Gökoğlu
Deputy Chairperson

Turhan Talu
Independent Director

Mehmet Öğütçü
Independent Director

Mehmet Aktaş
Director

Hakkı Hikmet Altan
Director

Suat Özyiğit
Director

The Board of Directors and Terms of Office

Name	Title	Term of Office
İdil Yiğitbaşı	Chairperson	15 May 2012 - One year
Yılmaz Gökoğlu	Deputy Chairperson	15 May 2012 - One year
Turhan Talu	Independent Director	15 May 2012 - One year
Mehmet Öğütçü	Independent Director	15 May 2012 - One year
Mehmet Aktaş	Director	15 May 2012 - One year
Hakkı Hikmet Altan	Director	15 May 2012 - One year
Suat Özyiğit	Director	15 May 2012 - One year

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

Senior Management

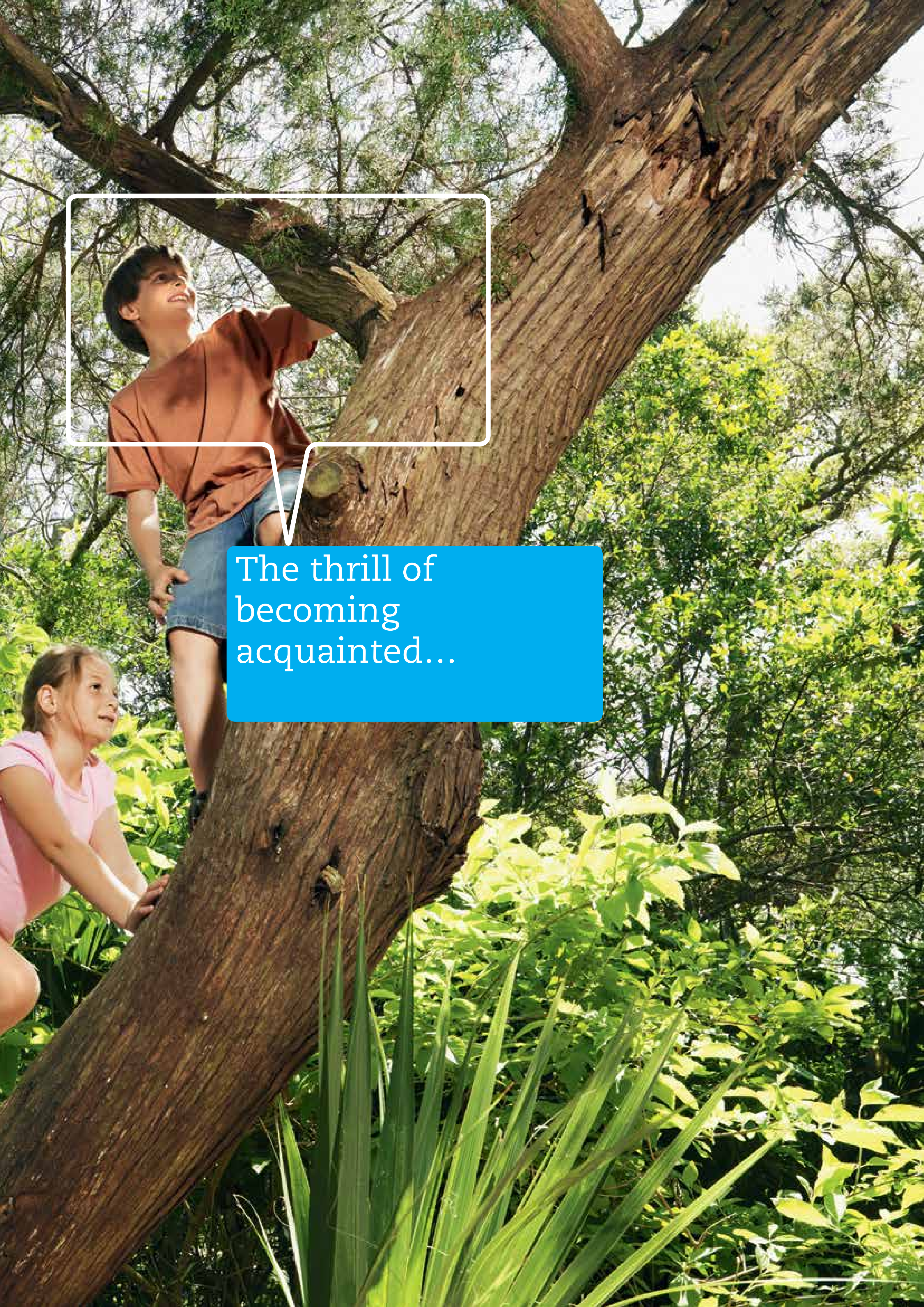
Name	Position
Hüseyin Karamehmetoğlu	General Manager
Gökhan Serdar	Financial Affairs and Finance Director
Emin Ağa Türkmen	Sales Director

The Audit Committee and Terms of Office

Name	Appointed	Term of Office
Kamil Deveci	15 May 2012	One year
Turgut Sarıoğlu	15 May 2012	One year

Limits of Authority:
Under article 15 of the company's articles of association, the duties, authorities, and accountabilities of auditors are governed by the applicable articles of the Turkish Commercial Code.

* Background information about members of the Board of Directors and senior managers is provided on page 39 of this report.


The thrill of becoming acquainted...

A decade of strong growth

3.7

The total turnover of the bottled water industry in Turkey is estimated to be worth close to TL 3.7 billion.

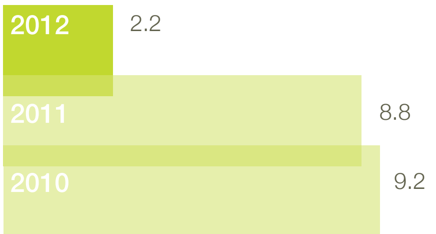
The Turkish Economy and the Water Sector in 2012

The consumption of packaged water has been growing strongly over the last decade.

2.2%

The Turkish economy grew by 2.2% in 2012.

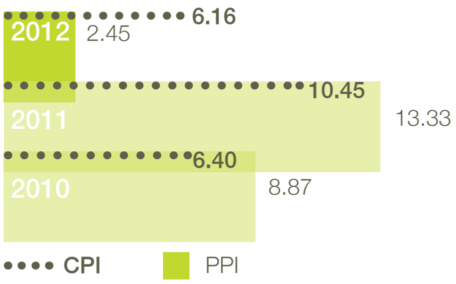
GDP Growth Rate - Fixed Prices (%)



The Turkish economy grew by 2.2% in 2012.

After growing by 8.8% year-on in 2011, the Turkish economy grew by only 2.2% in 2012.

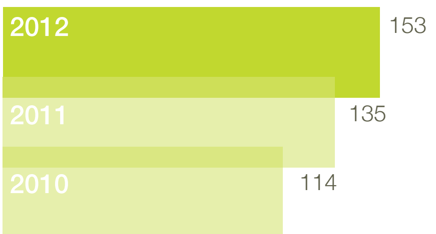
Inflation (%)



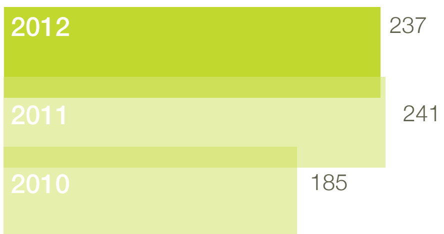
Inflation appears to be in decline.

In the twelve months to end-2012, the consumer price index (CPI, 2003 = 100) increased by 6.16%. During the same period, the producer price index (PPI) plummeted from 13.33% to just 2.45%.

Exports (USD billion)



Imports (USD billion)



Increases in exports impacted favorably on economic indicators.

Turkey's total exports increased by 13.1% in value in 2012 and reached USD 153 billion while imports were down slightly by 1.8% year-on and amounted to USD 237 billion. The country's terms of trade (TOT) ratio, which was 56.0% at end-2011 rose to 64.5% as of end-2012.

Source: TurkStat, CBT, Undersecretariat of Treasury

As an alternative to non-regulated water in homes as well as at business- and workplaces, the 19-liter polycarbonate container has contributed significantly to the growth in the consumption of packaged water over the last decade.

The Turkish packaged water industry

A water problem caused by inadequate infrastructure

The water-related problems with which Turkey began contending since the early 1990s stemmed more from inadequate infrastructure, especially in population-dense urban areas, than from anything else. As just two examples of this, leaky water mains caused losses of up to 60% of the total flow through them in some localities 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 critical in İstanbul at one point that the municipality began licensing "water stations" in an effort to alleviate it to a degree. 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 non-packaged water by the stations was prohibited.

The consumption of packaged water has been growing strongly over the last decade.

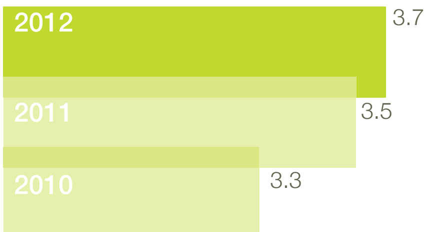
The biggest contributor to the growth in the consumption of packaged water over the last decade has been the 19-liter polycarbonate (PC) container. Turkey first became acquainted with this new form of packaging in the late 1990s and it provided a welcome alternative to both inadequate/undrinkable mains 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 essentially of two distinct segments which we may call "One-Way" (PET and glass containers) and "Returnable" (PC carboys). The single biggest problem with which the industry must contend is that of informal (which is to say unregistered) production. This problem is particularly severe in the Returnable segment and to a lesser degree in the One-Way segment, whose main delivery channel is formal retailing. Unregulated production not only leads to unfair competition but also exposes consumers and the public at large to serious health risks arising from unhygienic production methods and products.

Total sector turnover: TL 3.7 billion

The water market in Turkey in 2012 amounted to about 10.2 billion liters, on which was generated a total turnover on the order of TL 3.7 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.

Market Size of the Packaged Water Industry in Turkey (TL billion)



5&8 liters

The introduction of 5- and 8-liter glass carboys has also given a major boost to consumer demand for water packaged in glass containers.

2012 was an important year in the glass-container packaging category, with still more new brands entering the market with products in glass bottles.

22.5%

The PET retail market grew by 22.5% on a turnover basis in 2012.

Consumption rates at close to EU levels
Consumption of packaged water in Turkey is rapidly approaching EU levels. The country's per capita consumption of packaged water in 2012 amounted to 135 liters, of which 50 liters was in one-way (mostly PET) and 85 liters was in returnable (carboy) containers.

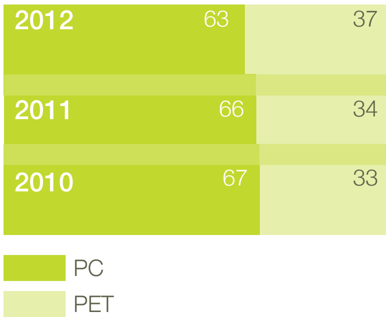
What this means is that 63% of the sector's sales by volume consist of carboys delivered to consumers while the remaining 37% consist of retail sales of water in one-way containers. According to figures published by the Turkish health ministry, there are about 300 licensed operators in the sector nationwide.

In the twelve months to end-2012, the PET market grew by 11.6% and 22.5% as measured by tonnage and turnover respectively.

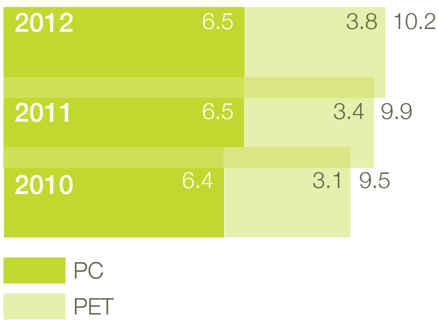
Slight contraction in the carboy market
The 19-liter carboy market suffered a slight year-on-year contraction on the order of 1% in 2012 that appears to be the result both of fewer households placing orders and of orders being placed less frequently.

However another reason for the contraction is the highly fragmented nature of the supply side of the market, which consists of a large number of local purveyors who lack the means to deal with large volumes of business.

PET - PC Breakdown of the Packaged Water Industry in Turkey (%)



Total Production in the Packaged Water Industry in Turkey (billion lt)

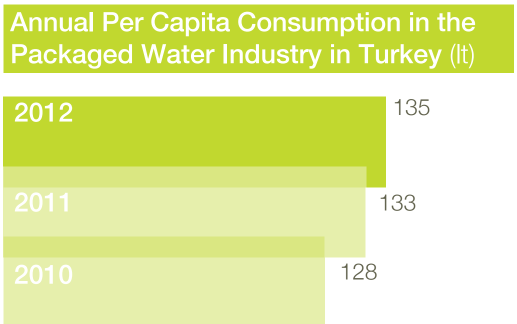


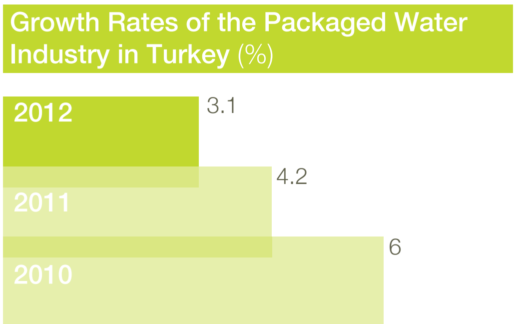
63% of the sector's sales by volume consist of carboys delivered to consumers while the remaining 37% consist of retail sales of water in one-way containers.

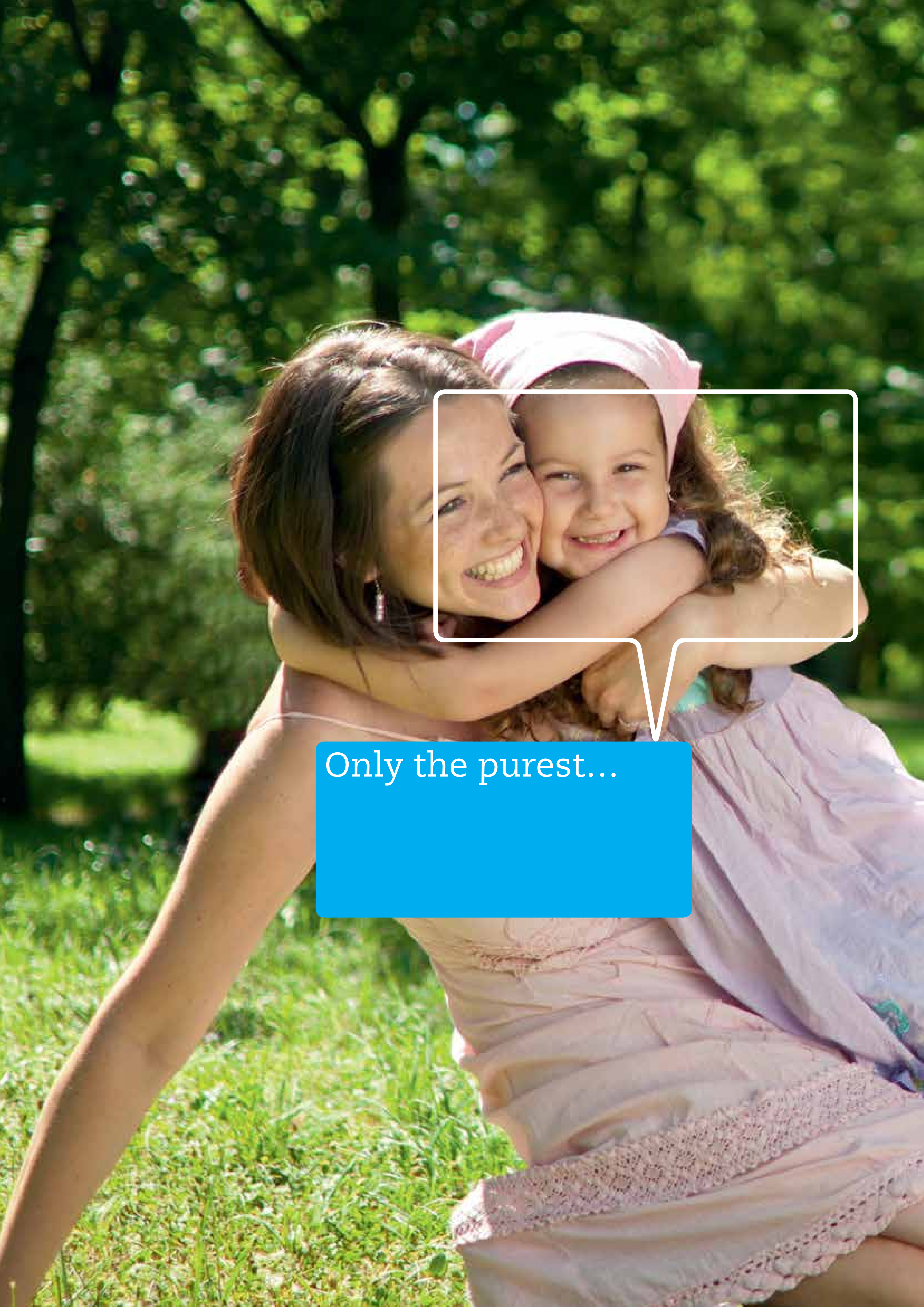
The demand for glass-container packaging is spreading.
2012 may have marked an important turning-point in the demand for water supplied in glass-container packaging. Still more new brands entered the market with products of their own in glass bottles as producers respond to growing retail consumer demand for a packaging format that used to be sold almost exclusively to hotels, restaurants, cafes and similar venues for many years. The introduction of 5- and 8-liter glass carboys has also given this market a major boost.

