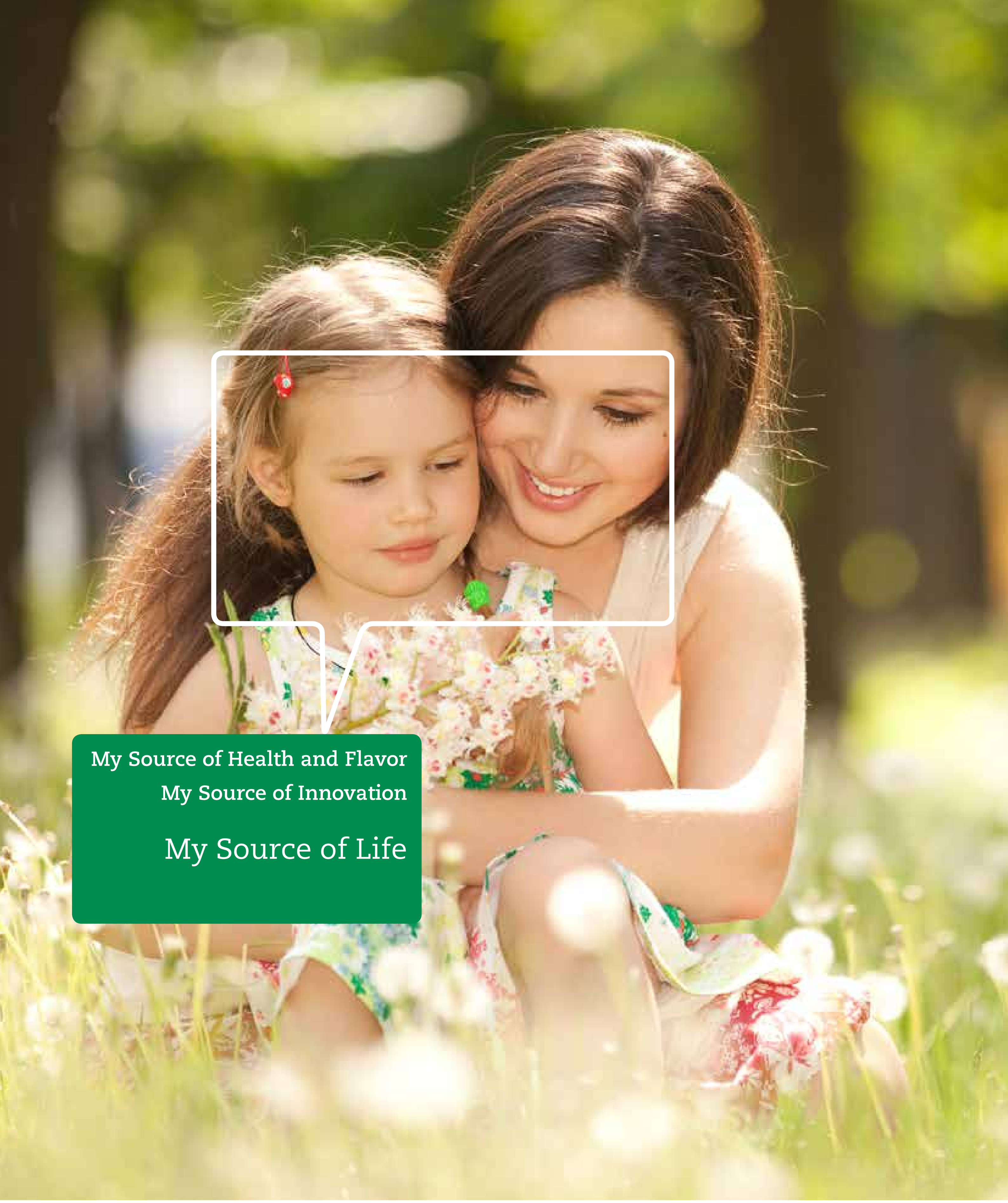


Pınar Süt Annual Report 2013

for a better life

Forty years of health, flavor, and innovation…

The first company to introduce milk and dairy products in modern packaging to the Turkish market, Pınar Süt has authored many other firsts in its sector while its superior-quality products have made it an essential part of its consumers' everyday lives.

As a result of the confidence that consumers have in its name, Pınar Süt has succeeded in becoming the sector's "best-loved" and "most highly-respected" brand today. That success is an important indication of the value which Pınar Süt adds to consumers' lives.

For 40 years, Pınar Süt continues to add health, flavor, and value to consumers' lives through its innovative products.

My Source of Health and Flavor

My Source of Innovation

My Source of Life

Reporting period
01.01.2013 – 31.12.2013

Trade Name
Pınar Süt Mamulleri Sanayii 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 - İzmir
Kemalpaşa Asfaltı No: 317 Pınarbaşı - İzmir
Tel: +90 232 436 15 15 Fax: +90 232 436 20 40

Factory - Eskişehir
Organize Sanayi Bölgesi Mümtaz Zeytinoğlu
Bulvarı P.K.: 55 Eskişehir
Tel: +90 222 236 08 89 Fax: +90 222 236 08 90

Trade Registration
İzmir 34821 K-572

Website
www.pinar.com.tr

Authorized Capital
TL 80,000,000.00

Paid-in Capital
TL 44,951,051.25

Without sacrificing “Health”, “Flavor”, or “Innovation”…

Pınar Süt in Brief

Since its establishment, Pınar Süt has been adhering to the highest standards and increasing its production capacity in order to keep consumers supplied with the milk and dairy products. Activities that reflect its pioneering identity have positioned it as the leading name in Turkey’s dairy industry.

leader

Pınar Süt is the leading name in Turkey’s dairy industry.

Pınar Süt was originally founded in İzmir in 1973 as the Middle East’s biggest and Europe’s most advanced dairy processing complex. The Company gained immediate widespread recognition as a source of health, flavor, and innovation–indeed of life itself. In 1975 Pınar Süt introduced Turkey to the concept of “long-life” UHT milk packaged in aseptic containers.

Pınar Süt’s principal business activity is the production and sale of packaged milk, yoghurt, ayran, traditional and modern cheeses, fruit juices, butter, cream, puddings, ketchups, mayonnaise, honey, condiments, jams and jellies, desserts, and powdered products. The Company operates out of plants located in İzmir and Eskişehir.

Pınar Süt has made huge contributions not just to the country’s livestock and food production but also to the health and wellbeing of its people.

Pınar Süt procures the raw milk it needs from the more than 210 dairy farms with which it works and which are contractually obliged to produce in compliance with EU food quality and safety standards.

Continuously supporting more than 25,000 producers with whom it has established strong and enduring relationships, Pınar Süt also contributes to the progress of dairy production in Turkey.

Besides supplying its home market, Pınar Süt also exports milk and dairy products to other countries as well. The Company is advancing sure-footedly towards becoming a regional force.

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

Pınar Süt’s Shareholder Structure (%)

Shareholder	% Share	Share Amount (TL)
Yaşar Holding A.Ş.	61.41	27,603,901.56
Others	38.59	17,347,149.69
Total	**100.00**	**44,951,051.25**

Pınar Süt shares are traded on the Borsa İstanbul National Exchange under ticker symbol PNSUT.

Pınar Süt’s capital is represented by “Class A registered”, “Class B registered”, and “Class C bearer” shares. Each share entitles its owner (or designated proxy) to one vote at ordinary and extraordinary general meetings of the Company.

