

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 Pinar 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, Pinar 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. (Pinar 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, Pinar 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 Pinar 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, Pinar Su's bottling operations take place in a completely hygienic environment in which sterile air is maintained at a positive pressure inside to prevent contamination from outside while the

interior air is constantly recirculated and refiltered to keep it clean. Bottling takes place without any manual intervention whatsoever. Extensive laboratory facilities allow the water to be subjected to a battery of physical, chemical, and microbiological tests at every stage of production.

Pinar 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 an 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, Pinar 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

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