10.2

The water market in Turkey in 2012 amounted to about 10.2 billion liters.






Only the purest…

For all of our stakeholders...

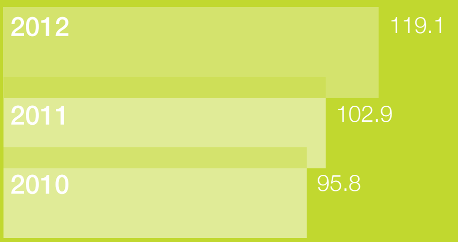
26%
turnover growth

In 2012, Pınar Su

- grew faster than the overall market thanks to its successful financial performance
- boosted its market share in the PET segment to 7%
- increased to total sales by 26% on a turnover basis
- launched many new consumer-focused projects.

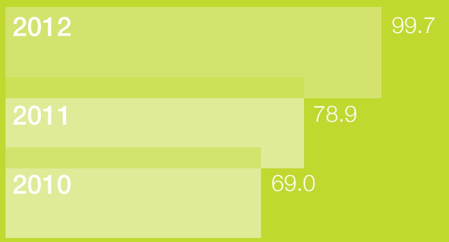
PET - PC Breakdown of Sales (%)

Total Assets (TL million)



In the twelve months to end-2012, Pınar Su's total assets rose by 15.7% and reached TL 119.1 million.

Net Sales (TL million)



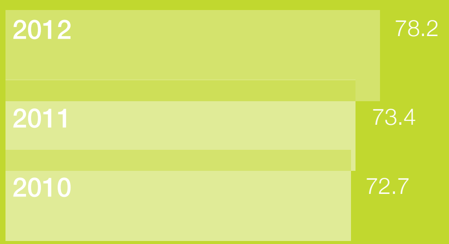
Net sales increased by 26.3% year-on in 2012 and amounted to TL 99.7 million in value.

Gross profit margins in 2012 were bolstered on the sales side by somewhat better prices and on the costs side both by lower at-source raw material prices and by favorable movements in exchange rates.

Net Profit (TL million)

In 2012 Pınar Su booked a net current profit worth TL 116,170.

Shareholders' Equity (TL million)



Pınar Su's shareholders' equity increased by 6% year-on-year in 2012 and amounted to TL 78.2 million in value.

Sales by Segment (tons)

Segment	2011	2012	% Change
PET	212,599	257,278	21
Carboy	218,823	216,405	(1)
Glass	2,070	3,420	65
Total	**433,492**	**477,103**	**10**

7.7%

Exports generated 7.7% of Pınar Su's total sales in 2012.

Pınar Su booked export sales worth USD 4.3 million in 2012, a figure that corresponds to a 40% year-on rise in its export earnings.

new

New product-specific campaigns introduced consumers to Pınar Su's glass carboys, half-liter Handy-Cap PET bottles, and "Season" concept glass bottles.

Pınar Su outperformed its targets in 2012.

Pınar Su grew faster than the overall market thanks to its successful financial performance in 2012. In the PET segment, its 6.6% 2011 market share increased to 7.0% in 2012.

Compared with what prevailed in 2011–a problematic year during which local suppliers engaged in vigorous price competition with one another–the market was considerably sounder in 2012.

Paralleling the overall improvement in the sector's performance in 2012, Pınar Su saw its total sales grow by 10% on a tonnage basis and by 26% on a turnover basis.

Last year Pınar Su booked net sales worth TL 99.7 million. Gross profit margins in 2012 were bolstered on the sales side by somewhat better prices and on the costs side both by lower at-source raw material prices and by favorable movements in exchange rates.

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.

In consumer communication, emphasis is given simultaneously to values such as "confidence", "naturalness", and "family bonding" and to the wholesome and palatable qualities of Pınar Su water.

In its sales-focused campaign and promotional activities, Pınar Su seeks to further strengthen consumer confidence and loyalty through messages that are informed by these themes. To support such efforts, the sales and distribution network is constantly strengthened and marketing investments are undertaken within the framework of predetermined strategies.

With the completion of its customer relationship management (CRM) infrastructure project in 2012, Pınar Su has segmented its customer base and begun planning loyalty campaigns which will be targeted at specific customer groups.

In line with the "Yaşam Pınarım" (Pınar: My Life Source) brand strategy that was inaugurated in 2010, consumers were introduced to the "Pınar Yaşam Pınarım'la Dolu Dolu Yaşa" (Live Life To the Full With Pınar: My Source Of Life) message in 2012. This message was widely disseminated through TV spots supported by outdoor and printed media advertising.

In parallel with this national communication campaign, more localized promotional campaigns were also run all year long in order to strengthen brand loyalty. For the first time, product-specific campaigns introduced the company's glass carboys, half-liter Handy-Cap PET bottles, and "Season" concept glass bottles.

2012 was witness to yet another first in the form of a new-customer acquisition project which focused on the company's 5-liter glass carboy and 19-liter PC carboy formats through outdoor advertising and special deals offered during the duration of the campaign.

"Live Life To the Full With Pınar: My Source Of Life"

In line with the "Yaşam Pınarım" (Pınar: My Life Source) brand strategy that was inaugurated in 2010, consumers were introduced to the "Pınar Yaşam Pınarım'la Dolu Dolu Yaşa" (Live Life To the Full With Pınar: My Source Of Life) message in 2012. This message was widely disseminated through TV spots supported by outdoor and printed media advertising.

Pınar Su exports to more than twenty countries located across a broad region.

An active participant in international markets for three decades, Pınar Su keeps a close watch on global developments, identifies its customers' needs, and shapes its export activities accordingly.

Although it sells mainly to European countries, in 2012 Pınar Su exported goods to Germany, Great Britain, Ireland, Belgium, Netherlands, Austria, Switzerland, Kosovo, Luxembourg, Denmark, Greece, Macedonia, Malta, Northern Cyprus, Libya, Kuwait, Bahrain, UAE, Iraq, Singapore, Australia, USA, Azerbaijan, and Romania.

Pınar Su intends to pursue near-term growth in Gulf countries, Iraq, Egypt, and Iran. The company is also exploring longer-term market opportunities in its nearer abroad, especially in the countries of Ukraine, Russia, and Georgia.

In 2012 Pınar Su booked export sales worth USD 4.3 million, a figure that corresponds to a 40% year-on rise in the company's export earnings. Exports generated 7.7% of Pınar Su's total sales in 2012.

One of Turkey's first fast-moving consumer goods (FMCG) brands to join the Turquality Project, Pınar successfully completed its fifth year of association with this government-supported venture conducted by the Undersecretariat for Foreign Trade and was included in the second 5-year phase.

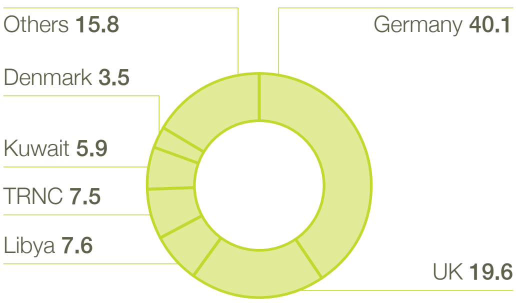
Pınar Su continues to undertake modernization investments aimed at increasing its productivity.

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

Pınar Su recently undertook and completed an investment in a new short-neck bottle format that contributes significantly towards reducing Pınar Su's environmental impact as well as its costs. Modernization investments which are currently in progress are intended to further increase its productivity.

Pınar Su's total investment outlays in 2012 amounted to TL 4,374,966, of which TL 291,162 was for infrastructure & grounds, TL 1,147,155 for buildings, TL 623,040 for machinery & equipment, and TL 2,313,609 for fixtures.

Breakdown of Exports by Destination (%)



For our customers and consumers…

quality

Pınar Su adheres to internationally recognized and accepted quality systems and standards.

Seeking to shape markets by spearheading innovations in its sector and to create change rather than just following it, Pınar Su introduced more consumer-focused innovations in 2012 as well.

#1

Pınar Su was cited as the "best-liked" brand in the packaged water category in Turkey in 2012.

New products launched in 2012

Pınar Su introduced many new consumer-focused innovations in 2012.
Seeking to shape markets by spearheading innovations in its sector and to create change rather than just following it, Pınar Su introduced more consumer-focused innovations in 2012 as well.

The designs of the 75 cl and 33 cl glass bottles used at the Madran plant were renewed with season-related themes which have already made the bottles a subject of interest among collectors of such objects.

In another innovation, this one a response to customer feedback, the plastic closures on our glass bottles were replaced with metal caps.

A new half-liter bottle fitted with a Handy-Cap closure and decorated with Smurf characters and themes was specially designed for the children's market and became the target of strong appeal.

In response to market trends, the Madran plant began producing 5-liter glass carboys. Products in this format were put on sale throughout the entire country in the last quarter of 2012.

Unlike its competitors, Pınar Su's offering has an innovative design consisting of two 5-liter glass containers supplied in a specially-designed basket.

A new, POS-specific 3.25-liter PET bottle was introduced to the market as an alternative packaging format.

Recognizing that excellence in service is one of the prerequisites for staying ahead of the competition, Pınar Su launched an internet-based online order-placement application in 2012. 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.

Awards & recognitions

According to a GfK-sponsored RepMan Reputation Research Center poll of 16,243 people, Pınar ranked among the top ten most highly-respected companies in Turkey in 2012.

In a 2011 survey conducted by the Nielsen research firm, Pınar ranked fourth among the brands that consumers in Turkey felt the closest to.

According to the 2012 Q2 results of the Turkish Customer Satisfaction Index, which reports the findings of a survey conducted jointly by KalDer and KA Research (an international project management company specializing in research, marketing, communication, and advisory services), Pınar Su was Turkey's "most-liked brand" in the packaged water category.

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

In the parlance of the water industry, a good source of water is one which is far from inhabited places and whose flow rate and chemical properties do not vary during the year owing to changes in rainfall or to drought.

Pınar Su was the first national-level company in Turkey to harvest and supply natural mineral water in bottled form. When undertaking investments, the company devotes great effort and attention to the issue of selecting only superior-quality natural sources of water.

Pınar Su currently harvests and packages superior-quality natural mineral water at three locations in Turkey:

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

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

Pınar Yaşam Pınarım-Madran

Located 1,000 meters above the nearest places of habitation in Aydın-Bozdoğan, the Pınar Madran spring is the source of some of the best-quality and most palatable mineral water available in Turkey. Its average hardness rating is 1.65 Fr.

Water from the Pınar Madran plant is supplied in 0.33 liter, 0.5 liter handy-cap, 1.5 liter, 2.5 liter, 5 liter, and 8 liter PET containers; in 0.33 liter and 0.75 liter glass bottles; and in 5 and 19 liter carboys. The plant's annual production capacity is 620,000 tons.

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_2-	None
Ph	7.04

Pınar Yaşam Pınarım-Akçaağaç

The Pınar Yaşam Pınarım-Akçaağaç spring is located in Isparta-Eğirdir at a place remote from centers of habitation and potential sources of industrial pollution. The unique magnesium and calcium content of the water harvested from these springs is said to help keep human metabolism in balance.

State-of-the-art technology and the Pınar approach to quality are deployed at the Pınar Yaşam Pınarım-Akçaağaç plant to bottle water in 0.5 liter, 1.5 liter, and 5 liter PET containers and 19 liter carboys. The plant has an annual production capacity of 210,000 tons.

SO_2-	2.2 mg/l
Na+	1.5 mg/l
Cl-	2.0 mg/l
NO_2-	None
Ph	8.01

Pınar Yaşam Pınarım-Gökçeağaç

The Pınar Yaşam Pınarım-Gökçeağaç spring and plant are located in Sakarya-Hendek. Water from the plant is supplied in 0.33 liter, 0.5 liter, 0.5 liter handy-cap, 1 liter, 1.5 liter, 3 liter, 5 liter, and 10 liter PET containers and in 19 liter carboys. The plant's annual production capacity is 607,000 tons.

SO_2-	8.17 mg/l
Na+	5.5 mg/l
Cl-	1.12 mg/l
NO_2-	None
Ph	8.2

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

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

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

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

PET preforms, the raw material from which PET containers are made, are procured by Pınar Su under long-term agreements which the company has entered into with multinational manufacturers who have operations in Turkey.

Pınar Su adheres strictly to international quality standards.

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

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

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

Auditing and product certification work is currently being carried out at the company's Gökçeağaç and Madran plants by NSF International (USA) and by SGS Institute

Recognizing that excellence in service is one of the prerequisites for staying ahead of the competition, Pınar Su launched an internet-based online order-placement application in 2012. 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.

hotline

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

Pınar Su Sipariş Hattı
444 99 00

Fresenius (Europe) to determine these facilities' compliance with international production standards.

A SAP QM management system has been installed and brought online linking all Pınar Su plants. By means of this system, the results of analyses of the company's materials and products are now accessible throughout the entire computer network. We have also begun using this system for the conduct of product certifications.

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

Pınar Su concentrates on keeping all elements of cost under control in order to maintain the efficiency of its business processes.

Cost optimization is always one of the most important items on Pınar Su's agenda.

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

Pınar Su has completed an investment in a new short-neck bottle format that reduces the environmental impact of its products while also cutting manufacturing costs. Revision and modernization investments were also carried out in the forming and filling machinery on the 0.5 liter and 1.5 liter PET lines. The amounts of plastic used to make PET containers and closures were also decreased, thereby reducing the total tonnage of waste released into the environment and making the company's products more eco-friendly. This change also has the effect of lowering the plastic material recycling costs to the same degree.

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

Distribution services have been standardized.

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

A procedure incorporating an interactive voice response system and the Pınar Su order hotline has been set up in order to better manage service and delivery performance in the carboy segment. Another system which dispatches orders directly to delivery personnel's mobile phones also makes it possible to keep track of whether or not deliveries are being made within prescribed periods of time.

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.

The goal of the consumer-focused call center is to achieve unconditional customer satisfaction.

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

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

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

As was the case in 2011, last year Pınar Su customers who had registered with the system were sent gift packs as a way of thanking them for their loyalty to the company.

Recognizing that excellence in service is one of the prerequisites for staying ahead of the competition, Pınar Su launched an internet-based online order-placement application in 2012. 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.

For our employees…

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

In 2012

432

At end-2012, Pınar Su had 432 people on its payroll.