Pınar Süt's Competitive Advantages

The company that pioneered the organized dairy industry in Turkey and its undisputed leader since the day it was founded, Pınar Süt continued to create value for the national economy in 2013 while also fulfilling all of its responsibilities towards its stakeholders as well.

Superior Brand Value

- Turkey's "Most Admired Company" [(1)]
- The brand that mothers feel closest to [(2)]
- The best fruit juice brand [(3)]
- One of the top ten most highly respected brands [(4)]
- One of Turkey's 10 "super-brands" [(5)]

Quality Production, Rich Product Portfolio

- Hygienic production conforming to EU norms
- Wholesome, superior-quality products
- TSE-ISO-EN 22000 Food Safety Management System, FSSC 22000 Food Safety Management System, TS EN ISO 9001:2008 Quality Management System, TS EN ISO 14001 Environmental Management System, TSE 18001 Occupational Health and Safety Management System. TS ISO 50001 Energy Management System certification & applications
- More than 200 SKU
- Reputation as an innovative pioneer
- R&D experience
- Technical and sectoral knowledge and experience

Extensive Distribution & Supplier Network

- Yaşar Birleşik Pazarlama: Turkey's biggest and most extensive frozen and cold chain distribution network
- 150,000 points of sale
- Group-wise synergies
- More than 25,000 raw milk suppliers
- More than 200 contractual dairy farms conforming to EU standards
- Fully-monitored production processes
- Supplier performance evaluations
- Training & consulting services

Shared Values

Since the day it was founded Pınar Süt has:

- Created livelihoods and sources of regular income not just for meat and dairy producers but also for a broad segment of society
- Contributed towards meeting the need for wholesome animal-source protein in Turkey
- Led the way forward in creating a sector in which farming and manufacturing are much more efficiently integrated.

(1) GfK&Capital, 2013
(2) MOM-Z Platform, 2013
(3) TMME, 2013 2nd Quarter
(4) GfK&RepMan, 2013
(5) Superbrands

Pınar Süt's Firsts and Milestones

Pınar Süt was originally founded in İzmir in 1973 as the Middle East's biggest and Europe's most advanced dairy processing complex.

1973
- Pınar Süt is established as the Middle East's biggest dairy processing complex.

1975
- Turkey's first UHT (ultra-high temperature processed) milk and packaged dairy products are introduced to consumers.

1976
- The Company begins producing Turkey's first processed cheese and chocolate milk.

1978
- Pınar sliced kashkaval cheese and Pınar spreadable cheese are introduced to consumers.

1980
- Pınar Cheddar cheese goes into production.

1982
- The Company begins exporting milk, cheese, butter, yoghurt, and strawberry milk to Central Europe, Turkish Republic of Northern Cyprus, and the Middle East.

1983
- Pınar Yem is set up to provide high quality feeds to the Pınar Süt's raw milk suppliers.
- Pınar Mayonnaise, Turkey's first domestically-manufactured mayonnaise goes on sale.
- Pınar Beyaz, Turkey's first spreadable cheese, and Pınar Whipped Topping, a powdered product, go into production.
- Triangular cheese goes into production.

1984
- Pınar Süt begins exporting its labaneh, cheese, whipped topping, and mayonnaise products to Kuwait and Germany.

1985
- Pınar Labne (labaneh) is introduced to the Turkish market.

1990
- Pınar begins producing fruit juices.

1991
- Turkey's first pasteurized day-fresh milk in glass bottles.

1992
- Pınar Süt is awarded the Turkish Standards Institute's "Golden Packaging" award for the introduction of the country's first foil-sealed yoghurt container.
- Form Milk, Turkey's first low-fat milk, and Çikola Süt, chocolate milk made with real, natural chocolate, go on sale.

1993
- Pınar Süt becomes the first food industry company in Turkey to be awarded TS ISO 9002 Quality Management System certification.

1994
- Pınar Süt receives another TSE "Golden Packaging" award for its 10-liter bag-in-box pack design.
- Having successfully demonstrated its compliance with European standards in terms of production, sales, and after-sales services, Pınar Süt becomes the first dairy products company to receive TS ISO 9001 Quality Management System certification.

1995
- Pınar's "long-life" fruit yoghurts and prepared desserts go into production.
- Turkish consumers are introduced to Pınar light (low-fat) and extra light yoghurts and to low-fat triangular cheese.

1997
- Pınar Süt opens its Eskişehir plant.

1998
- 100%-pure Pınar fruit juices go on sale.

1999
- Pınar Süt introduces its "Denge" line of lactose-free, high-calcium, and vitamin-enriched milks.

2000
- As a result of investments at the Eskişehir plant, Pınar Süt launches the world's first continuous-process production of cream-top yoghurt.

2001
- UHT milk supplied in aseptic bottles goes into production.

2004
- Pınar introduces its Kafela and Çikola Süt line of products in packaging specially designed to appeal to young people.
- Pınar Süt is awarded TS 13001 HACCP Food Safety System certification.

2005
- Pınar Organik Süt, Turkey's first organic milk is introduced to the market.

2008
- Pınar Süt becomes the first company in Turkey's dairy industry to undertake a Lean 6 Sigma project.
- Pınar Milk for Kids, a milk specially designed for child nutrition, is introduced to the market.

2009
- Pınar lemonade and tropical fruit drink are introduced to the market.

2010
- Honey Flavored Pınar Kid's Milk, and Pınar Breakfast Cream Cheese products go on sale.

2011
- Pınar's "Gourmet" series of cheddar- and thyme & olive-flavored cream cheeses and triangular cheeses are introduced to consumers.

2012
- Sütkrem, Turkey's first all-dairy clotted-cream alternative with 50% fewer calories goes on sale.
- Çikolatalı Pınar Beyaz, Turkey's first chocolate-flavored cream cheese, is put on the market.

2013
- Work begins on the Pınar Süt Şanlıurfa Dairy Plant.
- Pınar Süt's Kremilla and Çikola Latte products are introduced to consumers.
- Pınar Süt is awarded TS 18001 Occupational Health and Safety Management System and TS EN ISO 50001:2011 Energy Management System certification.
- Pınar Süt becomes entitled to export milk and dairy products to EU Countries.

One of Turkey's leading corporate groups...

7,400

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

The Yaşar Group

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

Well-known brands in different sectors

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

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

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

Food & Beverages Division

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

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

Coatings Division

Technological leadership
Strong brands and distribution network

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

A corporate group that has authored many firsts

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

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

In keeping with its environmental and social awareness approaches

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

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

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

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

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

Six companies traded in the Borsa İstanbul

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

The Yaşar Group's mission

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

Tissue Paper Division

Eco-friendly production Innovative products

- Viking Kağıt

Trade & Service Division

Committed to superior service

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

Foundations

A responsible corporate citizen

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

For 40 years contributing to the health of successive generations...

Chairperson's Message

Pınar has been Turkey's source of "Health", "Flavor", and "Innovation"– a "Source of Life" itself–for forty years. The wholesome, superior-quality, nourishing, tasty, and natural products that it produces under trustworthy conditions in modern facilities using state-of-the-art technology have become indispensable parts of its consumers' everyday lives.

growth

2013 was a year in which there were achieved many successful results further contributing to Pınar Süt's sustainable profitability and growth.

Esteemed shareholders,

In our 40th year, we continue to grow thanks to the confidence of our consumers.