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

Basic principles of Pınar Su's human resources policy:

- Creating successful, happy, and highly motivated personnel, increasing their loyalty, and holding onto them by putting the right person in the right job and by developing their qualifications
- Conducting a variety of intramural and extramural training programs on many different subjects in line with current and future needs within the framework of plans that are formulated for each position level in order to ensure the progression of its employees; enriching employee training through such methods as distance learning
- Being mindful of equality of opportunity and supporting career planning in the management of all promotions and appointments throughout its organization
- Providing employees with guidance in the performance of their jobs by means of explicitly-defined job descriptions
- Shortening newly-hired employees' adaptation periods by means of carefully designed and conducted orientation programs
- Using the Balanced Scorecard System to evaluate and improve employees' performance by ensuring that company objectives and individual objectives dovetail with each other, by encouraging results-focused job performance, and by systematically supporting employees' progression
- Conducting an annual Employee Opinion Survey by means of which employees are asked for their views about various issues; based on this feedback, developing and implementing appropriate action plans to increase employee satisfaction and loyalty
- Maintaining a safe workplace environment by taking all legally mandated measures to prevent occupational risks, to ensure health and safety, and to eliminate risk and accident factors as required by the company's occupational health and safety regulations.

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

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 published circulars and announcements as well as via the company intranet and bulletin boards.

Experiencing nature's repose…

For the environment and the community...

sensitive

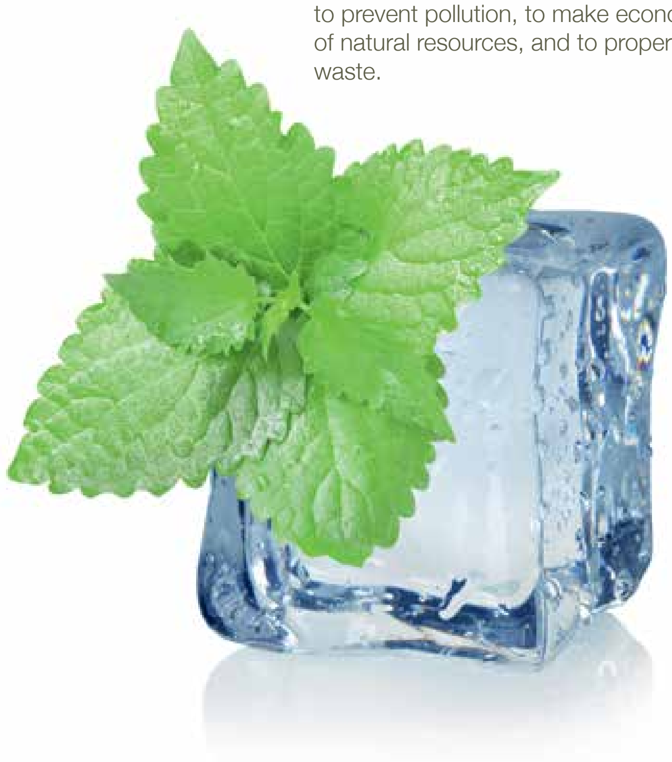
Pınar Su uses packaging materials that will generate the least amount of waste and have the least environmental impact during both the production and use stages of its products.

Pınar Su strives to constantly improve its environmental performance.

Pınar Su is working for a sustainable future.

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

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



There was a decrease in both energy consumption and energy costs in 2012.

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

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

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

The measurement and management of greenhouse gas emissions is of vital importance to efforts to protect the environment and to combat climate change. Keeping a close watch on the latest developments in energy conservation and alternative energy resource use, Pınar Su also regularly evaluates the carbon footprints of its operations.

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

Consolidated production line efficiency ratings improved.

Pınar Su seeks to turn out more product at the same unit energy cost by increasing its production line efficiency. As a result of such efforts in 2012, Pınar Su achieved consolidated production line efficiency performance ratings of:

- 78.7% at its Aydın-Bozdoğan plant
- 81.3% at its Adapazarı-Hendek plant
- 79.92% at its Isparta-Eğirdir plant
- 78.81% overall.

Pınar Su continues to collaborate with ÇEVKO.

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

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

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

Social Responsibility

When identifying the social responsibility projects that it will undertake, Pınar Su gives attention to the realities and needs of the country. The company takes pains to properly investigate its project options and it selects only those projects whose potential benefits are credible.

Ever since its inception as a company, Pınar Su has concentrated its corporate social responsibility project efforts in the areas of education and sport and the protection of cultural and artistic assets. Pınar Su involves itself in such projects in recognition of the social dimensions of its sustainability as a viable business enterprise.

Activities such as the Pınar Art Competition, the Pınar Children's Theater, and sponsorship of the Pınar Karşıyaka Basketball Team are recognized as outstanding examples of meaningful and sustainable social responsibility projects being undertaken in our country.

Pınar Art Competition

The Pınar Art Competition has been held for 31 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.

Acting also as guide for future artists as well, the Pınar Art Competition has been focusing on a different theme every year since it was inaugurated in 1981. A record-breaking number of youngsters took part in the 2012 competition, whose theme was "Come On! Let's Draw Our Dreams!".

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The Pınar Art Competition has been held annually for 31 years.

Recycled Packaging Materials

(kgs)	2011		2012	
	Supplied to Market	Recovered	Supplied to Market	Recovered
PET	3,503,036	1,331,154	3,808,416	1,523,366
PE	982,101	373,198	963,039	385,216
Cardboard	819,425	311,382	1,036,969	414,788
Glass	665,471	252,879	1,112,669	445,068

26%

The Pınar Children's Theater's public-awareness rating was 26% in 2012.

From among 1,068,440 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 31st Pınar Art Competition were rewarded with a chance to take part in a one-week art camp in İstanbul under the direction of the well-known artist Hüsamettin Koçan. At an award ceremony that was held on the last day of the art camp, the children also received certificates of attendance and netbooks as prizes while one of their number, a student from Diyarbakır, was awarded an art school scholarship as well.

According to a public-awareness poll conducted by GfK, the Pınar Children's Art Competition's public-awareness rating increased from 20% in 2011 to 26% in 2012.

Source: GfK Flavored Dairy Products Tracking Survey

Pınar Children's Theater in its 25th year

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

Since 1987, the Pınar Children's Theater has been employing a professional team of performers, directors, designers, and backstage crews to mount dozens of programs that are specially designed to appeal to children. For the 2011-2012 academic year, the theater mounted a new play, "Hooray! I'm Growing Up!", whose professionally-created scenery, costumes, staging, and music provides a theatrical experience and a visual feast that its audiences will never forget.

According to a public-awareness poll conducted by GfK, the Pınar Children's Theater's public-awareness rating was 20% in 2012.

Source: GfK Flavored Dairy Products Tracking Survey

Mystery Boxes Project

"Mystery Boxes" is an interactive workshop developed by the London Science Museum that teaches children about how science works and how to think scientifically through practical activity. The project is being made accessible to students with the support of Pınar working in collaboration with İnformel Eğitim/çocukistanbul, a member of Hands On International that promotes informal learning as a way of supporting formal education. Workshops are held at santralistanbul, an international platform for arts, culture and learning, inspired by a comprehensive, multi-dimensional and interdisciplinary vision.

Pınar & UNICEF Hand-In-Hand

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

Instead of sending out New Year's gifts in 2012, Pınar collaborated with UNICEF in making donations to Şanlıurfa regional primary schools that accept boarding pupils.

Pınar Institute

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

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

Support for sport

Pınar KSK

Pınar continues to support sports through its sponsorship of the Pınar Karşıyaka Basketball Team. Pınar has been an advertising sponsor of Pınar Karşıyaka, a basketball team that has been contending in the Turkish Premier Basketball League since 1998. Because one of the goals of such sponsorships is to inculcate an awareness of and a love for sports among children, every year nearly a thousand youngsters are also given access to the facilities of the Çiğli Selçuk Yaşar Sports Center thanks to Pınar's support.

Pınar was the main sponsor of the second Selçuk Yaşar Football Tournament, which was conducted by KSK between 1 December 2012 and 10 January 2013.

Yaşam Pınarım KVSK

In 2012, Pınar Su also supported volleyball sports through its sponsorship of the Pınar Karşıyaka Volleyball Sports Club.

ESTİ

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

Bornova Barışgücü

Pınar Su is a national sponsor and supplier for Bornova Barışgücü, a sports club whose members are physically disabled athletes from the İzmir region. The club's basketball team ranks among the top three contenders in the 2012-2013 Wheelchair Basketball Super League. Pınar Su will be providing the team with all of its drinking water during the season.

Turkish Athletics Federation

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

Publications

Yaşam Pınarım

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. Yaşam Pınarım focuses especially on content that will be of particular use to parents. The magazine is published quarterly in runs of 10,000 copies by Pınar and is distributed free of charge.

Fairs & Sponsorships

Every year Pınar Su takes part in fairs and similar events held in other countries in order to more effectively promote its products on international platforms. In 2012 Pınar Su exhibited at the Dubai Gulf Food Fair, the world's biggest annual food & hospitality show. In addition to showing off its own offerings, the fair also gave the company a chance to observe the latest innovations in its sector.

Major events sponsored by Pınar Su in 2012:

- Turkish, Balkan, and World Indoor Athletics Championship meets conducted by the International Association of Athletics Federations in January, February, and March 2012
- "27th Grandchildren Athletics Competition", an event organized by the Karşıyaka Rotary Club at the Atatürk Olympic Stadium in İzmir on April 5-6.
- "Hido Talent Camp", organized by the Hidayet Türkoğlu Sports Schools at the Halkapınar Gymnasium from 28 June to 1 July.
- "2nd Selçuk Yaşar Football Tournament", conducted by Karşıyaka Sports Club from 1 December 2012 to 10 January 2013.
- "Euroleague Final Four 2012"
- "Euroleague Women Final Eight", Europe's premier basketball tournament for women, at the Abdi İpekçi Gymnasium in İstanbul

support

Pınar continues to support sports as a sponsor of the Karşıyaka Pınar Basketball Team.

Corporate Governance Practices and Financial Information

Corporate Governance

Financial Information

Management

BOARD OF DIRECTORS

İdil Yiğitbaşı
Chairperson

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

Yılmaz Gökoğlu
Vice Chairperson

Yılmaz Gökoğlu received a bachelor's degree in economics and public finance from Ankara University, Faculty of Political Sciences in 1977. He worked as a tax inspector for the Ministry of Finance from 1978 through 1982, and joined Yaşar Group in 1983 where he held various senior management positions mostly in the fields of financial affairs and audit. Elected as a member of the Yaşar Holding Board of Directors in April 2007, Mr. Gökoğlu was appointed as Vice Chairperson of Yaşar Holding in June 2009. Mr. Gökoğlu, to whom audit and risk management coordinator reports, also serves as General Secretary of the boards of directors at the Yaşar Group. Yılmaz Gökoğlu has been holding seats on the board of directors of 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.

Mehmet Öğütçü
Independent Director

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

Dr. Mehmet Aktaş
Director

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

Management

Hakkı Hikmet Altan
Director

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

Suat Özyiğit
Director

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

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

SENIOR MANAGEMENT

Hüseyin Karamehmetoğlu
General Manager

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

Gökhan Serdar
Director of Financial Affairs and Finance

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

Emin Ağa Türkmen
Sales Director

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

Risk Management, Internal Control System and Internal Audit Activities

RISK MANAGEMENT

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

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

Risk Management Policy of the Company

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

Activities of the Early Detection of Risk Committee

The company’s Board of Directors decided that the Corporate Governance Committee shall function as the Early Detection of Risk Committee to advise and make suggestions to the Board of Directors 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

An Extraordinary General Assembly Meeting was not convened during 2012. An Extraordinary General Assembly Meeting was convened on 25 March 2013.

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 present report. In this report, the company's Board of Directors concluded that in all transactions the company carried out during 2012 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, from time to time, makes donations to foundations established for various purposes and to similar persons and/or institutions within the frame of the borders set by the relevant requirements of the Capital Market Law.

During 2012, the company's donations and grants to various organizations and institutions amounted to TL 76.170.

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

The related disclosure is presented in note 22 to financial statements for the period 01 January 2012 - 31 December 2012.

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

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

Changes in the Articles of Incorporation during the Reporting Period

It has been approved to amend "Article 9 - Board of Directors", "Article 10 - Duration of the Board of Directors", "Article 11 - Board of Directors Meetings", "Article 14 - Remuneration of the Board of Directors" and "Article 23 - Announcements" and to supplement "Article 34 - Compliance with Corporate Governance Principles" to the company's articles of incorporation by the T.R. Prime Ministry Capital Markets Board preliminary permission no. 3905 dated 06 April 2012 and T.R. Ministry of Customs and Trade General Directorate of Domestic Trade permission no. 2655 dated 10 April 2012; the same have been laid down for the approval of shareholders, and unanimously approved and ratified, at the 2011 ordinary general assembly meeting held on 15 May 2012.

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

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 2012, remunerations and similar payments made to the members of the Board of Directors and senior executives amounted to TL 660,078.

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

During 2012, 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 78,151,557 as at 31 December 2012 indicates that the issued capital of TL 12,733,000 has been very well maintained.

Agenda

1. Opening and electing the Presiding Committee,
2. Authorizing the Presiding Committee to sign the minutes of the General Assembly Meeting minutes,
3. Reading, deliberating and approving the Annual Report 2012 by the Company's Board of Directors,
4. Reading and deliberating the Statutory Auditors' Report and Independent Auditor's Report for 2012 fiscal year,
5. Reading, deliberating and approving the financial statements for 2012 fiscal year,
6. Acquitting the Company's directors of their fiduciary responsibilities for 2012 operations,
7. Acquitting statutory auditors of their fiduciary responsibility for 2012 operations,
8. Deliberating and deciding on amending "Article 2 - Company Name", "Article 3 - Objective and Scope of the Company", "Article 4 - Company Head Office and Branches", "Article 5 - Duration of the Company", "Article 6 - Registered Capital", "Article 8 - Redeemed Shares", "Article 9 - Board of Directors", "Article 10 - Duration of the Board of Directors", "Article 11 - Board of Directors Meetings", "Article 12 - Representing and Administering the Company", "Article 13 - Distribution of Duties among the Board of Directors Members", "Article 14 - Remuneration of the Board of Directors", "Article 18 - Place of Meeting", "Article 20 - Meeting Quorum", "Article 21 - Votes", "Article 22 - Appointment of Proxies", "Article 23 - Announcements", "Article 25 - Fiscal Year", "Article 27 - Distribution of Profit", "Article 28 - Dividend Distribution Timing", "Article 30 - Liquidation and Dissolution of Company", "Article 31 - Jurisdiction in Conflicts", "Article 32 - General Provisions", and "Article 33 - Bond and Financial Bill Issue", and deleting "Article 15 -Auditors", "Article 16 - Duties of Auditors", "Article 19 - Presence of Government Commissioner at the Meeting", "Article 24 - Amending the Articles of Incorporation", and "Article 26 - Annual Reports and Balance Sheet" from the articles of incorporation subject to the approval of the Capital Markets Board and the T.R. Ministry of Customs and Trade,
9. 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,
10. 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,
11. Informing shareholders, pursuant to Capital Markets Board ruling 28/780 dated 9 September 2009, about guarantees, pledges, or mortgages that have been granted by the Company in favor of third parties as well as about any income and benefits that may have been acquired on account of such guarantees, pledges, or mortgages.
12. 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,
13. Reading the Internal Regulations about the General Assembly meetings prepared pursuant to Article 419 of the Turkish Commercial Code and laying it down for the approval of the General Assembly,
14. Deliberating and voting on matters pertaining to the year's profits,
15. Presenting the Company's Dividend Policy for 2012 and thereafter for the information of the General Assembly,
16. Authorizing the Company directors to engage in the transactions as per Articles 395 and 396 of the Turkish Commercial Code,
17. Wishes and comments.

Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles:

During the operating period ended 31 December 2012, PINAR SU SANAYİ VE TİCARET A.Ş.("the Company") achieved compliance with the entirety of the mandatory articles of the Corporate Governance Principles appended to the "Communiqué Serial: IV No: 56 on the Determination and Implementation of Corporate Governance Principles" issued by the Capital Markets Board of Turkey (CMB). While it is intended to achieve full compliance also with the optional Corporate Governance Principles, that is yet to be attained for a number of reasons including the difficulties faced in practice in some of the principles, and only partial correspondence of some principles with the existing structure of the market and the company. While work is ongoing on principles that are not enforced yet, they are planned to be put into implementation following the completion of administrative, legal and technical infrastructural work that will contribute to the effective management of our company.

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

Key highlight of the efforts in relation to Corporate Governance during 2012 was the work on achieving compliance with the CMB Communiqué Serial: IV No: 56 that covers the new requirements for corporate governance principles. At our Ordinary General Assembly Meeting held during 2012, all alterations set out by the communiqué were made to the company's articles of incorporation. The process of identifying and publicly disclosing the nominees for independent board directors has been carried out and elections were made in accordance with the requirements. The remuneration policy for the Board of Directors and Senior Executives has been formulated and presented for the information of shareholders at the General Assembly Meeting. The General Assembly Information Document that was prepared made available all information that is mandatory to be disclosed as per the principles to the shareholders three weeks in advance of the General Assembly Meeting. The company's website and annual report have been reviewed and revised as necessary to ensure their full compliance with the principles.

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

PART I. SHAREHOLDERS

2) Investor Relations Department

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

Information about the Shareholder Relations Unit is provided below.

Capital Markets Coordinator: Senem Demirkan

Investor Relations Specialist: Gökhan Kavur

Tel : +90 232 482 2200

Fax : +90 232 489 1562

Email : investorrelations@pinarsu.com.tr

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

- The duties of the Investor Relations Department are listed below:
- Ensure that records pertaining to shareholders are maintained in a reliable, secure, and up-to-date manner.
- Respond to shareholders' written requests for all information about the company except that which has not been publicly disclosed or is confidential and/or in the nature of a trade secret.
- Ensure that General Assembly meetings are conducted in accordance with the requirements of current laws and regulations and of the company's articles of incorporation and other bylaws.
- Communicate with other units of the company and ensure that documents which shareholders may find useful at General Assembly meetings are prepared.

- Ensure that records are kept of the results of voting at General Assembly meetings.
- Supervise all issues related to public disclosures as required by law and the company's public disclosure policy.
- Ensure that investor relations activities are properly conducted.

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

The Unit participated in two investors conferences in 2012, during which it held one-on-one contacts with 15 investors, and had one-on-one meetings with about 25 others during the rest of the year. Moreover, more than 100 queries were responded by phone or e-mail during the reporting period. In addition, two analysts' meetings have been organized, which was open to participation of all analysts; addressing the Company's activities and financial results in the 12-month period of 2011 and the 6-month period of 2012; one of these two meetings was in webcast format. "Investor Presentations" drawn up in Turkish and English languages concerning the company's periodic results were published on the company's website. The website and investor presentations have been updated regularly to make sure that up-to-date information is made available to the investors at all times. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests

3. Shareholders' exercise of their right to obtain information

The fundamental principle in shareholders exercising their right to obtain information is that there should be no discrimination among shareholders. All information and documents that shareholders may need to exercise their shareholders' rights in a sound manner are made equally available to all shareholders on the company's corporate website. During 2012, 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 2012.

4. General Assembly Meetings:

The 2011 annual General Assembly meeting took place on 15 May 2012. Pursuant to article 20 ("Meeting quorums") of the company's articles of incorporation, the quorum requirements at General Assembly meetings are subject to the provisions of the Turkish Commercial Code. At the 2011 annual General Assembly meeting, 67.70% of the company's capital was represented. During the meeting, no attending shareholders or their proxies advanced any motions and all questions that were raised were responded to by the Presiding Committee. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

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

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

Corporate Governance Principles Compliance Report

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

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

At the company's General Assembly meetings, information is presented to the shareholders on the amount and recipients of the donations and grants made during the reporting period, and the changes in the relevant policy. This matter is addressed as a separate agenda item.

5. Voting rights and minority rights

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

6. Entitlement to Dividends:

Shareholders of preferred stock do not have any privileges applicable to dividends. The company's general policy with respect to dividends is to distribute its net profit having taken into account the company's financial position, investments that are to be made and other funding requirements, the sector's current circumstances, the economic environment, and the requirements of capital market and tax laws and regulations. However the actual amounts of profit to be distributed are determined every year taking all of the issues cited above into consideration. The company has formulated a Dividend Policy in line with the CMB's resolution of 27 January 2006 and it has publicly disclosed this policy by announcing it at a General Assembly meeting. Our dividend distribution policy is publicly disclosed also via our website. The dividend distribution policy has also been incorporated in the company's annual report.

No dividends were paid in 2012 as the company did not post a profit in 2011.

7. Transfer of shares

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

PART II. PUBLIC DISCLOSURES AND TRANSPARENCY

8) Company disclosure policy

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

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

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

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

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

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

10. Annual Report:

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

PART III: STAKEHOLDERS

11. Disclosure to Stakeholders:

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

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

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

12. Stakeholder participation in management:

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

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

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

13. Human resources policy:

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

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

Corporate Governance Principles Compliance Report

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

Basic human resources policies

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

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

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

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

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

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

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

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

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

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

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

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

14. Rules of Ethics and Social Responsibility:

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

The company seeks to make contributions that are beneficial to employees and to the community in the areas of culture, art, sport, and education through the Pınar Kido art competitions, the Pınar Kido children's theater, its sponsorship of Pınar Karşıyaka basketball team, farmer training programs, its newspaper Pınar, and its magazine Yaşam Pınarım. The company supports education by collaborating with organizations such as Yaşar University and Yaşar Education 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. In addition, within the framework of its corporate governance approach, work is underway for the formulation of the company's own rules of ethics. There are no rules of ethics of the Company which are publicly disclosed.

PART IV: BOARD OF DIRECTORS

15. Structure and Formation of the Board of Directors:

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

Name	Position	Independent Director or Not	Executive Director or Not	Term of Office
İdil Yiğitbaşı	Chairperson	Non-independent Board Director	Non-executive	1 year
Yılmaz Gökoğlu	Deputy Chairperson	Non-independent Board Director	Non-executive	1 year
Mehmet Aktaş	Director	Non-independent Board Director	Non-executive	1 year
Hakkı Hikmet Altan	Director	Non-independent Board Director	Non-executive	1 year
Suat Özyiğit	Director	Non-independent Board Director	Non-executive	1 year
Turhan Talu	Director	Independent Board Director	Non-executive	1 year
Mehmet Öğütçü	Director	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. Résumés of the Board directors are published in the company's annual report and corporate website. In accordance with the Capital Market legislation, independent Board directors have submitted their declarations of independence to the Corporate Governance Committee that acts as the Nomination Committee.

Two independent director candidates were presented for 2012 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 19 April 2012 and the Board of Directors meeting of 20 April 2012, and it has been decided to nominate all of them as independent directors. No situations arose that prejudiced independence as at 2012 operating period.

16. Operating Principles of the Board of Directors:

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

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

Details about the Board of Directors' operating principles and its activities during the 2012 reporting period are given below.

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

During the reporting period, the Board of Directors convened thirty-seven times. The Board of Directors shall convene upon a summons in the form of a written request made by its chairperson or by any director. The meeting agenda is sent out to the directors by registered airmail at least two weeks in advance of the meeting date. All directors are usually present at meetings. There were no unresolved disputes over issues during the 2012 reporting period. The questions raised during the meetings are not entered into record. No board directors have preferential voting or veto rights. There have been no related party transactions or material transactions that have been submitted for the approval of independent Board directors during the operating period. Board of Directors meetings are convened with a majority of the full membership, and decisions are passed by a simple majority of those present in the meeting.

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

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

Corporate Governance Principles Compliance Report

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

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

Within the scope of the duties of the 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 reports its relevant assessment to the Board of Directors for approval.

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

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.

According to the Corporate Governance Principles, both members of the Audit Committee and the head of the Audit Committee must be independent Board directors. Since there are two independent members on the company's Board of Directors, the same member may serve on more than one committee under the Board of Directors.

18. Risk Management and Internal Control Mechanism:

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

19. Strategic Goals of the Company:

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

20. Financial Rights:

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

Statutory Auditors' Report

TO THE GENERAL ASSEMBLY OF PINAR SU SANAYİ VE TİCARET A.Ş.

Company name	Pınar Su Sanayi ve Ticaret A.Ş.
Head office	Şehit Fethi Bey Caddesi No: 120 İzmir
Capital	12.789.345,27 TL.
Field of activity	Spring Water Bottling and Bottle Production
Statutory auditors' names, surnames, terms of office and whether they have a shareholding interest in the company	Kamil Deveci (15.05.2012 - one year) not a shareholder Turgut Sarıoğlu (15.05.2012 - one year) not a shareholder
Number of Board of Directors meetings participated in and of Board of Auditors meetings held	Board of Directors meetings: 37 Board of Auditors meetings: 12
Scope, dates and conclusions of the examination made on the accounts, books and documents of the company	At the end of each month, cash, cheques, bonds and receipts were counted, and the records and documents were screened on the basis of sampling method and no irregularities were found.
Number and results of the cash counts performed in the company's cashier's office pursuant to the related provisions of the Turkish Commercial Code	The cashier's office of the company was checked and counted 12 times and no irregularities were found.
Dates and results of the examinations made pursuant to the related provisions of the Turkish Commercial Code	Examination was performed at the end of each month, comments were provided for matters of uncertainty, and no irregularities were established.
Complaints and charges of fraud of which the company was advised and actions taken against them	None

We have examined the accounts and transactions of Pınar Su Sanayi ve Ticaret Anonim Şirketi for the period 01 January 2012 - 31 December 2012 with respect to their compliance with the Turkish Commercial Code, the company's articles of incorporation, and other applicable legislation, as well as generally accepted accounting principles and standards.

In our opinion, the attached balance sheet prepared on 31 December 2012, the contents of which we acknowledge, fairly and accurately presents the company's financial status on the date, and the income statement for the period 01 January 2012 - 31 December 2012 fairly and accurately presents the operating results for the period.

We hereby submit the balance sheet and income statement for your approval and the acquittal of the Board of Directors for your voting.

Statutory Auditor
Kamil Deveci

Statutory Auditor
Turgut Sarıoğlu

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 balance sheet as of 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting standards accepted by the Turkish Capital Market Board. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards issued by the Turkish Capital Market Board. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 also includes 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 is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

4. In our opinion, the accompanying financial statements give a true and fair view of the financial position of Pınar Su Sanayi ve Ticaret A.Ş. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted by the Turkish Capital Market Board (Note 2.1).

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Cansen Başaran Symes, SMMM
Partner
İstanbul, 14 March 2013

Pınar Su Sanayi ve Ticaret A.Ş.

Index to the Financial Statements for the Period Between 1 January and 31 December 2012

Convenience Translation into English of Financial Statements Originally Issued in Turkish

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(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
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	Notes	31 December 2012	31 December 2011
ASSETS			
Current Assets:		**33.588.699**	**22.944.185**
Cash and Cash Equivalents	6	561.129	1.817.495
Trade Receivables		13.572.914	10.359.017
- Due from Related Parties	37	2.220.837	1.152.356
- Other Trade Receivables	10	11.352.077	9.206.661
Other Receivables		10.935.355	4.500.419
- Due from Related Parties	37	10.314.246	3.992.730
- Other Receivables	11	621.109	507.689
Inventories	13	6.199.999	3.780.120
Other Current Assets	26	2.319.302	2.487.134
Non-current Assets:		**85.528.028**	**79.990.123**
Other Receivables	11	1.800	1.800
Financial Assets	7	21.716.172	16.915.571
Property, Plant and Equipment	18	62.092.156	62.815.863
Intangible Assets	19	132.021	236.408
Other Non-current Assets	26	1.585.879	20.481
TOTAL ASSETS		**119.116.727**	**102.934.308**

The financial statements at 31 December 2012 and for the year then ended have been approved for issue by the Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş. on 14 March 2013.

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

Pınar Su Sanayi ve Ticaret A.Ş.

Balance Sheets at 31 December 2012 and 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
Convenience Translation into English of Financial Statements Originally Issued in Turkish

	Notes	31 December 2012	31 December 2011
LIABILITIES			
Current Liabilities:		**33.534.225**	**21.653.906**
Financial liabilities	8	7.975.586	1.776.607
Trade Payables		22.315.164	17.038.738
- Due to Related Parties	37	482.045	832.131
- Other Trade Payables	10	21.833.119	16.206.607
Other Payables		34.348	64.513
- Due to Related Parties	37	10.335	11.443
- Other Payables	11	24.013	53.070
Provisions	22	1.826.377	2.322.635
Other Current Liabilities	26	1.382.750	451.413
Non-current Liabilities:		**7.430.945**	**7.878.270**
Financial Liabilities	8	156.778	945.748
Trade Payables	10	-	75.066
Provision for Employment Termination Benefits	24	1.502.602	847.798
Deferred Income Tax Liabilities	35	5.771.565	6.009.658
TOTAL LIABILITIES		**40.965.170**	**29.532.176**
EQUITY		**78.151.557**	**73.402.132**
Share Capital	27	12.789.345	12.789.345
Adjustment to Share Capital	27	11.713.515	11.713.515
Revaluation Reserve		38.412.857	33.759.186
- Revaluation Reserve	18	24.073.850	23.698.062
- Fair Value Reserves of Available-for-sale Investments	7	14.339.007	10.061.124
Restricted Reserves	27	4.180.008	4.180.008
Retained Earnings		10.939.662	11.830.983
Net Profit/(Loss) for the Year		116.170	(870.905)
TOTAL LIABILITIES AND EQUITY		**119.116.727**	**102.934.308**

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

Pınar Su Sanayi ve Ticaret A.Ş.

Statements of Comprehensive Income for the Years Ended at 31 December 2012 and 2011

(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 2012	1 January - 31 December 2011
Revenue	28	99.691.742	78.918.213
Cost of Sales	28	(53.112.036)	(44.859.196)
GROSS PROFIT	28	**46.579.706**	**34.059.017**
Marketing, Selling and Distribution Expenses	29	(37.601.348)	(30.179.045)
General administrative Expenses	29	(11.160.282)	(9.387.606)
Other Operating Income	31	1.082.634	3.582.279
Other Operating Expenses	31	(293.859)	(514.114)
OPERATING LOSS		**(1.393.149)**	**(2.439.469)**
Finance Income	32	2.497.866	2.186.843
Finance Expense	33	(991.027)	(1.164.609)
PROFIT/(LOSS) BEFORE TAXATION ON INCOME		**113.690**	**(1.417.235)**
Income Tax Income		2.480	546.330
- Taxes on Income	35	(544.356)	(250.492)
- Deferred Tax Income	35	546.836	796.822
NET PROFIT/(LOSS) FOR THE YEAR		**116.170**	**(870.905)**
Other comprehensive income:			
Increase/(Decrease) in Fair Value Reserves of Available-for-sale Investments	7	4.536.334	(6.023.766)
Increase in Revaluation Reserve	18	-	12.759.165
Tax Expense on Other Comprehensive Income/(Expense) - net	35	(258.451)	(1.986.495)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**4.277.883**	**4.748.904**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**4.394.053**	**3.877.999**
EARNINGS/(LOSS) PER SHARE (100 shares with a TL1 face value)	**36**	**0,0091**	**(0,0681)**

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

Pınar Su Sanayi ve Ticaret A.Ş.