Fulfilling its mission to contribute to the health of successive generations, Pınar has been Turkey's source of "Health", "Flavor", and "Innovation"– a "Source of Life" itself–for forty years. The wholesome, superior-quality, nourishing, tasty, and natural products that it produces under trustworthy conditions in modern facilities using state-of-the-art technology have become indispensable parts of its consumers' everyday lives.

Year after year our country's dairy industry has been developing steadily in terms both of total output and of processing capacity and know-how.

Livestock farming is an industry of vital importance for our country not just because of its contributions to good health and balanced nutrition, to the development of associated economic activities, to rural job creation, to the improvement of economically underdeveloped areas, to increased agricultural productivity, and to the export trade but also because it is a sector that is critical in Turkey's bid for EU membership.

Government incentives granted to dairy farming in recent years as well as livestock farming policies in general have brought about a substantial increase in our country's raw milk production. That production continues to expand in parallel with growth in livestock head counts and with improvements in lactation. Total dairy output, which grew by 11.17% year-on in 2011, was up by another 15.58% in 2012 and reached 17,401,262 tons.

According to monthly milk and dairy product statistics published by TurkStat, the Turkish Statistical Institute, the total amount of milk harvested from registered cows and collected by integrated dairy plants was 7,932,485 tons in 2012; in the course of the next twelve months, that figure increased by a mere 0.08% to 7,938,605 tons however.

The three most serious problems confronting our sector are consistency in raw milk quality, informal (unregulated) production and distribution, and the high costs involved in producing and collecting registered raw milk.

There needs to be a system that rewards farmers who improve the microbiological and chemical quality of their raw milk and supports efforts to achieve such improvements. Feed is one of the livestock industry's most important inputs and it should go without saying that feed quality and costs have a huge impact on milk quality and prices. This is why our country's animal feed policies are in need of a rethinking so that feed raw materials may be obtained at prices compatible with global levels.

Misleading statements encouraging the consumption of unregulated milk that have been appearing in the media of late have unfortunately been confusing and misleading the public. Made by totally unqualified people, these groundless assertions cause misgivings about milk consumption in general in people's minds. It behooves the entire sector to unite in combating such disinformation.

A year of many successes...

2013 was a year in which there were achieved many successful results further contributing to Pınar Süt's sustainable profitability and growth. Thanks to the correct strategies to which it adhered in 2013, our company defended its leading position in the milk and dairy products sector with turnover shares of 29.2% in long-life plain milk, 61.1% in light milk, 54.5% in fortified children's milk, and 38% in spreadable cheeses while in flavored milks we also rose to first place with a 19.5% share of that segment's turnover. Pınar Süt gross sales in 2013 were worth TL 1.1 billion, 9.74% higher than what they were in 2012, while its net profit for the period grew by 17.45% year-on and reached TL 67.4 million.

A new Pınar Süt dairy plant in southeastern Turkey

Successfully transforming its technological muscle and sectoral knowledge and experience into competitive advantages, last year we laid the foundations of a third Pınar Süt dairy plant in Şanlıurfa.

State-of-the-art energy-efficient and eco-friendly automation and production technologies have been incorporated into this plant. Designed so as to allow production to be tailored and diversified as requirements dictate, the project will significantly boost Pınar Süt's annual raw milk processing capacity.

As a member of the Yaşar Group, Pınar Süt benefits from the sales and distribution clout of Yaşar Birleşik Pazarlama in distributing its products to every part of Turkey. The logistical advantages and competencies arising from this latest investment in the southeast will further strengthen that ability. Additionally informed by such missions as increasing local employment opportunities and making the most of the efforts of thousands of local dairy farmers, this investment also has the substantial advantage of being closer to Iraq and Gulf countries, which number among our leading export markets. Our goal is to complete this project and commence production at the Pınar Süt Şanlıurfa plant before the end of 2014.

Pınar is active in no fewer than 28 markets abroad, principally Saudi Arabia, UAE, and Kuwait in the Gulf region; TRNC, Iraq, and Azerbaijan in the Near East; and Germany and UK in Europe. With the removal of a number of obstacles that prevented it from shipping milk and dairy products westward, Pınar Süt became entitled to export milk and dairy products to EU countries in 2013. Pınar celebrated three decades of its presence in the Gulf region with a new advertising campaign and our company's labaneh products remain the market leaders in those countries. Having launched advertising and communication campaigns in Northern Iraq and Azerbaijan, Pınar Süt enjoyed high rates of growth in both markets last year. Our country's total exports in 2013 were up by 16.6% year-on as measured on a USD basis.

The School Milk Campaign continues

In keeping with its principle of backing social responsibility projects, last year Pınar Süt continued to take part in the School Milk Campaign that was launched in Turkey in 2012. Under this project, 24,931,424 cartons of milk were distributed to 520,191 children attending 4,685 schools in the country's southeastern provinces.

Recognizing the School Milk Campaign as an important part of its mission to contribute the health and wellbeing of successive generations of children., Pınar Süt will continue to support this project.

Pınar Institute: Contributing to the wellbeing of society as a whole

The Pınar Institute was set up in 2012 in order to contribute to the development of a healthy society by supporting scientific projects and taking part in educational activities. Another of its objectives is to serve as a trusted reference on issues related to food and nutrition.

The Pınar Institute collaborates with the National Food Technologies Platform (UGTP) in the undertaking of joint projects. The institute has also formalized its relationship with the European Food Information Council (EUFIC) as a full member of that body.

New standards further bolster our strength

Having previously been awarded ISO 22000 Food Safety Management System and FSSC 22000 Food Safety Management System certifications in recognition of its compliance with international standards, in 2013 Pınar Süt qualified for TS 18001 Occupational Health and Safety Management System and TS EN ISO 50001 Energy Management System certification as well. Never one to rest on our laurels however, we continue our efforts to improve our compliance with international standards and to raise the bar by which our quality is judged in order to be even more deserving of our consumers' confidence.

Eco-friendly materials and technologies

Pınar Süt makes the most productive use possible of national and natural resources, complies with all environment-relevant laws and regulations in the conduct of its operations, and carries out all of its activities in line with prescribed management system policies.

A Pınar Süt team headed by a Carbon Leader has calculated and reported the Company's "corporate carbon footprint" as of 2013. Based on these findings, we have identified a goal of reducing our footprint by at least 15% between now and 2020.

Confident of the dedicated efforts of its team, enjoying the trust of its customers, and supported by its shareholders and business partners, Pınar Süt will continue to make an increasingly greater contribution to the health and wellbeing of future generations.
I therefore take this opportunity to thank all of our stakeholders for making our success as a company possible.

İdil Yiğitbaşı
Chairperson of the Board of Directors

Successfully transforming its technological muscle and sectoral knowledge and experience into competitive advantages, last year we laid the foundations of a third Pınar Süt dairy plant in Şanlıurfa.

Board of Directors, Senior Management, Committees

İdil Yiğitbaşı
Chairperson

Yılmaz Gökoğlu
Deputy Chairperson

Turhan Talu
Independent Director

Ali Yiğit Tavas
Independent Director

Mehmet Aktaş
Director

Hakkı Hikmet Altan
Director

Hasan Girenes
Director

The Board of Directors and Terms of Office

Name	Title	Term of Office
İdil Yiğitbaşı	Chairperson	15 May 2013 - One year
Yılmaz Gökoğlu	Deputy Chairperson	15 May 2013 - One year
Turhan Talu	Independent Director	15 May 2013 - One year
Ali Yiğit Tavas	Independent Director	15 May 2013 - One year
Mehmet Aktaş	Director	15 May 2013 - One year
Hakkı Hikmet Altan	Director	15 May 2013 - One year
Hasan Girenes	Director	15 May 2013 - One year

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

Senior Management

Name	Position
Ergun Akyol	Vice President
Gürkan Hekimoğlu	General Manager
Erhan Savcıgil	R&D and Technology Coordinator
Mustafa Şahin Dal	Financial Affairs and Budget Control Director
Muzaffer Bekar	Finance Director
Serdar Türkmen	İzmir Plant Director
Mehmet Erdi Eren	Eskişehir Plant Director

Audit Committee

Name	Title
Turhan Talu	Head of the Committee
Ali Yiğit Tavas	Member

Corporate Governance Committee

Name	Title
Ali Yiğit Tavas	Head of the Committee
Yılmaz Gökoğlu	Member

Early Detection of Risk Committee

Name	Title
Ali Yiğit Tavas	Head of the Committee
Turhan Talu	Member

* Background information about members of the Board of Directors and senior managers is provided on page 41 of this report.

Turkey's dairy production is increasing.

64%

Plain milk accounts for 64% of the total market for dairy products in Turkey.

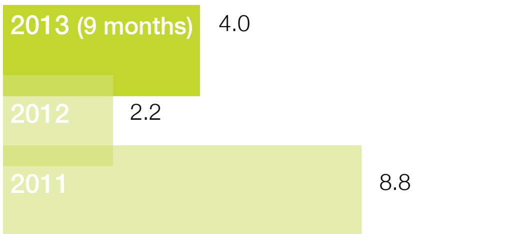
The Turkish economy and the sector in 2013

Turkey's dairy industry continues to grow year after year in terms both of total output and of processing capacity.

4%

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

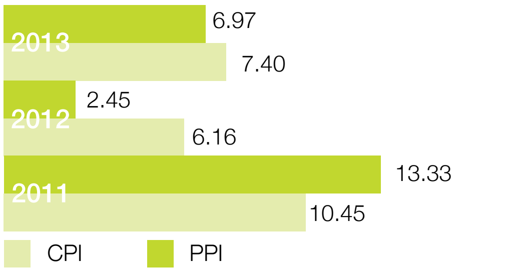
GDP Growth Rate - Fixed Prices (%)



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

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

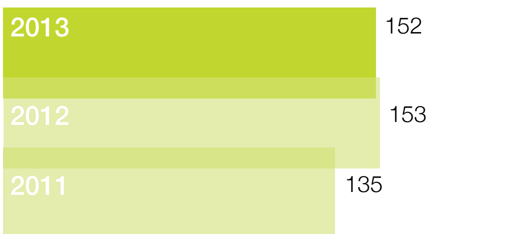
Inflation (%)



Inflation appears to be on a rising trend

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

Exports (USD billion)



Exports make a net contribution to growth of zero

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

Imports (USD billion)

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

The Dairy Industry

World markets
The world market for milk (including non-packaged milk) amounted to 287 million liters in 2013 and accounted for 18% of all beverage consumption. Packaged milks made up a 61% share of this while milk powders and non-packaged milks had market shares of 12% and 24% respectively. The packaged milk market was split 41%/59% between UHT and pasteurized milk. In 2010-2013, the UHT milk market grew by an annualized compound rate of 4% while the pasteurized milk market grew by only 2%. It is projected that these growth rates will be 3% and 2.5% respectively in 2013-2016. Worldwide per capita consumption of dairy products corresponded to 45 liters in 2013.

Emerging economies are expected to account for about a 60% share of total world production by 2020 with developed economies' share falling to around 40%. Heightened health awareness strengthens the demand for natural foods while low-/non-fat products and vitamin-/mineral-fortified products are becoming increasingly more popular and the demand for "functional" products is also growing. There is also greater product diversity, especially in products intended for children.

The Turkish market
According to Ipsos KMG, a survey-based marketing research firm, UHT milk accounts for a 44% share of the total Turkish milk market as measured on a tonnage basis. Of that, 93.0% consists of plain milk with flavored milks (4.8%), fortified milks (1%), light milks (0.9%), and organic milks (0.2%) commanding only very small market shares.

Misleading statements appearing on a number of websites and in the press, some of which went so far as to encourage the consumption of unregulated milk, frustrated efforts to promote the consumption of wholesome milk in Turkey and even caused misgivings about milk consumption in general in the public mind. Again according to Ipsos KMG figures for 2013, sales of non-packaged milk increased by 2.0 tons year-on, pasteurized milk sales remained unchanged, and UHT milk sales fell by 2.0 tons. The three categories' market shares last year were 54%, 2.0%, and 44.0% respectively.

In keeping with its principle of supporting social responsibility projects, last year Pınar Süt continued to take part in the School Milk Campaign that was launched in 2012. Under this project, free milk was distributed to children attending 4,685 schools in Turkey's southeastern provinces. This project is planned to continue in 2014 as well.

Producers also undertook communication investments that focused on the importance of milk as an effective way of overcoming dietary protein deficiencies in Turkey. Such activities also helped support the demand for UHT milk.

Market developments by product category

Milks

- **Plain milk:** Plain milk contributed 64% of the total market's turnover in 2013. Last year there was a 7% decline in sales on a tonnage basis and a 1% drop in total turnover.
- **Light milk:** Light milk accounted for a 2.7% of the market's total turnover. Although sales in this category were down on a tonnage basis, on a turnover basis they were up by 4%.
- **Fortified milk for children:** Fortified children's milk accounted for a 3.1% share of market turnover in which both total tonnage and turnover were down year-on.
- **Fortified milk for adults:** Sales in this category, which account for 0.8% of market turnover, were up by 31% on a tonnage basis and increased by 85% on a turnover basis.
- **Flavored milk:** Sales in the flavored milk category in 2013 lost some of their year-on momentum but still increased by 5% and 11.4% on a tonnage and turnover basis respectively. Such sales accounted amounted to about 30.5 million liters on which was generated a turnover worth about TL 143 million.
- **Pasteurized milk:** Pasteurized milk sales contributed 12.6% of the market's turnover in 2013. This corresponded to 46 million liters (down by 4% year-on) and to a turnover amounting to TL 1339.5 million (up by 7.7%). (Nielsen 2013)
- **Organic milk:** Organic milk accounted for a 1.2% share of the market's total turnover.

Cheeses
Total turnover in the cheese category, which increased by 12% last year, amounted to TL 1.3 billion of which 35% was contributed by salted white cheese, 40% by kashkaval, and 15% by spreadable cheeses. On a tonnage basis the market grew by 4% year-on and reached about 80 thousand tons. (Nielsen 2013)

Yoghurts & ayrans
The yoghurt market's total turnover in 2013 amounted to TL 1.1 billion on 321 thousand tons of product sold. Tonnage and sales were down by 7% and 0.4% respectively last year. While sales of homogenized yoghurt were up by 0.1% on a turnover basis those of cream-top yoghurt increased by 1.3% on the same measure. Improved sales in the latter segment boosted its market share by a point from 28% to 29%. The fruit yoghurt market, which contributed a 9% share, shrank by 8% year-on.

The ayran market's turnover amounted to TL 150 million in sales of 69 thousand tons. This segment's turnover grew by 9% in 2013 while its tonnage was up by 4%.

Bottled ayran sales, accounting for 55% of total turnover, were up by 12%; at 40%, the share of individual-portion packaged ayran products increased by 2% year-on. Multipack products accounted for a 4% of the market's total turnover last year.