Statements of Changes in Equity at 31 December 2012 and 2011

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
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	Share capital	Adjustment to share capital	Revaluation reserves	Fair value reserve of available-for sale investments	Restricted reserves	Retained earnings	Net profit/(loss) for the year	Total equity
Balances at 1 January 2011	**12.789.345**	**11.713.515**	**14.482.577**	**15.668.352**	**3.671.061**	**10.611.582**	**3.789.250**	**72.725.682**
Transfer of net profit for prior year to retained earnings	-	-	-	-	-	3.789.250	(3.789.250)	-
Legal and extraordinary reserves	-	-	-	-	508.947	(508.947)	-	-
Dividends paid (Note 27 and 37.ii.h)	-	-	-	-	-	(3.201.549)	-	(3.201.549)
Total comprehensive income/ (expense)	-	-	10.356.132	(5.607.228)	-	-	(870.905)	3.877.999
Depreciation transfer - net (Note 18)	-	-	(1.140.647)	-	-	1.140.647	-	-
Balances at 31 December 2011- as previously reported	**12.789.345**	**11.713.515**	**23.698.062**	**10.061.124**	**4.180.008**	**11.830.983**	**(870.905)**	**73.402.132**
Correction (Note 2.3.12.b)	-	-	1.692.836	-		(1.337.464)	-	355.372
Balances at 1 January 2012- as corrected	**12.789.345**	**11.713.515**	**25.390.898**	**10.061.124**	**4.180.008**	**10.493.519**	**(870.905)**	**73.757.504**
Transfer of prior year loss to accumulated losses	-	-	-	-	-	(870.905)	870.905	-
Total comprehensive income	-	-	-	4.277.883	-	-	116.170	4.394.053
Depreciation transfer - net (Note 18)	-	-	(1.317.048)	-		1.317.048	-	-
Balance at 31 December 2012	**12.789.345**	**11.713.515**	**24.073.850**	**14.339.007**	**4.180.008**	**10.939.662**	**116.170**	**78.151.557**

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 2012 and 2011

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

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	Notes	1 January - 31 December 2012	1 January - 31 December 2011
Cash flows from operating activities:			
Profit/(Loss) before taxation on income		113.690	(1.417.235)
Adjustments to reconcile profit/(loss) before taxation on income to net cash generated from operating activities:			
Depreciation and amortisation	18-19	5.030.584	4.539.300
Profit on sales on property, plant and equipment	31	(166.244)	(156.983)
Interest income	32	(988.541)	(769.113)
Interest expense	33	401.588	108.479
Provision for employment termination benefits	24	761.024	246.225
Reversal of impairment on inventory	31	-	(78.751)
Unutilised provision for impairment of receivables	31	-	(31.665)
Provision for doubtful receivables	31	35.073	161.494
Provision for spring water fee charge	22	3.101.159	2.163.138
Reversal of provision for litigation	31	-	(1.861.766)
Dividend income	31	(808.643)	(1.286.250)
Reversal of impairment on property, plant and equipment	31	-	(83.600)
Unrealized foreign exchange loss/(gain)		(462.257)	427.854
Net cash before the changes in assets and liabilities		**7.017.433**	**1.961.127**
Changes in assets and liabilities			
Increase in trade receivables	10	(2.180.489)	(1.348.384)
Increase in inventories	13	(2.419.879)	(711.377)
Increase in due from related parties	37	(1.068.481)	(94.176)
Increase in other receivables and other current assets		(947.265)	(27.886)
Increase in trade payables	10	5.551.446	6.652.317
Decrease in due to related parties	37	(351.194)	(52.329)
Increase/(Decrease) in other debt and liabilities		884.863	(147.830)
Collection of receivables	31	-	31.665
Employee termination benefits paid	24	(106.220)	(144.317)
Taxes paid	35	(1.106.126)	(346.513)
Litigations charges paid		(3.580.000)	(1.052.951)
Net cash generated from operating activities		**1.694.088**	**4.719.346**
Cash flows from investing activities:			
Interest received	32	988.541	769.113
Dividends received	37.ii.g	808.643	1.286.250
(Decrease)/Increase in non-trade receivables from related parties	37	(6.321.516)	2.469.630
Purchases of property, plant and equipment and intangible assets	18-19	(4.293.616)	(4.267.894)
Proceeds from sales of property, plant and equipment	31	663.034	484.719
Contribution to capital increase of available-for-sale investment	7	(264.267)	(253.846)
Net cash (used in)/generated from investing activities		**(8.419.181)**	**487.972**
Cash flows from financing activities:			
Increase in financial liabilities		7.560.413	977.520
Redemption of borrowings		(1.688.147)	(1.979.941)
Dividends paid	37.ii.h	-	(3.201.549)
Interest paid		(401.588)	(113.239)
Net cash generated from/(used in) financing activities		**5.470.678**	**(4.317.209)**
Net (decrease)/increase in cash and cash equivalents		**(1.254.415)**	**890.109**
Effect of foreign exchange on cash and cash equivalents		(1.951)	11.836
Cash and cash equivalents, at the beginning of year		**1.817.495**	**915.550**
Cash and cash equivalents, at the end of year	**6**	**561.129**	**1.817.495**

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

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Notes to the Financial Statements at 31 December 2012 and 2011

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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

Sales and distribution of the Company's products in the domestic market are performed by its own sales departments and its exports are performed by Yaşar Dış Ticaret A.Ş. ("Yataş"), which is Yaşar Group company (Note 37).

The Company is subject to the regulations of Turkish Capital Markets Board ("CMB") and 31,78% (2011: 31,78%) of its shares are quoted on the Istanbul Stock Exchange ("ISE") as at 31 December 2012. The ultimate parent of the Company is Yaşar Holding A.Ş ("Yaşar Holding") with 58.00% of shares of the Company (2011: 58,00%) (Note 27).

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 Basis of Presentation of Financial Statements

The financial statements of the Company have been prepared in accordance with the financial reporting standards issued by the Turkish Capital Market Board ("CMB").

The CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué XI, No: 29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes Communiqué XI, No: 25, "The Accounting Standards in the Capital Markets". According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Public Oversight Accounting and Auditing Standards Board ("POAASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the POAASB, which do not contradict with the aforementioned standards shall be applied.

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with the financial reporting standards accepted by the CMB ("the CMB Financial Reporting Standards"). Accordingly, IAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the IASB, has not been applied in the financial statements for the accounting year starting from 1 January 2005.

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by POAASB as of the date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcements in weekly newsletters including the mandatory disclosures. Within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, enterprises are obliged to present hedging rate of their total foreign exchange liability and total export and import amounts in the notes to the financial statements (Note 38).

Other than land, buildings and land improvements, machinery and equipments and financial assets and liabilities carried at their fair values, financial statements are prepared based on historical cost convention and in terms of Turkish Lira ("TL") which is the functional and reporting currency of the Company.

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

2.2 Amendments in International Financial Reporting Standards

a) Amendments and new standards and interpretations issued and effective have not been presented since they are not relevant to the operations of the Company or have immaterial effects.

b) Standards and amendments to existing standards that are not yet effective and have not been early adopted by the Company:

- IAS 19 (amendment), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Actuarial gains and losses arising from the calculations of provision for employment termination benefits will be classified under other comprehensive income without having an effect on the net profit/loss for the year. The Company is yet to assess IAS 19's full impact. The Company will apply the amendment since 1 January 2013 retrospectively.
- Amendment to IAS 1, "Financial statement presentation" regarding other comprehensive income, 1 July 2012, The main change resulting from these amendments is a requirement for entities to group items presented in "other comprehensive income" ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Company is yet to assess IAS 1's full impact.
- IFRS 9, "Financial instruments", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement, and recognition of financial assets and financial liabilities. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Company will also consider the impact of the remaining phases of IFRS 9 when completed.
- IFRS 12, "Disclosures of Interests in Other Entities" is effective for annual periods beginning on or after 1 January 2013. This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose instruments and other off balance sheet instruments. The Company is yet to assess IFRS12's full impact.
- IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The Company is yet to assess IFRS 13's full impact.
- IAS 28 (revised), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11 "Joint arrangements". The amendment does not have a significant impact on the Company's financial statements.
- IAS 32 (amendment), "Financial instruments: Presentation", on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. The amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The amendment does not have a significant impact on the Company's financial statements.
- IFRS 7 (amendment), "Financial instruments: Disclosures", on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. The amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements. The amendment does not have a significant impact on the Company's financial statements.

c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2012 and not early adopted:

- IFRS 10, "Consolidated financial statements" is effective for annual periods beginning on or after 1 January 2013. This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess.
- IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2013. This standard provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form. Proportional consolidation of joint ventures is no longer allowed.
- IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

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

2.3 Summary of Significant Accounting Policies

Significant accounting policies followed in the preparation of the financial statements are summarised below:

2.3.1 Revenue Recognition

Revenues are recognised 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 28)

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

Revenue is recognised as follows:

Sales of goods:

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

Interest income:

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

Dividend income:

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

2.3.2 Inventory

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. The cost of inventories is determined on the monthly weighted average basis (Note 13).

2.3.3 Property, plant and equipment

The Company's land and land improvements and buildings are stated at fair value, based on valuations by Elit Gayrimenkul Değerleme A.Ş. whereas machinery and equipment are stated at fair value, based on valuations by Vakıf Gayrimenkul Ekspertiz ve Değerlendirme A.Ş. as of 31 December 2011. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Property, plant and equipment, except for land and land improvements, buildings, machinery and equipment, acquired before 1 January 2005 are carried at cost, in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less the subsequent depreciation and impairment loss, if any, as of 31 December 2012 (Note 18).

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

Increases in the carrying amount arising on the revaluation of property, plant and equipment are credited to the revaluation reserve in equity. 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. 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.

Depreciation is provided on the restated or revalued amounts of property, plant and equipment on a straight-line basis (Note 18). Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of property, plant and equipments are as follows:

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

Property, plant and equipment are capitalised and depreciated when they are fully commissioned and in a physical state to meet their designed production capacity. Residual values of property, plant and equipment are deemed as negligible. The advances given for the property, plant and equipment purchases are classified under other non-current assets until the related asset is capitalised (Note 26). The assets' recoverable amounts and useful lives are reviewed, and adjusted prospectively, if applicable, at each balance sheet date (Note 2.3.12.a).

Subsequent costs are included in the asset's carrying value or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Property, plant and equipment are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (Note 2.3.5). The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The Company derecognises 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 (Note 31). On the disposal of revalued assets, amounts in the revaluation reserve related to that asset are transferred to the retained earnings.

2.3.4 Intangible assets

Intangible assets have finite useful lives and comprise of acquired rights, information systems and software. Intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and permanent impairment losses if any. Residual values of intangible assets are deemed as negligible. Intangible assets are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition. Gains or losses on disposals or impairments of intangible assets with respect to their amounts are included in related income and expense accounts. Residual values of intangible assets are deemed as negligible. Intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable (Note 2.3.5).

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

2.3.5 Impairment of assets

i. 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 (Note 35). 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.

ii. Impairment of financial assets

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 Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider,
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation,
- Observable data indicating that there is a measurable decrease in the estimated future cash flows.

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. The amount of the loss is the difference between the asset's carrying amount and the amount that is collectable. The collectable amount is the estimated all future cash flows, including collectable amounts from guarantees and various insurances, discounted at the financial asset's original effective interest rate.

2.3.6 Borrowing and borrowing cost

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 33). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 8).

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

2.3.7 Financial assets

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

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

a) Loans and receivables

Loans and receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. Loans and receivables arise, without held-for-sale intention, from the Company's supply of goods, service or direct fund to any debtor. If the maturity of these instruments are less than 12 months, these loans and receivables are classified in current assets and if more than 12 months, classified in non-current assets. The loans and receivables are included in trade receivables and other receivables in the balance sheet. Loans are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, loans and receivables are stated at amortised cost using the effective yield method less any impairment, if any.

b) Available-for-sale investments

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

All financial investments are initially recognized at cost, being the fair value of the consideration given and including acquisition charges associated with the investments, and subsequently carried at fair value. The financial assets which the Company has shares less than 20% and are classified as available-for-sale investments are carried at market value when there is quoted market price, they are carried at fair value by using generally accepted valuation techniques, when there is no active market for the financial asset. When there is no quoted market price, and when a reasonable estimate of fair value could not be determined as a result of being other methods inappropriate and unworkable, available-for-sale investments acquired before 1 January 2005 are carried at cost expressed in purchasing power of TL as at 31 December 2004 and available-for-sale investments acquired after 1 January 2005 are carried at cost, less impairment losses, if any (Note 7). Unrealized gains and losses arising from changes in fair value of securities classified as available-for-sale are recognized in the equity, rather than statement of comprehensive income until the related financial asset is derecognized. Change in fair value of available-for-sale investments is calculated as the difference between the discounted acquisition cost and the current fair value. Dividends on available-for-sale equity instruments are recognized in the statement of comprehensive income as part of other income when the Company's right to receive payments is established.

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

The Company does not have financial assets that associated with change in fair value of the statement of comprehensive income and not to held to maturity.

2.3.8 Foreign currency translations and balances

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

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

2.3.9 Earnings/(loss) per share

Earnings/(loss) per share disclosed in the statement of 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 36). Companies can increase their share capital by making a pro-rata distribution of shares (“bonus shares”) to existing shareholders from retained earnings. For the purpose of earnings/(loss) per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issues without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

2.3.10 Subsequent events

Subsequent events, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorised for issue (Note 40).

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

2.3.11 Provisions, contingent assets and contingent liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities. A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed, where an inflow of economic benefits is probable (Note 22).

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.

2.3.12 Accounting policies, errors and changes in accounting estimates

Material changes in accounting policies and accounting errors are applied on a retrospective basis as if a prior period error had never occurred or the policy had always been applied. The effect of change in accounting estimate shall be recognized prospectively by including it in the statement 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.

a) The followings are the changes in accounting estimates effective since 1 January 2012:

The Company management assessed the useful lives of property, plant and equipments and changed useful lives of buildings as of 1 January 2012. The effect of change in accounting estimate is recognised prospectively. Had the Company management not change the estimation, the depreciation expense for the year ended 31 December 2012, would be higher by TL740.024. Useful lives of buildings and land improvements, and, machinery and equipment have been updated as follows:

	Estimated Useful Lives	
	Before Change	After Change
Buildings and land improvements	12-40	25-45 years
Machinery and equipment	2-20	5-25 years

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

b) Prior year corrections:

In 2012, the Company made certain corrections regarding measurement of property, plant and equipments, intangible assets, deferred income tax and revaluation fund in prior years. The Company, according to IAS 8 "Accounting policies, changes in accounting estimates and errors" ("IAS 8"), corrected them without restating prior year financial statements on the grounds of materiality as of 1 January 2012 as follows:

	1 January 2012
Understatement in property, plant and equipment (Note 18)	396.660
Understatement in intangible assets (Note 19)	9.004
Understatement in deferred income tax liability (Note 35)	(50.292)
Overstatement in revaluation fund (Note 18)	(1.692.836)
Total effect on retained earnings	1.337.464
Total effect on equity	355.372

2.3.13 Related parties

For the purpose of the financial statements, shareholders having control, joint control or significant influence over the Company, Yaşar family members who are the ultimate parent of the Company, Yaşar Group Companies, fellow subsidiaries, key management personnel and board members and their close family members, together with companies controlled, jointly controlled or significantly influenced by them are considered as and referred to as related parties (Note 37).

2.3.14 Leases

i. Financial Leases

Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

ii. Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the lease term.

2.3.15 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.

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

2.3.16 Taxation on income

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date (Note 35). The adjustments related to prior period tax liabilities are recognised in other operating expenses. Deferred income tax is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity or in other comprehensive income. In case, when the tax is related to items recognized directly in equity or in other comprehensive income, the tax is also recognized in equity.

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes with the enacted tax rates as of the balance sheet date (Note 35).

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly (Note 35).

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset accordingly, at individual entity level (Note 35).

2.6.17 Employee benefits/Provision for employment termination benefits

In accordance with existing social security legislation and Turkish Labour 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 24). All actuarial gains and losses are recognized in the statements of comprehensive income.

2.3.18 Statement of cash flows

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 equipments and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash in hand accounts, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months.

2.3.19 Share capital and dividends

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

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

2.4 Critical accounting estimates and judgements

Preparation of financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognised 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

As of 31 December 2012, land and land improvements, buildings, machinery and equipment were stated at fair value less subsequent depreciation of land improvements, buildings, machinery and equipment, based on valuations performed by external independent valuer namely Elit Gayrimenkul Değerleme A.Ş. and Vakıf Gayrimenkul Değerleme A.Ş. based on the Company's assumption that those values do not significantly differ from their fair values as of 31 December 2011 (Note 18). Some revaluation techniques and assumptions are used in fair value determinations of land and land improvements, buildings, machinery and equipment. The carrying values of land, land improvements, buildings and machinery and equipment do not necessarily reflect the amounts that would result from the outcome of a sales transaction between independent parties and the impact of differences will be reflected in the financial statements during the financial period in which they are incurred.