Global milk consumption

According to the Tetra Pak Dairy Index published in May 2013, the world's total milk consumption amounted to 280.3 billion liters in 2012. Tetra Pak projects a worldwide consumption figure of 301.3 billion liters in 2015.

For all of our stakeholders...

26.3%

Market share of turnover in the branded-product segment of the milk category.

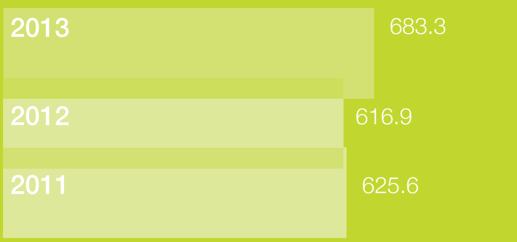
Pınar Süt in 2013

Well-defined and insightfully-implemented strategies gave Pınar Süt a 26.3% share of the branded products segment's total market turnover last year. 2013 was a year in which Pınar Süt continued to grow consistently and sustainably. (Nielsen 2013)

Pınar Süt once again occupied the market's leading position with turnover shares of 29.2% in long-life plain milk, 61.1% in light milk, 54.5% in fortified children's milk, and 38% in spreadable cheeses. (Nielsen 2013) In the flavored milks segment, Pınar Süt rose to first place in 2013 with a 19.5% share of its total turnover.

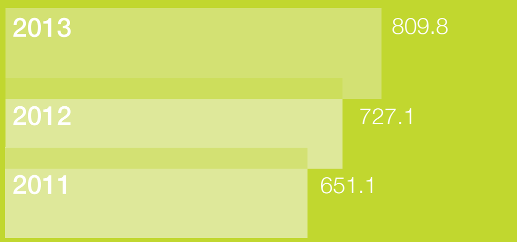
Conducted all year long in 2013, Pınar Süt's effective communication activities, campaigns focusing on consumers' needs, and new product launches enhanced the Company's brand potency and strengthened its leading position in nearly every market segment and category.

Total Assets (TL million)



Pınar Süt's total assets amounted to TL 683.3 million in value as of end-2013

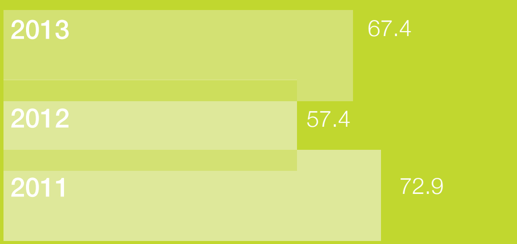
Net Sales (TL million)



In 2013, the Company's net sales increased by 11.4% and reached TL 809.8 million.

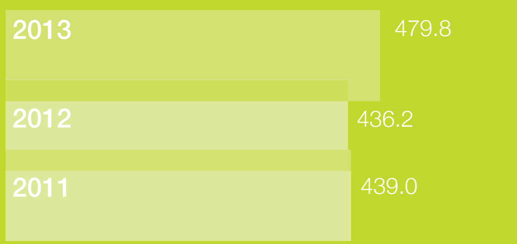
Pınar Süt's gross sales increased by 10.07% year-on in 2013 and reached TL 1.1 billion in value.

Net Profit (TL million)



Net period profit was higher in 2013 than they were in 2012, and weighed in at solid TL 67.4 million.

Shareholders' Equity (TL million)



In 2013 Pınar Süt's total shareholders' equity reached TL 479.8 million.

11.4%

Net sales in 2013 increased by 11.4% and were worth TL 809.8 billion.

Pınar Süt's sales tonnage was up by 3.2% and weighed in at 300 thousand tons.

Ratios

	2012	2013
Gross Profit Margin	19.9%	18.6%
Net Profit Margin	7.9%	8.3%
Current Ratio	1.6	1.5
Acid Test Ratio	1.0	0.9
Financial Leverage Ratio	0.3	0.3
Debt/Equity	0.4	0.4

29.2%

Pınar Süt is the market leader in the plain milk category with a 29.2% share of its turnover.

Effective communication activities, campaigns focusing on consumers' needs, and new product launches enhanced the Pınar Süt's brand potency and strengthened its leading position in nearly every market segment and category.

Market Shares

Total Long-Life (UHT) Milk	30.8%	Leader
Long-Life (UHT) Light Milk	61.1%	Leader
Organic Milk	92%	Leader
Fortified Milk for Adults	51.6%	Leader
Flavored Milk	19.5%	Leader
Fortified Milk for Children	54.5%	Leader
Butter	18%	Second
Spreadable Cheese	38%	Leader
Fresh Cheese	84%	Leader
Labne	50%	Leader
Cream Cheese	23%	Leader

Source: Nielsen, market shares on turnover basis

2013 developments by product category

Milks *

- **Plain milk:** Pınar Süt is the market leader in the plain milk category with a 29.2% share of its turnover.
- **Light milk:** Pınar Süt maintained its leading position with a 61.1% share of the segment's turnover.
- **Fortified milk for children:** Despite sharper competition in this category, Pınar Süt defended its market share with its “Pınar Kids” and “Pınar Toddler” products, remaining the undisputed leader with 54.5% of total turnover.
- **Flavored milk:** Campaigns whose effectiveness was boosted with the introduction of licensed “Smurf” characters in September stimulated demand in this category, whose total turnover increased by 21.1% year-on in 2013. The Company's “Pınar Kido” brand was the turnover leader with a 19.5% share.
- **Lactose-free/enriched milk:** Pınar Süt's “Denge” line remains the leader of this market with a 51.6% share of its total turnover.
- **Organic milk:** Pınar Süt controlled a 92% share of the organic milk segment's total turnover in 2013.

Cheeses

With a 38% share of its total turnover, Pınar Süt remains the leader of the spreadable cheeses segment. In the cream cheese category, Pınar Süt's “Pınar Beyaz” brand is the undisputed leader with an 84.2% share of turnover. The Company also controls turnover shares of 49.5% in the labaneh segment and of 23.3% in the processed cheese spread segment.

In 2013 Pınar Süt increased its sales of salted white cheese by 14% and 21% on a tonnage- and turnover-basis respectively.

Pınar Süt controls market shares of

- 20.4% in the triangular cheese category
- 6.5% in the salted white cheese category (up by nearly half a percentage point year-on)
- 7.5% in the kashkaval cheese category
- 46.5% in the sliced cheese category (leader)

Yoghurts & ayrans

The Company registered a 33% rate of year-on growth in the ayran category largely by means of positioning and marketing activities that set it apart from its competitors but also by listing products in new locations. Improvements in distribution have boosted our ranking to third place in terms of sales points reached and given us the highest market share since 2012.

Condiments

In 2013 Pınar ranked among the top four most popular brands in ketchups and was one of the top three in mayonnaises.

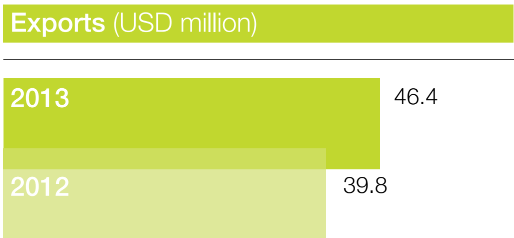
Sales in the ketchups market last year weighed in at 13,441 tons, a 1.5% year-on rise. The market's turnover grew by 6.5% and reached TL 68.4 million. Pınar's ketchups controlled a 13% market share last year.