The carrying values of land, land improvements and buildings do not necessarily reflect the amounts that would result from the outcome of a sales transaction between independent parties. The effects of such transactions would be recognised in the financial statements on a prospective basis.

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 7).

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 recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. 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.

2.5 Comparative information

Financial statements of the Company are prepared in comparison with prior financial period in order to enable determination of the financial situation and performance trends. The Company has prepared its balance sheet as of 31 December 2012 in comparison with the balance sheet as of 31 December 2011; and its statement of comprehensive income, cash flow and changes in equity in 1 January - 31 December 2012 financial period in comparison with 1 January - 31 December 2011 financial period.

Company has made a classification change amounted to TL2.163.138 related to spring water legal fee between cost of goods sold in comprehensive income and other operating expenses as of 31 December 2011 (Note 28 and 31.b). Aforementioned classification has no impact on accumulated losses, operation and losses for the financial year of related period.

2.6 Offsetting

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

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NOTE 3 - BUSINESS COMBINATIONS

None (2011: None).

NOTE 4 - JOINT VENTURES

None (2011: None).

NOTE 5 - SEGMENT REPORTING

Please see Note 2.3.15.

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2012	31 December 2011
Cash in hand	24.704	10.802
Banks		
- Demand deposits	128.910	205.651
- Local currency	79.090	132.996
- Foreign currency	49.820	72.655
- Time deposit	210.000	1.535.000
- Local currency	210.000	1.535.000
Other	197.515	66.042
	561.129	**1.817.495**

Time deposits are denominated in TL, all mature in less than one month (2011: less than one month) and bear the effective weighted average interest rate of 8,15% per annum ("p.a.") (2011: 11,40% per annum). Other cash and cash equivalents includes the credit cards slips held blocked at banks with an average term of 30 days (2011: 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 - FINANCIAL ASSETS

Available-for-sale investments:

	31 December 2012		31 December 2011	
	Carrying amount (TL)	Share (%)	Carrying amount (TL)	Share (%)
Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP")	18.952.683	4,74	14.627.242	4,74
Desa Enerji Elektrik Üretim A.Ş. ("Desa Enerji")	1.466.552	6,07	1.251.962	6,07
Viking Kağıt ve Selüloz A.Ş. ("Viking Kağıt")	676.923	1,69	690.462	1,69
Yataş	620.014	1,76	345.905	1,76
	21.716.172		**16.915.571**	

Viking Kağıt is stated at quoted market prices as they are listed on Borsa İstanbul; YBP, Yataş 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.

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NOTE 7 - FINANCIAL ASSETS (Continued)

The discount and growth rates used in discounted cash flow models as at 31 December 2012 and 2011 are as follows:

	Discount rate		Growth rate	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
YBP	8,60%	10,06%	1%	1%
Yataş	7,58%	11,06%	0%	0%
Desa Enerji	9,60%	11,06%	0%	0%

Movements of available-for-sale investments in 2012 and 2011 are as follows:

	2012	2011
1 January	**16.915.571**	**22.685.491**
Contribution to capital increase:		
Yataş	264.267	-
Viking Kağıt	-	253.846
Shareholding rate decrease:		
YBP	-	(154.296)
Fair value increase/(decrease)		
YBP	4.325.441	(5.100.473)
Desa Enerji	214.590	12.403
Yataş	9.842	(122.896)
Viking Kağıt	(13.539)	(658.504)
31 December	**21.716.172**	**16.915.571**

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

1 January	**10.061.124**	**15.668.352**
Increase in fair value	4.549.873	12.403
Decrease in fair value and shareholding rate	(13.539)	(6.036.169)
Deferred income tax on available-for-sale investments (Note 35)	(258.451)	416.538
31 December	**14.339.007**	**10.061.124**

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NOTE 8 - FINANCIAL LIABILITIES

	Effective weighted average interest rate p.a. (%)		Original foreign currency		TL equivalent	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Short-term financial liabilities:						
TL bank borrowings (*)	-	-	66.463	-	66.463	-
USD bank borrowings (**)	5,75	-	4.011.500	-	7.150.900	-
Short-term portion of long-term financial liabilities:						
EUR bank borrowings (***)	3,46	3,43	322.415	726.985	758.223	1.776.607
Total short-term financial liabilities					**7.975.586**	**1.776.607**
Long-term financial liabilities:						
EUR bank borrowings (***)	4,50	3,41	66.666	387.000	156.778	945.748
Total long-term financial liabilities:					**156.778**	**945.748**

(*) TL denominated short-term bank borrowings as of 31 December 2012 consists of interest-free spot (2011: None).

(**) USD denominated bank borrowings consist of borrowings with fixed interest rate 5.75%. p.a. The borrowings are transferred to Yaşar Holding with the same financial terms. (2011: None).

(***) EUR denominated bank borrowings consist of borrowings with semi-annually floating interest rates of Euribor+0.50% p.a. and borrowings with fixed interest rate 4.50% p.a. (2011: borrowings with semi-annually floating interest rates of Euribor+0.50% p.a. and borrowings with fixed interest rates between 4.50% and 4.86% p.a.).

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NOTE 8 - FINANCIAL LIABILITIES (Continued)

In 2012, the Company obtained a loan from a domestic financial institution amounting to USD4 million maturing in 2013. Interest rate of the loan was determined as annually interest rate of 5.75% p.a. and principal payments of the borrowing will be made on maturity date. Interest payments of the borrowing are made quarterly in four equal payments starting from the date when the borrowing is obtained. Yaşar Group company Yataş, have undersigned this loan agreement as the guarantors of this borrowing obtained.

The redemption schedule of long-term bank borrowings at 31 December 2012 and 2011 is as follows:

	31 December 2012	31 December 2011
2014	-	782.827
2015	156.778	162.921
	156.778	**945.748**

As of 31 December 2012 and 2011, 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 2012:		
Borrowings with floating interest rates	440.805	440.805
Borrowings with fixed interest rates	-	7.691.559
	440.805	**8.132.364**
31 December 2011:		
Borrowings with floating interest rates	1.370.972	1.370.972
Borrowings with fixed interest rates	-	1.351.383
	1.370.972	**2.722.355**

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

	Carrying Amounts		Fair Values	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Bank borrowings	8.132.364	2.722.355	8.527.107	2.765.340

The fair value of bank borrowings is based on cash flows discounted using the weighted effective rate based on the borrowing rate of 0,14% p.a for EUR.,0,31% p.a. for USD and 5,67% p.a. for TL (2011:1,42% p.a for EUR denominated bank borrowings).

NOTE 9 - OTHER FINANCIAL LIABILITIES

None (2011: None).

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NOTE 10 - TRADE RECEIVABLES AND PAYABLES

	31 December 2012	31 December 2011
a) Short-term trade receivables:		
Customer current accounts	7.327.225	5.419.452
Cheques and notes receivables	4.892.630	4.691.229
	12.219.855	**10.110.681**
Less: Provision for impairment of receivables	(832.375)	(797.302)
Unearned finance income	(35.403)	(106.718)
	11.352.077	**9.206.661**

At 31 December 2012, the effective weighted average interest rate applied to trade receivables is 7,63% p.a. (2011: 11,01% p.a.) and average collection terms of trade receivables are within 2 months (2011: 2 months).

The aging of trade receivables as of 31 December 2012 and 2011 are as follows:

Overdue	1.629.641	1.347.586
0-30 days	4.151.005	3.254.457
31-60 days	3.538.783	3.138.593
61-90 days	1.168.364	735.032
91 days and over	864.284	730.993
	11.352.077	**9.206.661**

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 2012 and 2011 are disclosed in Note 38.a.

The aging of overdue receivables as of 31 December 2012 and 2011 are as follows:

	2012	2011
0-90 days	1.554.759	1.303.489
91-180 days	74.882	44.097
	1.629.641	**1.347.586**

As of 31 December 2012, trade receivables of TL1.629.641 (2011: TL1.347.586) were past due and the Company holds collateral amounting to TL823.053 (2011: TL586.427) as security for such receivables.

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NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

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

	2012	2011
1 January	**(797.302)**	**(667.473)**
Charged to the statement of comprehensive income (Note 31.b)	(35.073)	(161.494)
Collections (Note 31.a)	-	31.665
31 December	**(832.375)**	**(797.302)**

	31 December 2012	31 December 2011
b) Short-term trade payables:		
Supplier current accounts	21.946.303	16.321.316
Less: Unincurred finance cost	(113.184)	(114.709)
	21.833.119	**16.206.607**

Short-term trade payables mainly consists of payables to raw material for bottled water and transportation suppliers as of 31 December 2012 and 2011. At 31 December 2012, the effective weighted average interest rate applied to short-term trade payables is 7,53% p.a. (2011: 11,01% p.a.) and short term trade payables mature within 2 months (2011: 2 months). TL5.322.564 (2011: TL5.013.055) of trade payables are overdue for one month on average as of 31 December 2012 (2011: one month).

c) Long-term trade payables:

Long term trade payables amounting to TL75.066 are comprised of payables due to fixed asset purchases and matures within 2013 as of 31 December 2011.

NOTE 11 - OTHER RECEIVABLES AND PAYABLES

	31 December 2012	31 December 2011
a) Other short-term receivables:		
Value added tax ("VAT") receivables	594.692	485.838
Deposits and guarantees given	26.105	20.075
Other	312	1.776
	621.109	**507.689**

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NOTE 11 - OTHER RECEIVABLES AND PAYABLES (Continued)

	31 December 2012	31 December 2011
b) Other long-term receivables:		
Deposits and guarantees given	1.800	1.800
	1.800	**1.800**
c) Other short-term payables:		
Deposits and guarantees received	13.039	23.039
Payables to personnel	10.974	30.031
	24.013	**53.070**

NOTE 12 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2011: None).

NOTE 13 - INVENTORIES

	31 December 2012	31 December 2011
Raw materials	2.250.343	1.099.853
Finished goods	1.419.118	778.283
Demijohn stocks	858.019	550.296
Pallet stocks	685.604	474.737
Spare parts	918.131	828.530
Other	68.784	48.421
	6.199.999	**3.780.120**

Cost of inventories recognized as expense and included in cost of sales amounted to TL32.156.119 (2011: TL27.256.124) (Note 30). 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.

NOTE 14 - BIOLOGICAL ASSETS

None (2011: None).

NOTE 15 - CONSTRUCTION CONTRACT RECEIVABLES

None (2011: None).

NOTE 16 - INVESTMENT IN ASSOCIATE ACCOUNTED BY EQUITY ACCOUNTING

None (2011: None).

NOTE 17 - INVESTMENT PROPERTY

None (2011: None).

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NOTE 18 - PROPERTY, PLANT AND EQUIPMENT

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

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

(*) Please see Note 2.3.12.b.

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

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NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment between 1 January and 31 December 2011 were as follows:

	1 January 2011	Additions	Disposals	Transfers	Revaluation	Reversal of impairment (Note 31.a)	31 December 2011
Cost/revaluation							
Land	5.992.000	-	-	-	992.000	-	6.984.000
Buildings and land improvements	13.816.514	25.170	-	-	1.663.316	-	15.505.000
Machinery and equipment	33.177.725	1.168.059	(67.109)	1.297.725	-	83.600	35.660.000
Motor vehicles	462.822	-	-	-	-	-	462.822
Furniture and fixtures	11.194.621	1.629.151	(417.039)	-	-	-	12.406.733
Construction in progress	-	1.297.725	-	(1.297.725)	-	-	-
	64.643.682	**4.120.105**	**(484.148)**	**-**	**2.655.316**	**83.600**	**71.018.555**
Accumulated depreciation							
Buildings and land improvements	(1.457.131)	(737.722)	-	-	2.194.853		-
Machinery and equipment	(4.994.782)	(2.934.347)	20.133	-	7.908.996	-	-
Motor vehicles	(389.414)	(47.779)	-	-	-	-	(437.193)
Furniture and fixtures	(7.121.803)	(779.975)	136.279	-	-	-	(7.765.499)
	(13.963.130)	**(4.499.823)**	**156.412**	**-**	**10.103.849**	**-**	**(8.202.692)**
Net book value	**50.680.552**						**62.815.863**

The Company eliminated the accumulated depreciation against the gross carrying amount of the relevant asset, in line with IAS 16 "Property, plant and equipment" and accordingly revised the movements of property, plant and equipment for the comparative period, accordingly.

Additions to the property, plant and equipment within the year 2011 mainly consist of machinery investment related with bottled water production. Disposals from furnitures and fixtures are mainly related with the disposal of water dispensers, steel and plastic racks.

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NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Current year's depreciation and amortisation charges were allocated to cost of production by TL3.771.475 (2011: TL3.329.362), to selling and marketing expenses by TL850.274 (2011: TL760.105) (Note 29.a) and to general and administrative expenses by TL408.835 (2011: TL449.833) (Note 29.b).

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2012 and 2011 were as follows:

1 January 2011	**14.482.577**
Increase in revaluation reserve of land, land improvements and buildings	4.850.169
Increase in revaluation reserve of machinery and equipment	7.908.996
Deferred income tax calculated on increase in revaluation reserve	(2.403.033)
Depreciation on revaluation reserve transferred to retained earnings-net	(1.140.647)
31 December 2011	**23.698.062**
Correction (See Note 2.3.12.b)	1.692.836
Depreciation on revaluation reserve transferred to retained earnings-net	(1.317.048)
31 December 2012	**24.073.850**

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 2012 and 2011, are as follows:

31 December 2012:	**Land**	**Buildings and land improvements**	**Machinery and equipment**
Cost	971.563	9.505.023	47.448.054
Less: Accumulated depreciation	-	(3.370.436)	(27.178.217)
Net book value	**971.563**	**6.134.587**	**20.269.837**

31 December 2011:	**Land**	**Buildings and land improvements**	**Machinery and equipment**
Cost	971.563	8.066.707	46.891.094
Less: Accumulated depreciation	-	(3.030.871)	(25.312.452)
Net book value	**971.563**	**5.035.836**	**21.578.642**

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NOTE 19 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the years 1 January - 31 December 2012 and 2011 were as follows:

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

(*) Please see Note 2.3.12.b.

	1 January 2011	Additions	31 December 2011
Costs:			
Rights	1.074.467	147.789	1.222.256
Accumulated amortisation	(946.371)	(39.477)	(985.848)
Net book value	**128.096**		**236.408**

NOTE 20 - GOODWILL

None (2011: None).

NOTE 21 - GOVERNMENT GRANTS

None (2011: None).

NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2012	31 December 2011
a) Short-term provisions:		
Provision for spring water fee	1.304.297	1.783.138
Management bonus accrual	220.000	220.000
Provision of advertising and promotion	137.876	162.429
Provision for seniority incentive bonus	136.693	84.568
Other	27.511	72.500
	1.826.377	**2.322.635**

Aydın Bozdoğan Municipality charged a total of TL3.101.159 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 2012. 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 2012, the local court rejected the lawsuit, which was subsequently taken to a higher court for appeal. In line with the prudency principle of accounting, Company management recognised the mentioned spring water fee provision in the statement of income as cost of sales (Note 30).

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NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Movements of the provision the spring water fee provision during the years 2012 and 2011 are as follows:

	2012	2011
1 January	**1.783.138**	**-**
Charged to statement of comprehensive income (Note 31.b)	3.101.159	2.163.138
Paid	(3.580.000)	(380.000)
31 December	**1.304.297**	**1.783.138**

	31 December 2012	31 December 2011
b) Guarantees given:		
Bails	666.592.500	702.732.500
Letters of guarantee	8.522.336	6.619.733
	675.114.836	**709.352.233**

As of 31 December 2012, guarantees given are mainly related with joint guarantees provided by the Company along with Yaşar Group companies in relation to the repayment of loans obtained by Yaşar Group companies from financial institutions amounting to EUR75.000.000 and USD275.000.000, equivalent of TL666.592.500 (2011: EUR75.000.000 and USD275.000.000, equivalent of TL702.732.500) (Note 37).