In the market for mayonnaises, total tonnage amounted to 7,224 tons, which corresponds to a year-on rise of 4%. This market's turnover grew by 8% and reached TL 65.5 million. Pınar controlled a 16% share of the mayonnaise market's turnover.

Fruit juices

Sales in the fruit juices market reached 462,250 thousand liters in 2013, a year-on rise of 4%. Market turnover was up by 11% and reached TL 1.1 billion. Pınar-brand products controlled a 5.0% share of this market last year.

* Source: Nielsen, 2013



16.6%

Pınar Süt's exports increased by 16.6% on a USD basis in 2013.

28

Pınar Süt is active in 28 national markets outside Turkey.

A name steadily gaining strength and recognition in international markets

Having formulated a vision of being a regional force on its way to becoming a global brand, Pınar has defined its strategic objectives accordingly. In line with this vision, Pınar engages in a wide range of activities that strengthen its brand image and increase its visibility in other countries, starting with those closest to its home market.

Firmly established as one of Turkey's most potent brands, Pınar Süt is active in no fewer than 28 markets abroad, principally Saudi Arabia, UAE, and Kuwait in the Gulf region; TRNC, Iraq, and Azerbaijan in the Near East; and Germany and UK in Europe.

Pınar Süt is concentrating its export efforts in Gulf and Middle East countries, where it has been active now for three decades. Pınar labaneh is the Company's most popular product in these countries and it commands market shares of 28% in Saudi Arabia, 36% in UAE, and 51% in Kuwait.

Pınar brand advertising and marketing activities also gained additional momentum in other overseas markets in 2013. Brand recognition was enhanced by means of communication campaigns in Iraq, Azerbaijan, and TRNC. These efforts have already begun to produce results. Research shows that while the Pınar brand had only a 16% level of recognition in dairy products before the communication campaign, it shot up to 52% afterwards. Communication activities were also intensified during the last quarter of 2013 in Azerbaijan, to which country Pınar Süt's exports increased by 16% on a USD basis last year.

Pınar's "Breakfast Cream", which has proven to be a star attraction in the Iraq market, was relaunched in new packaging weights, containers, and formats. Packaging was also redesigned to reflect local language preferences in products that have especially strong consumer appeal.

"Previous generations grew up healthy and strong with Pınar Süt: Now it's the Next Generation's turn"

A communication campaign that was conducted in the plain milk category during January and February 2013 focused on the message "Previous generations grew up healthy and strong with Pınar Süt: Now it's the Next Generation's turn". This TV, radio, internet, and outdoor campaign was widely acclaimed among consumers.

Market-share-boosting campaigns and their results

Milks

In the plain-milk category, a "Previous generations grew up healthy and strong with Pınar Süt: Now it's the Next Generation's turn" communication campaign was conducted during January and February. This TV, internet, and outdoor campaign was greatly appreciated among consumers.

A "Jobs" campaign conducted in May and June sought to increase consumer appeal by means of packaging differentiated according to its underlying "Growing Up" message. Packaging was designed to reflect different occupations while also encouraging children to drink milk. Those who played the "Jobs" game on the Company's Facebook page received prizes.

For Mother's Day, consumers were invited to leave messages for their mothers on the "I'm Growing Up With Pınar Süt" page on Facebook, which has 130,000 subscribers. Participants in this campaign also received prizes. Messages entered in the "I'm Knitting My Love For My Mother" campaign were selected for use in company press releases.

In the light milk category, marketing was intensified beginning in April in order to benefit from heightened consumer weight-consciousness in the run-up to the summer season. Internet communication was used in and a "diet festival" was sponsored during April-June and n interactive "My Calorie Counter" module was added to the Facebook page in May.

For the children's product line, TV communication was used during a short-term campaign in April and May that involved a relaunch under the heading "Triple Support For Your Child's Development", the content of the internet page was enriched, and support was also provided in the form of magazine ads. During this campaign, the physical, mental, and immune-system benefits of children's milk was visually reinforced on all children's milk packaging. The functional features of these products were also communicated to consumers through the "Mother's Diary" Facebook page with the support of a pediatrician all year long during 2013.

In the flavored milks category, communication activities were conducted all year long for the "Kido" brand in order to strengthen its position. Two campaigns were conducted: "Kido Comic Book" in January and February and "Kido Undersea" in June through August. During these campaigns, prizes capable of attracting children's attention and entertaining them were handed out. TV ads were also broadcast in line with these campaigns.

In the wake of the licensing agreement with the "Smurf" franchise, Pınar Süt has begun introducing Smurf characters along with Kido in all of its packaging and communication activities as part of the transition. A TV spot containing both was broadcast during a "back-to-school" campaign in the fall. Interactive applications designed for children were hosted on kido.com.tr in parallel with these campaigns all year long.

In the flavored milks for adults category, a new coffee-flavored product, "Çikola Latte" was added to the Çikola line in July.

For the "Denge" line of milks, product-promotional brochures were handed out and information was disseminated during the "Diet Festival" both to establish communication with consumers and to increase product visibility.

By adopting an approach that set Pınar-brand ayran apart from others in the market, this product was one of the fastest-growing categories in the Pınar Süt portfolio last year.

46%

Promotional activities resulted in 46% tonnage increase in Pınar-brand cheese spreads.

Cheeses

The "Meşhur Eder Lezzeti" campaign conducted for Pınar Labaneh continued in May 2013 with a new TV commercial. Consumers' attention was also attracted to the product through social media by means of a large number of recipes incorporating the product that were posted on the Pınar Labaneh Facebook page. Tastings of pastries made with the product were conducted in shops and stores that are popular among women, at which time free recipe cards were also handed out.

In November we began collaborating on the Pınar Labaneh product for the first time with women's TV programs that attract big daytime audiences. The Star TV program "Melek" was sponsored and Pınar Labaneh recipe demonstrations/product placements were used once a week with TV cook/presenter Sahrap Soysal. Advertorials are also broadcast twice a week. A similar arrangement with the "Zahide ile Yetiş Hayata" was introduced on ATV in late December.

For the Pınar Beyaz Çikolatalı product, a chocolate-flavored cream cheese that was launched for the first time in Turkey in October 2012, a promotional campaign was conducted in January 2013 with the motto "Çikolata Seven Çocuklara Kahvaltıyı Sevdiren Beyaz". Pınar Beyaz's market share, which was 84% in October 2012, reached 86% in January 2013.

For Pınar-brand cheese spreads and wedges, a "Bana Bana" campaign was mounted in April and May in which TV, radio, outdoor, cinema, and internet were used as media. A below-the-line "Reklam Oburları" campaign was deployed to reach young-adult university students. Under the "Ofiste Hayat Var", Pınar-brand triangular cheese products were handed out at twenty business centers. These campaigns were also supported by means of store tastings and demonstrations. As a result of these activities there were post-campaign tonnage increases of 33% and 46% respectively in Pınar-brand triangular cheese and cheese spread products. These rises similarly boosted the products' market shares by two and three percentage points.

Yoghurts & ayrans

For plain yoghurts, which are the biggest-selling segment of the yoghurt category, product visibility and sales were increased during the month of Ramadan by means of store displays and outdoor advertising.

To enhance both shelf attraction and individual consumer appeal in the plain yoghurt category, in-store sales-support activities were conducted during which bags sporting Pınar yoghurt visuals were handed out as gifts to boost product appeal. Product synergies were exploited by taking advantage of Pınar Su's distribution and household penetration in order to promote Pınar-brand yoghurt.

In the light yoghurt category, promotional materials were handed out along with products while both shelf visibility and consumer appeal were enhanced during the pre-summer season.

The design of PET-bottled ayran products was changed with the introduction of handled packaging designed to make it easier for consumers to carry and use the bottles. The new packaging significantly increased the appeal of the product among consumers while also enhancing product shelf visibility. Pınar also launched an innovative communication campaign, the first of its kind in this product category, targeted at children and families with children. This campaign attracted consumers' by taking as its point of departure the importance of ayran in helping children to grow up big and strong and the flavorful appeal of ayran among children. By adopting an approach that set Pınar-brand ayran

Long been popular in other national markets, a vanilla-flavored custard sauce with texture and flavor features adapted to conform to Turkish tastes and consumers' needs was introduced in Turkey by Pınar in 2013 under the "Kremilla" name.

apart from others in the market, the product was one of the fastest-growing categories in the Pınar Süt portfolio last year.

A mix of media was deployed along with TV communication during this campaign that included effective use of an easily-recalled radio advertising jingle. Along with TV and radio spots, outdoor advertising was used in İstanbul's summer resort districts. A campaign individually communicating with consumers was conducted by means of point-of-purchase (POP) and sales support activities undertaken in the field.

Under-license Smurf characters were introduced on Pınar-brand 200-ml ayran containers in a campaign aimed at increasing the appeal of wholesome beverages among young children. This implementation distinguishes Pınar as the first brand to deploy child-appealing franchise characters in the ayran category. The product was relaunched through TV spots broadcast on children's channels and also by means of outdoor ads. Its consumer appeal was also enhanced through effective POP, sales-support, and promotional activities.

Condiments

The in-store visibility of Pınar-brand condiments was increased by means of stand placements and seasonal labeling and consumer promotions. Product appeal was enhanced by means of kitchen aprons, condiment dispensers, and glass bowls gifted along with eco-packs. In December a "New Year's Pack" containing Pınar-brand mustard, ketchup, and mayonnaise was introduced to consumers. The small-pack segment has been gaining increasing importance in condiment sales recently. In recognition of this, mini-containers of ketchup and mayonnaise were introduced, thereby establishing Pınar firmly in a segment that already accounts for 14% of the condiments market.

Custard sauces, which have long been popular in other national markets, were introduced for the first time in Turkey by Pınar in 2013 under the "Kremilla" name. This is a vanilla custard sauce whose texture and flavor features have been specifically adapted to conform to the Turkish palate and to Turkish consumers' needs. Benefiting from Pınar's well-established reputation for flavor and wholesomeness, this product is offered in 500-ml containers.

Powdered products

In the powdered products category, seasonal-discount packages were put on sale. In the run-up to New Year's, specially-designed and labeled promotional packs enhanced products' in-store visibility. Two-for packs of Pınar whipped cream and banana pudding were offered during the strawberry season to consumers, who were also made aware of the campaign by means of POP activities. Tasting activities were implemented at POS (point-of-sale) and visibility was increased via use of stands and POP/displays at POS.

twitter

The corporate Twitter account is used to provide consumers are provided with specially-created recipes, press releases, announcements, and holiday- and week-specific celebratory messages.

Pınar Süt made intensive use of social media during 2013 as a way of further strengthening its communication with consumers.

first

A "Pınar'la lezzet canlandı" communication was conducted along with the changeover to containers fitted with Handy-Cap closures, the first such to be used in fruit juices in Turkey.

Fruit juices

A "Pınar'la lezzet canlandı" communication was conducted along with the changeover to containers fitted with Handy-Cap closures, the first such to be used with fruit juices in Turkey. The TV ad's fresh fruit theme was highlighted by means of lively music and images of natural fruit. Other concepts communicated in the spot were the enjoyment of life inspired by superior flavor and the association of Pınar-brand fruit juices with bringing a family together in an enjoyable activity. Attention was also placed on the newly-introduced convenience closure that makes the container easier to drink and prevents juice from being spilled even when used by children.

This campaign was supported by means of TV, radio, and outdoor media. Communication was also enhanced through Pınar-related songs posted on music websites such as fizy.com and karnaval.com.

Along with attractive in-store displays and POP activities, consumers were also given opportunities to play a specially-designed game in which Pınar-brand fruit juices were featured.

Under-license Smurf characters were introduced on Pınar-brand 200-ml nectar and pure fruit juice containers. The introduction was announced by means of activities conducted at various locations in shopping malls during which consumers' attentions were also attracted by Smurf-themed glasses.

Social media

- **twitter.com/PinarKurumsal:** Consumers are provided with specially-created recipes, press releases, announcements, and holiday- and week-specific celebratory messages via the Company's corporate Twitter account. A special twitter.com/InfoPinar page was also opened in order to separate consumers' wishes, needs, and suggestions from the corporate page so that they may be dealt with more effectively. This page is monitored by the Pınar Communication Center, which is responsible for resolving any issues that may come up.
- **www.facebook.com/LightYasaminSirlari:** Focusing on "Light" products and living as a lifestyle choice, the Pınar "Secrets of Light Living" Facebook page hosts constantly-renewed content intended to appeal to consumers and encourage them to adopt healthier lifestyles.
- **www.facebook.com/PinarLabne:** This Facebook page concerning Pınar-brand labaneh hosts content and recipes designed to appeal to consumers.
- **www.facebook.com/PinarSutleBuyuyorum:** This is a Facebook fan page that was opened in order to establish and maintain continuous and measurable communication with its target audience, defined as women in the 25-45 age group. This page is deployed to conduct a variety of campaigns and contests.
- **www.facebook.com/anneningunlugu:** "Mother's Diary" is a Facebook page set up to provide detailed information about Pınar-brand products as well as other matters that are of interest to mothers and their children.
- **www.facebook.com/PinarKido:** The Pınar Kido Facebook contains information about the product's campaigns and also hosts a variety of activities aimed at children.

In line with its strategic plans as defined by its sustainable growth policies, Pınar Süt decided to set up a third dairy plant.

In 2013

Production capacity invigorated by new investment

Because innovation and change are such important elements of Pınar Süt's corporate culture, the Company adheres to an investment program that constantly builds upon its existing technology and knowledge bases and transforms the strengths they nourish into competitive advantages while also keeping pace with changing sectoral conditions.

Pınar Süt Şanlıurfa Plant

An important goal of Pınar Süt's third dairy plant is to bring to the city of Şanlıurfa and all of southeastern Turkey the newest instance of the social-contribution model that the Company introduced in İzmir, continued in Eskişehir, and has been adhering to for forty years without interruption as a way of creating value for the national economy.

Following up the investments that Yaşar Holding undertook in the Aegean (İzmir) and Central Anatolian (Eskişehir) regions, Yaşar Holding is now fulfilling its responsibilities towards the improvement of animal husbandry and farming in southeastern Turkey as well. The Pınar Süt Şanlıurfa Plant, work on which began in 2013, represents the biggest investment undertaken by the Company in recent years.

As originally conceived, the Şanlıurfa plant will be producing milk, yoghurt, ayran, and fruit juice at the outset; however the project has been designed so as to allow production to be tailored and diversified as requirements dictate. State-of-the-art energy-efficient and eco-friendly automation and production technologies have been incorporated into the plant.