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended 31 December 2012 and 2011 were as follows:

	31 December 2012			31 December 2011		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
CPM provided by the Company:						
A. Total amount of CPM given on behalf of the Company	TL	8.522.336	8.522.336	TL	6.619.733	6.619.733
B. Total amount of CPM given on behalf of fully consolidated companies	-	-	-	-	-	-
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	-	-	-	-	-	-
D. Total amount of other CPM			666.592.500			702.732.500
i. Total amount of CPM given on behalf of the main shareholder			445.650.000			472.225.000
	USD	*250.000.000*	*445.650.000*	*USD*	*250.000.000*	*472.225.000*
	EUR			*EUR*	-	-
ii. Total amount of CPM given on behalf other group companies which are not in scope of B and C.			220.942.500			230.507.500
	USD	*25.000.000*	*44.565.000*	*USD*	*25.000.000*	*47.222.500*
	EUR	*75.000.000*	*176.377.500*	*EUR*	*75.000.000*	*183.285.000*
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-	-	-	-	-
			675.114.836			**709.352.233**
Total amount of other CPM/Equity			853%			957%

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NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

	31 December 2012	31 December 2011
c) Guarantees received:		
Letters of guarantee	18.267.807	12.618.500
Bails	7.130.400	-
Mortgages	5.975.035	6.555.535
Guarantee notes	1.941.283	1.876.002
Other	600.319	624.919
	33.914.844	**21.674.956**

Guarantees are mainly received from customers. Bails received are mainly related with the bails provided by Yataş, a Yaşar Group company, for repayment of borrowings obtained from a domestic financial institution amounting to USD4.000.000, equivalent of TL7.130.400 (2011: None).

NOTE 23 - COMMITMENTS

Total amount of raw material purchase commitments as of 31 December 2012 is TL3.062.000 (2011: TL2.600.000). Purchase commitments are expected to be fulfilled in accordance with the Company's management predictions and budgets for the year of 2013 (2011: Purchase commitments were fulfilled on subsequent period).

The Company has machinery and equipment purchase commitments related with investments for the new pet bottle production line in the production facility in Sakarya amounting to EUR5.431.075 equivalent of TL12.772.259 as of 31 December 2012.(2011:None)

NOTE 24 - EMPLOYEE BENEFITS

	31 December 2012	31 December 2011
Provision for employment termination benefits	1.502.602	847.798
	1.502.602	**847.798**

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 TL3.033,98 for each year of service as of 31 December 2012 (2011: TL2.731,85).

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

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of 3.129,25 which is effective from 1 January 2012 (2011: 2.805,04 TL) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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

	31 December 2012	31 December 2011
Discount rate (p.a)	3,50%	4,66%
Probability of retirement (%)	97,61%	96,62%

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NOTE 24 - EMPLOYEE BENEFITS (Continued)

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

	2012	2011
1 January	**847.798**	**745.890**
Interest costs	39.507	34.758
Actuarial losses	529.452	58.014
Annual charge	192.065	153.453
Paid during the year	(106.220)	(144.317)
31 December	**1.502.602**	**847.798**

The total of interest cost, actuarial losses and annual charge for the year amounting to TL761.024 (2011:TL246.225) were allocated to general administrative expenses by TL707.472 (2011: TL193.193) (Note 29) and to cost of sales by TL53.552 (2011: TL53.032).

NOTE 25 - PENSION PLANS

None (2011: None).

NOTE 26 - OTHER ASSETS AND LIABILITIES

	31 December 2012	31 December 2011
a) Other current assets		
Prepaid expenses	849.167	347.212
VAT deductible	761.299	1.692.924
Prepaid income taxes	561.770	346.513
Order advances given	120.852	62.529
Other	26.214	37.956
	2.319.302	**2.487.134**

	31 December 2012	31 December 2011
b) Other non-current assets:		
Advances payment	1.575.639	-
Prepaid expenses	10.240	20.481
	1.585.879	**20.481**

As of 31 December 2012, the advances are mainly comprised of the advance given for machinery, plant and device investments. (2011: None)

c) Other current liabilities:

Advances received	813.674	132.509
Withholding taxes and funds payable	569.076	318.904
	1.382.750	**451.413**

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NOTE 27 - EQUITY

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 2012 and 2011 is as follows:

	31 December 2012	31 December 2011
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 2012 and 2011 were as follows:

	31 December 2012		31 December 2011	
Shareholders	**Share (%)**	**TL**	**Share (%)**	**TL**
Yaşar Holding	58,00	7.417.546	58,00	7.417.546
Public quotation	31,78	4.064.924	31,78	4.064.924
Pınar Süt Mamülleri Sanayii A.Ş. ("Pınar Süt")	8,77	1.122.150	8,77	1.122.150
YBP	0,80	101.992	0,80	101.992
Hedef Ziraat Tic. Ve San. A.Ş ("Hedef Ziraat")	0,09	11.318	0,09	11.318
Yataş	0,03	3.773	0,03	3.773
Other	0,53	67.642	0,53	67.642
Total share capital	**100,00**	**12.789.345**	**100,00**	**12.789.345**
Adjustment to share capital		11.713.515		11.713.515
Total paid-in capital		**24.502.860**		**24.502.860**

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

Inflation adjustment to share capital amounting to TL11.713.515 (2011: 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 (2011: 1.278.934.500) units of shares with a face value of Kr1 each as of 31 December 2012.

The Company's authorised registered share capital is composed of registered shares and its shares have been quoted at the Istanbul Stock Exchange ("ISE"). There are no privileges given to specific shareholders.

According to Turkish Commercial Law, interest cannot be paid for capital and dividend can be distributed only if via net profit for the year and free capital and legal reserves. Five percent of the annual profit is reserved as legal reserve until it reaches to the twenty percent of the paid in capital. After reached to this point:

a) Premium which exists respect to coming in sight of new shares, its issuing expenditures, amortization provisions and its non-charitable used part

b) The cost that is paid for the cancelation of common stock bonds in order to foreclose, and the final amount remaining after subtracting the cost of new stocks which are going to be given replacement of these cancelled stocks with the new ones,

c) After five percent of dividend is paid to the shareholders, ten percent of the amount that is going to be distributed to the other participating profit shareholders,

are added to general legal capital reserves.

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NOTE 27 - EQUITY (Continued)

If it does not excess the half of the legal capital reserves reserved, it can be used in purpose of only if recovering the losses, continue of business in difficult time of business in terms going concern, preventing unemployment, und related precautions taken in order to stop similar bad events and consequences. Company reserves the capital reserves with respect to cover value of its acquisitions. These capital reserves can be broken only if the nominal shares are transferred or destroyed with respect to their original costs. The article related to revaluation fund says, the other funds which are taking part in liabilities can be broken only if they are transmitted into the capital, revalued assets are amortized or transferred.

Allocating more than 5% of annual profit to contingency reserve and exceeding the contingency reserve 20% of paid in capital can be put in the articles of corporation. Predicting to allocate different contingency reserve by Articles of corporation and the expense ways and conditions can be defined in order to allocation.

Dividends cannot be defined without allocating the contingency reserve according to prediction of law and articles of corporation. General assembly can decide to allocate contingency reserve by predicting law and articles of corporation, if it’s necessary to re-provide the assets, when considering the all shareholder’s benefits, if company’s continuous development and distribution of dividend seems fair. Besides, even there is not any sentence in the core contract; general assembly can reserve capital reserve to set up social rights and welfare organization for its workers, for labor organizations in terms of existence and sustainability of these organisms and other social and charitable purposes.

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 (2011: TL4.180.008) as of 31 December 2012. The unrestricted extraordinary reserves the Company amount to TL11.673.135 (2011: TL11.673.135), and classified in the retained earnings.

In accordance with the Communiqué No: XI-29 and 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 inflation adjustment of “Restricted Reserves” and “Share Premium” and 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 as follows:

Based on CMB Decree No. 2/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations. Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of CMB Communiqué IV, No: 27, their articles of association and their previously publicly declared profit distribution policies.

Composition of the equity items subject to the profit distribution as per statutory financial statements of the Company is as follows:

	31 December 2012	31 December 2011
Extraordinary reserves	11.673.135	11.673.135
Net profit for the year	1.933.902	442.337
	13.607.037	**12.115.472**

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NOTE 28 - SALES AND COST OF SALES

	1 January - 31 December 2012	1 January - 31 December 2011
Domestic sales	186.641.107	152.497.520
Exports	7.730.394	5.008.222
Gross sales	194.371.501	157.505.742
Less: Discounts	(94.303.232)	(78.201.068)
Returns	(376.527)	(386.461)
Net sales	**99.691.742**	**78.918.213**
Cost of sales	**(53.112.036)**	**(44.859.196)**
Gross profit	**46.579.706**	**34.059.017**

NOTE 29 - MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2012	1 January - 31 December 2011
a) Marketing, selling and distribution expenses:		
Transportation and export expenses	21.247.471	17.423.075
Advertisement	7.391.230	5.827.032
Staff costs	3.024.024	2.214.313
Outsourced services	2.806.760	2.113.712
Depreciation and amortisation	850.274	760.105
Energy	694.099	590.385
Rent	674.687	547.649
Repair and maintenance	477.848	313.836
Other	434.955	388.938
	37.601.348	**30.179.045**
b) General administrative expenses:		
Staff costs	4.625.692	4.439.285
Consultancy	1.721.392	1.353.050
Outsourced services	1.646.530	1.126.617
Employment termination benefits	707.472	193.193
Depreciation and amortisation	408.835	449.833
Rent	333.344	284.611
Energy	324.062	322.348
Travelling expenses	241.775	181.887
Representation and hosting	198.926	193.122
Communication and IT expenses	159.880	165.347
Other	792.374	678.313
	11.160.282	**9.387.606**
Total operating expenses	**48.761.630**	**39.566.651**

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NOTE 30 - EXPENSES BY NATURE

	1 January - 31 December 2012	1 January - 31 December 2011
Material costs	32.156.119	27.256.124
Transportation and export expenses	21.247.471	17.423.075
Staff costs	10.530.023	8.913.058
Advertisement	7.391.230	5.827.032
Outsourced services	6.704.581	5.415.322
Depreciation and amortisation	5.030.584	4.539.300
Energy	4.306.069	3.134.645
Spring water fee charges	3.101.159	2.163.138
Repair and maintenance	2.811.432	2.668.831
Consultancy	1.721.392	1.353.050
Rent	1.664.525	1.429.342
Employment termination benefits	761.024	246.225
Travelling expense	458.739	352.229
Representation and hosting	198.926	193.122
Communication expenses	159.880	165.347
Other	3.630.512	3.346.007
	101.873.666	**84.425.847**

NOTE 31 - OTHER OPERATING INCOME/(EXPENSE)

	1 January - 31 December 2012	1 January - 31 December 2011
a) Other operating income:		
Dividend income	808.643	1.286.250
Gain on sale of property, plant and equipment	166.244	156.983
Reversal of litigation provision	-	1.861.766
Reversal of impairment on property, plant and equipment	-	83.600
Reversal of impairment on inventories	-	78.751
Unutilised provision for doubtful receivables	-	31.665
Other	107.747	83.264
	1.082.634	**3.582.279**
b) Other operating expense:		
Donations	(83.064)	(139.553)
Bad debt expense	(35.073)	(161.494)
Other	(175.722)	(213.067)
	(293.859)	**(514.114)**

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NOTE 32 - FINANCE INCOME

	1 January - 31 December 2012	1 January - 31 December 2011
Bail charges	1.048.028	999.986
Interest income	988.541	769.113
Foreign exchange gain	273.483	253.846
Overdue charges	187.814	163.898
	2.497.866	**2.186.843**

NOTE 33 - FINANCE EXPENSE

	1 January - 31 December 2012	1 January - 31 December 2011
Interest expense	401.588	108.479
Bank commissions and overdue charges	335.156	325.456
Foreign exchange loss	167.649	722.433
Bail expense	71.467	-
Other	15.167	8.241
	991.027	**1.164.609**

NOTE 34 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2011: None).

NOTE 35 - TAX ASSETS AND LIABILITIES

As of 31 December 2012 and 2011, prepaid taxed and corporation taxes currently payable are as follows:

	31 December 2012	31 December 2011
Provision for income taxes	544.356	-
Less: Prepaid income taxes	(1.106.126)	(346.513)
Current income tax liabilities (Note 26.a)	**(561.770)**	**(346.513)**

In Turkey, the corporation tax rate of the fiscal year 2012 is 20% (2011: 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% (2011 and 2010: 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% (2011: 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% (2011: 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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NOTE 35 - TAX ASSETS AND TAX LIABILITIES (Continued)

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 8th articles of Corporate Tax Law and 40th article of the Income Tax Law together with the 10th article of Corporate Tax Law have been taken into consideration in calculation of the Company's corporate tax.

Transfer Pricing

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

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

Taxes on income for the years 1 January- 31 December 2012 and 2011 are summarised as follows:

	31 December 2012	31 December 2011
- Current year corporation income tax expense	(544.356)	(250.492)
- Deferred tax income	546.836	796.822
Taxation on income	**2.480**	**546.330**

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NOTE 35 - TAX ASSETS AND LIABILITIES (Continued)

Reconciliation of taxation on income for the years 1 January - 31 December 2012 and 2011 are as follows:

	1 January - 31 December 2012	1 January - 31 December 2011
Profit/(loss) before tax	**113.690**	**(1.417.235)**
Tax calculated at tax rates applicable to the profit	(22.738)	283.447
Income not subject to tax	215.458	629.789
Non-deductible expenses	(154.591)	(143.173)
Correction of prior year's corporate tax	-	(250.492)
Other	(35.649)	26.759
Taxation on income/(expense)	**2.480**	**546.330**

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% (2011: 20%).

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2012 and 2011 were as follows:

	Cumulative temporary differences		Deferred income tax assets/(liabilities)	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Revaluation of land, land improvements, buildings, machinery and equipment	28.916.649	28.796.991	(4.842.799)	(4.857.533)
Difference between carrying value (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	7.294.814	9.587.915	(1.464.987)	(1.917.583)
Difference between carrying value and tax bases of available-for-sale investments	11.866.473	7.330.139	(129.790)	128.661
Provision for spring water fee charge	(1.499.322)	(1.196.843)	299.864	239.369
Provision for employment termination benefits	(1.502.602)	(847.798)	300.520	169.560
Tax losses carried forward	-	(581.469)	-	116.294
Other	(328.135)	(557.870)	65.627	111.574
Deferred income tax assets	-	-	666.011	765.458
Deferred income tax liabilities	-	-	(6.437.576)	(6.775.116)
Deferred tax liabilities-net	**-**	**-**	**(5.771.565)**	**(6.009.658)**

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NOTE 35 - TAX ASSETS AND LIABILITIES (Continued)

The movement of deferred income taxes was as follows:

1 January 2011	**(4.819.985)**
Charged to revaluation reserve	(2.403.033)
Charged to statement of comprehensive income	796.822
Deferred income tax on available for sale investments	416.538
31 December 2011- as previously reported	**(6.009.658)**
Correction (Note 2.3.12.b)	(50.292)
Charged to statement of comprehensive income	546.836
Deferred income tax on available for sale investments	(258.451)
31 December 2012	**(5.771.565)**

NOTE 36 - EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share are calculated by dividing profit/(loss) for the year by the weighted average number of ordinary shares in issue during the year.

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

		1 January - 31 December 2012	1 January - 31 December 2011
Net profit/(loss) for the year	A	116.170	(870.905)
Weighted average number of shares	B	1.278.934.500	1.278.934.500
Earnings/(loss) per 100 shares with a TL 1 face value	**A/B**	**0,0091**	**(0,0681)**

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

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NOTE 37 - 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 2012 and 2011 is as follows:

i) Balances with related parties:

	31 December 2012	31 December 2011
a) Trade receivables from related parties:		
Yataş	1.768.846	776.634
DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("DYO Boya")	173.527	140.032
Pınar Et	72.944	-
Pınar Süt	30.886	32.718
YBP	-	125.648
Other	177.235	79.184
	2.223.438	**1.154.216**
Less: Unearned finance income	(2.601)	(1.860)
	2.220.837	**1.152.356**

As of 31 December 2012, effective weighted average interest rates of short term trade receivables due from related parties to TL, EUR and USD denominated receivables are 7,65%, 2,08% and 2,21% p.a., respectively (2011: for TL denominated current trade receivables 11% p.a.) and due from related parties mature within one month (2011: 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 Yataş, as further explained in Note 1 to the financial statements.

As of 31 December 2012, due from related parties amounting to TL1.577.255 (2011: TL1.077.249) were overdue for a period of 2 months (2011: 2 months).

b) Other receivables from related parties:

Yaşar Holding	9.917.791	3.757.640
DYO Boya	177.431	111.738
Viking Kağıt	158.329	20.597
YBP	6.289	79.125
Other	54.406	23.630
	10.314.246	**3.992.730**

Other receivables from Yaşar Holding consisting of principal and interest accrual of TL loan obtained from a financial institution by the Company and were transferred to related parties with the same terms and conditions. The effective weighted average interest rate applied to due from Yaşar Holding as of 31 December 2012 is 8,25% p.a. (2011: 12.0% p.a.).

The non-trade receivables from other related parties are attributable to bail commission charges in relation to bank borrowings obtained by the related parties from international capital markets and a financial institution under the guarantee of the Company (Note 22). Due to related parties have an average maturity of 3-12 month as of 31 December 2012.

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 December 2012	31 December 2011
c) Trade payables to related parties:		
Yaşar Holding	402.862	594.507
Pınar Foods GmbH ("Pınar Foods")	58.793	100.284
Yadex Export-Import und Spedition GmbH ("Yadex")	-	111.352
Other	21.302	29.552
	482.957	**835.695**
Less: Unearned finance cost	(912)	(3.564)
	482.045	**832.131**

The effective weighted average interest rate applied to due to related parties is 7,22% p.a. as of 31 December 2012 (2011: 11% p.a.) Due to related parties mature mainly within 2 months (2011: 2 month).

	31 December 2012	31 December 2011
d) Other payables to related parties:		
Other	10.335	11.443
	10.335	**11.443**

ii) Transactions with related parties:

	1 January - 31 December 2012	1 January - 31 December 2011
a) Product sales:		
Yataş	7.730.394	5.008.222
Other	643.271	513.635
	8.373.665	**5.521.857**

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

b) Service sales

Yataş	239.781	107.396
Yaşar Holding	137.016	120.969
Other	289.660	180.946
	666.457	**409.311**

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	1 January - 31 December 2012	1 January - 31 December 2011
c) Service purchases:		
Yaşar Holding	1.689.905	1.392.981
Yataş	576.091	367.569
Bintur Turizm ve Catering Hizmetleri A.Ş. ("Bintur")	228.523	200.233
YBP	145.529	107.376
Pınar Süt	86.280	100.655
Other	145.117	186.145
	2.871.445	**2.354.959**

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

d) Product Purchase		
Pınar Süt	24.370	-
	24.370	**-**
e) Donations:		
Yaşar Education Foundation	-	75.000
	-	**75.000**
f) Finance expense:		
Yataş	122.050	-
Yaşar Holding	24.592	31.604
	146.642	**31.604**
g) Finance income:		
Yaşar Holding	1.409.260	1.280.525
Dyo Boya	129.547	94.693
YBP	89.334	86.408
Viking Kağıt	66.434	35.425
Other	102.748	46.138
	1.797.323	**1.543.189**

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

The finance income from Yaşar Holding includes interest income on non-trade receivables amounting to TL749.295 (2011:TL543.203). 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 (2011: 0,50% p.a. both) (Note 32).

	1 January - 31 December 2012	1 January - 31 December 2011
h) Dividends received:		
YBP	808.643	1.286.250
	808.643	**1.286.250**
i) Dividends paid:		
Yaşar Holding	-	1.966.035
Public quotation	-	953.961
Pınar Süt	-	258.095
YBP	-	23.458
	-	**3.201.549**
j) Purchases of property, plant and equipment:		
YBP	7.063	-
	7.063	**-**

k) Bails given:

As of 31 December 2012, the Company jointly guarantees with Yaşar Holding A.Ş. the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting EUR75.000.000 and USD275.000.000, equivalent of TL666.592.500 (2011: EUR75.000.000 and USD275.000.000, equivalent of TL702.732.500).

l) Bails received:

Bails received are mainly related with the bails provided by Yataş, a Yaşar Group company, for repayment of borrowings obtained from a domestic financial institution amounting to USD4.000.000, equivalent of TL7.130.400 (2011: None).

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NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

m) 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:

	1 January - 31 December 2012	1 January - 31 December 2011
Short-term employee benefits	603.124	773.090
Bonus and profit-sharing	28.800	54.046
Termination benefits	-	61.239
Post-employment benefits	-	-
Other long-term benefits	28.154	2.042
	660.078	**890.417**

NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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

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

a) Credit risk:

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. These risks are monitored by credit ratings and limiting the aggregate risk to any individual counter party and receiving guarantees when required. The Company's exports are realised by its related party, Yataş and the related export receivables are monitored by Yataş. The following tables analyse the Company's credit risk as of 31 December 2012 and 2011;

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Receivables					
	Trade Receivables [1]		Other Receivables			
31 December 2011	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits and other Cash Equivalents**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) [2]	**1.152.356**	**9.272.703**	**3.992.730**	**507.689**	**1.806.693**	**16.732.171**
- The part of maximum credit risk covered with guarantees	-	5.928.903	-	-	-	5.928.903
A. Net book value of financial assets not due or not impaired	75.107	7.925.117	3.798.867	507.689	1.806.693	14.113.473
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-
C. Net book value of assets past due but not impaired [3]	1.077.249	1.347.586	193.863	-	-	2.618.698
- The part covered by guarantees etc	-	586.427	-	-	-	586.427
D. Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	797.302	-	-	-	797.302
- Impairment amount (-)	-	(797.302)	-	-	-	(797.302)
- The part of net value covered with guarantees etc	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

[1] Trade receivables balances mainly resulted from the sale of pet bottled and demijohn water.

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

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

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Receivables		
31 December 2012	**Trade Receivables**	**Other Receivables**	**Total**
1-30 days overdue	1.456.761	198.915	1.655.676
1-3 months overdue	846.089	177.431	1.023.520
3-12 months overdue	904.045	-	904.045
The part covered by guarantees	(823.053)	-	(823.053)
	3.206.896	**376.346**	**3.583.242(*)**

(*) TL1.551.142 of the receivables that were overdue but not impaired have been collected as of the approval date of the financial statements.

	Receivables		
31 December 2011	**Trade Receivables**	**Other Receivables**	**Total**
1-30 days overdue	1.273.171	87.238	1.360.409
1-3 months overdue	1.107.567	106.625	1.214.192
3-12 months overdue	44.097	-	44.097
The part covered by guarantees	(586.427)	-	(586.427)
	2.424.835	**193.863**	**2.618.698**

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.

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

The Company's liquidity analysis in respect of categories of financial liabilities as of 31 December 2012 and 2011 are as follows:

31 December 2012:	Book value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contract terms:					
Non-derivative financial liabilities:					
Bank borrowings	8.132.364	8.245.077	7.355.215	729.503	160.359
Trade payables	22.315.164	22.429.260	22.372.660	56.600	-
Other payables	24.013	24.013	24.013	-	-
	30.471.541	**30.698.350**	**29.751.888**	**786.103**	**160.359**

31 December 2011:	Book value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
Contract terms:					
Non-derivative financial liabilities:					
Bank borrowings	2.722.355	2.776.375	567.012	1.209.984	999.379
Trade payables	17.090.335	17.208.608	16.852.419	281.123	75.066
Other payables	53.070	53.070	53.070	-	-
	19.865.760	**20.038.053**	**17.472.501**	**1.491.107**	**1.074.445**

c) Market Risk

i) Foreign exchange risk

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

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Foreign Currency Position			
	31 December 2012			
	TL Equivalent	USD	EUR	Other TL Equivalent
1. Trade Receivables	1.712.468	257.297	473.537	140.193
2a. Monetary Financial Assets (Cash, Bank accounts included)	49.821	-	21.185	-
2b. Non-Monetary Financial Assets	7.240.003	4.011.500	37.889	-
3. Other				
4. Current Assets (1+2+3)	**9.002.292**	**4.268.797**	**532.611**	**140.193**
5. Trade Receivables				
6a. Monetary Financial Assets				
6b. Non-Monetary Financial Assets				
7. Other	1.575.639	-	670.000	-
8. Non-Current Assets (5+6+7)	**1.575.639**	**-**	**670.000**	**-**
9. Total Assets (4+8)	**10.577.931**	**4.268.797**	**1.202.611**	**140.193**
10. Trade Payables	(428.397)	(33.634)	(153.473)	(7.519)
11. Financial Liabilities	(7.909.121)	(4.011.500)	(322.414)	-
12a. Monetary Other Liabilities	(17.698)	(9.928)	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-
13. Short Term Liabilities (10+11+12)	**(8.355.216)**	**(4.055.062)**	**(475.887)**	**(7.519)**
14. Trade Payables	-	-	-	-
15. Financial Liabilities	(156.778)	-	(66.666)	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-
17. Long Term Liabilities (14+15+16)	**(156.778)**	**-**	**(66.666)**	**-**
18. Total Liabilities (13+17)	**(8.511.994)**	**(4.055.062)**	**(542.553)**	**(7.519)**
19. Net Asset/(Liability) Position of Off Balance Sheet Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**
19a. Amount of Asset Nature Off-Balance Sheet Derivative Instruments	**-**	**-**	**-**	**-**
19b. Amount of Liability Nature Off-Balance Sheet Derivative Instruments	**-**	**-**	**-**	**-**
20. Net Foreign Asset/(Liability) Position (9-18+19)	**2.065.937**	**213.735**	**660.058**	**132.674**
21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (IFRS 7.B23) (=1+2a+5+6a-10-11-12a-14-15-16a)	**2.065.937**	**213.735**	**660.058**	**132.674**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**
23. Export	**7.730.394**	**1.468.849**	**1.903.000**	**667.062**
24. Import	**522.223**	**29.562**	**204.394**	**-**

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31 December 2011			
TL Equivalent	USD	EUR	Other TL Equivalent
899.900	176.597	167.871	156.083
82.297	2.688	31.598	-
-	-	-	-
-	-	-	-
982.197	**179.285**	**199.469**	**156.083**
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	**-**	**-**	**-**
982.197	**179.285**	**199.469**	**156.083**
(313.340)	(8.137)	(120.270)	(4.055)
(1.776.608)	-	(726.985)	-
(18.753)	(9.928)	-	-
-	-	-	-
(2.108.702)	**(18.065)**	**(847.256)**	**(4.055)**
(75.066)	-	(30.717)	-
(945.748)	-	(386.999)	-
	-	-	-
-	-	-	-
(1.020.814)	**-**	**(417.716)**	**-**
(3.129.516)	**(18.065)**	**(1.264.972)**	**(4.055)**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
(2.147.319)	**161.220**	**(1.065.503)**	**152.028**
(2.147.319)	**161.220**	**(1.065.503)**	**152.028**
-	**-**	**-**	**-**
5.008.222	**3.187.536**	**-**	**-**
2.365.927	**1.446.910**	**-**	**-**

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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

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

Pınar Su Sanayi ve Ticaret A.Ş.

Notes to the Financial Statements at 31 December 2012 and 2011

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

	Table of Sensitivity Analysis for Foreign Currency Risk			
	Profit/Loss		Equity	
31 December 2011	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD	30.453	(30.453)		
2- The part of USD risk hedged (-)	-	-		
3- USD Effect - net (1+2)	**30.453**	**(30.453)**		
Change of EUR by 10% against TL:				
4- Asset/Liability denominated in EUR	(260.388)	260.388		
5- The part of EUR risk hedged (-)	-	-		
6- EUR Effect - net (4+5)	**(260.388)**	**260.388**		
Change of other currencies by 10% against TL:				
7- Assets/Liabilities denominated in other foreign currencies	15.203	(15.203)		
8- The part of other foreign currency risk hedged (-)	-	-		
9- Other Foreign Currency Effect - net (7+8)	**15.203**	**(15.203)**		
TOTAL (3+6+9)	**(214.732)**	**214.732**		

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

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

ii) Interest Risk

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

	Interest Rate Position Schedule	
	31 December 2012	31 December 2011
Financial instruments with fixed interest rate		
Financial assets	24.294.675	15.952.789
Financial liabilities	30.017.058	18.476.630
Financial instruments with floating interest rate		
Financial assets	-	-
Financial liabilities	440.805	1.370.972

According to the interest rate sensitivity analysis performed as at 31 December 2012, if interest rates on bank borrowings had been 1% higher while all other variables being constant, net profit for the year would be TL11.116 lower (2011: net profit for the year would be TL26.324 higher) as a result of additional interest expense that would be incurred on bank borrowings with floating rates.

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.

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NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

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 (Note 30).

	31 December 2012	31 December 2011
Total financial liabilities	8.132.364	2.722.355
Less: Cash and cash equivalents (Note 6)	(561.129)	(1.817.495)
Net debt	7.571.235	904.860
Total equity	78.151.557	73.402.132
Debt/equity ratio	**10%**	**1%**
EBITDA	**7.499.618**	**4.509.194**

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NOTE 39 - 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 8.

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).

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NOTE 39 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (Continued)

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2012 and 2011.

31 December 2012

	Level 1	Level 2	Level 3(*)	Total
Assets:				
Available-for-sale investments	676.923	-	21.039.249	21.716.172
Total assets				**21.716.172**

31 December 2011

	Level 1	Level 2	Level 3(*)	Total
Assets:				
Available-for-sale investments	690.462	-	16.225.109	16.915.571
Total assets				**16.915.571**

(*) Please see Note 7 for the movement of Level 3 financial instruments.

NOTE 40 - SUBSEQUENT EVENTS

None (2011: None).

NOTE 41 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None (2011: None).

NOTE 42 - EXPLANATION FOR CONVENIENCE TRANSLATION INTO ENGLISH

As of 31 December 2012 and 2011, the CMB Financial Reporting Standards differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.

Information for Investors

Stock Exchange

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

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

Annual General Assembly Meeting

Pursuant to a resolution passed by the Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş., the company's annual General Assembly meeting will take place on 15 May 2013 at 10:30 hours at the following address: Kemalpaşa Asfaltı No.1 Pınarbaşı İzmir.

Dividend Policy

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

At the company's Board of Directors Meeting of 22 April 2013, the Board of Directors decided to lay down for the approval of the General Assembly that the portion remaining out of the profit for 2012 after deducting the legal liabilities that are required to be set aside not be distributed, but be retained as extraordinary legal reserves.

Investor Relations

Pınar Su Sanayi ve Ticaret A.Ş.
Investor Relations Department
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Tel: +90 232 482 22 00
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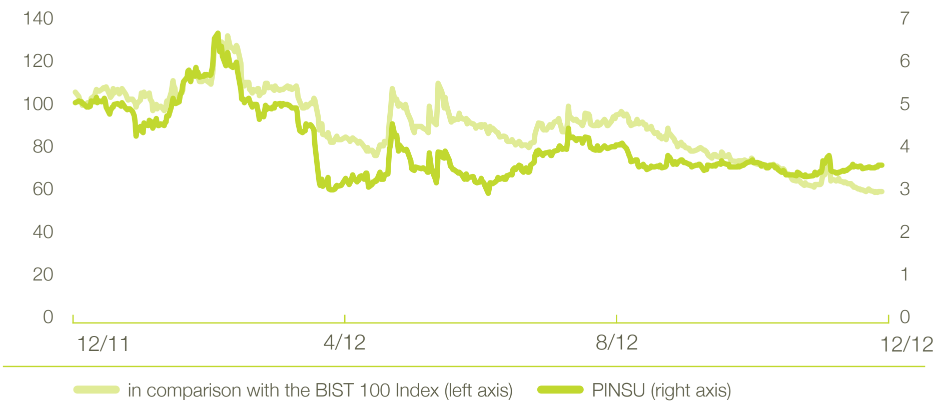
E-mail: investorrelations@pinarsu.com.tr

Pınar Su investor relations web page:

Pınar Su Share Performance in 2012 (in comparison with the BIST 100 Index)



* Adjusted share prices

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