The Pınar Süt Şanlıurfa Plant is a project designed to make the most of the efforts of thousands of local dairy farmers: milk will be procured not just from Şanlıurfa itself but also from neighboring towns and provinces. In order to ensure that their production complies with Pınar Süt's strict quality-assurance standards, farmers will be provided with training and the local dairy industry as a whole will be improved through veterinary and artificial insemination services. Owing to its proximity to other countries' markets, export demand is expected to contribute substantially to the plant's growth.

support

The plant will contribute to the development of dairy farming in the region.

49.5

Pınar Süt's total investments amounted to TL 49.5 million in 2013.

In addition to its investment in the new Şanlıurfa plant, in 2013 also gave considerable attention to renovation investments at its İzmir and Eskişehir plants last year.

260

Pınar Süt's total production area amounts to 260 thousand m^2.

Investments in 2013

In addition to its investment in the new Şanlıurfa plant, in 2013 also gave considerable attention to renovation investments at its İzmir and Eskişehir plants last year. Total investments in 2013 amounted to TL 49,506 thousand of which TL 14,458 thousand was for land, buildings, and improvements, TL 32,423 thousand for machinery & plant, TL 1,804 thousand for fixtures, and TL 821 thousand for rights.

The Company's 2013 investments at all three locations were covered by investment incentives certificates as follows:

- TL 26,331,149 under investment incentives certificate 110580 dated 28 May 2013 for the new investment at the Şanlıurfa plant;
- TL 13,261,031 under investment incentives certificate 109071 dated 21 February 2013 for renewal investments at the Eskişehir plant;
- TL 2,696,891 under investment incentives certificate 109075 dated 27 March 2013 for renewal investments at the İzmir plant.

Production Facilities (m^2)

	İzmir	Eskişehir	Total
Indoors	53,341.23	35,825	89,166.23
Outdoors	56,733.78	114,175	170,908.78
Total Area	110,075.01	150,000	260,075.01

Awards & recognitions

- According to a survey of Turkey's most admired companies conducted by Capital, a business and economics magazine, and GfK Türkiye, Pınar Süt ranks first in the milk and dairy products sector.
- As reported by the RepMan Reputation Survey Center, according to a survey conducted by GfK Türkiye in which 16,243 people in all seven of Turkey's geographical regions were polled and which ranks companies and sectors on the basis of their perceived reputations, Pınar numbered among Turkey's ten most highly respected companies. In this year's popularity poll, Pınar advanced from 8th to 7th place.
- One out of four brand in the Superbrands list was from Food&beverage category. Pınar was also awarded as a Superbrand.
- During the Turkey Customer Satisfaction Index (TMME) award ceremony at which were announced the results of a survey conducted by KalDer, the Turkey Quality Association, querying about 275,000 consumers, Pınar ranked third among a field of 119 brands.
- Fruit Juice Sector: TMME Continued Achievement Award - Golden Statue
- Fruit Juice Sector: TMME 2012 Sectoral First Place - Silver Statue
- Milk & Dairy Products Sector: TMME 2012 Sectoral First Place - Silver Statue
- According to the same index's 2012 Q2 results, Pınar-brand fruit juices once again achieved the highest level of customer satisfaction in the fruit juice sector, retaining the standing as the brand most liked by consumers that it has enjoyed for four years in a row. With a total of 80 points, the packaged water and fruit juice sectors ranked first among the industries with the highest ratings among those surveyed by TMME in the second quarter of 2013.
- In 2013 Pınar Süt was the recipient of the Aegean Region Chamber of Industry's (EBSO) first-place awards in the "Highest Export Performance", "Highest Investment Performance", "Highest Production Performance" and "Most Manufacturing Jobs Provided" categories and third in the "Most Tax Paid" category.
- At the İzmir Chamber of Commerce's annual taxpayers' award ceremony, Pınar Süt was one of three chamber members who received recognition as paying the most corporation tax in the province of İzmir. The Company received gold medals in the milk and dairy products group based on its net reported commercial earnings and its foreign exchange earning performance.
- In a survey of "the most mom-friendly brands" conducted by the MOM-Z Platform, a civil society undertaking leaded by "Generation Z" mothers, Pınar Süt ranked first as the brand mothers most identified with.
- Pınar Süt received the MediaCat Felis "Best use of outdoor media" award for the effective implementation of its "I grew up, I grew up, I grew up in Pınar" campaign.
- In the "Outdoor Advertising Contest" organized by A Awards, Pınar Süt received awards in the "Best FMCG Advertising" and "Best Customized Application" categories.
- Pınar Süt tremendous attention-getting "I grew up with Pınar" campaign was cited by MediaCat as one of 2013's top ten "Most Insightful" ads in a survey embracing all sectors.

Corporate governance rating

According to a corporate governance compliance report issued by SAHA Corporate Governance and Credit Rating Services, Pınar Süt scored 8.87 points out of a possible 10 in a report published in November 2012. In SAHA's follow-up report, Pınar Süt's rating was raised to 9.15 as of 2013.

For our customers and consumers...

The Pınar Süt Product Portfolio

Milk

Boxed Milk
- Long-Life Milk
- Organic Milk
- Organic Light Milk
- Pasteurized Day-Fresh Milk
- Pınar Kido Milk (Strawberry, Banana, Cocoa, Biscuit, Chocolate & Strawberry, Chocolate & Wafer Mash)
- Pınar Adult Flavored Milk for Adults (Chocolate, Chocolate Latte)
- Bottled Milk
- Light Milk
  - 50% Light Milk
  - 0.1% Light Milk

Fortified Milks

- Pınar Kids Follow-On Milk
- Pınar Kids Follow-On Milk (Honey-flavored)
- Toddler & Follow-On Milk (plain)
- Denge Calcium + Vitamin A, D & E Milk
- Denge Lactose-free Milk

Yoghurt

- Pınar Natural Yoghurt
- Pınar Natural Half-Fat Yoghurt
- Pınar Natural Full-Fat Yoghurt
- Pınar Natural Light Yoghurt
- Organic Yoghurt

Ayran

- Pınar Şişe Ayran (bottled)
- Pınar Bardak Ayran (individual portion)
- Pınar Light Ayran

Cheese -Butters

Spreadable Cheeses
- Cheese Spread
- Thyme & Olive Cheese Spread
- Cheddar Cheese Spread
- Pınar Cream Cheese
- Pınar Light Cream Cheese
- Pınar White with Chocolate
- Pınar Labaneh
- Pınar Light Labaneh

Convenience Cheeses
- Toasting Cheese Slices
- Sliced Burger Cheese
- Pınar Kido Triangular Cheese
- Full-Fat Triangular Cheese
- Thyme & Olive Triangular Cheese
- Cheddar Triangular Cheese
- Half-Fat Triangular Cheese
- Light Triangular Cheese

Traditional Cheeses
- Fresh Kashkaval
- Full-Fat White Cheese
- Light White Cheese
- Organic White Cheese

Butters
- Cupped Butter
- Traditional Butter
- Roll Butter
- Block Butter
- Portioned Butter

Specialty Cheeses
- String Cheese
- Cheddar Cheese
- Mozzarella Cheese

Fruit Juices

Fruit Nectars
- Sour Cherry Nectar
- Peach Nectar
- Mixed Mediterranean Fruit Nectar
- Apricot Nectar
- Orange Nectar
- Sour Cherry & Apple Nectar

100% Pure Fruit Juices
- Pınar 100% Pure Orange Juice
- Pınar 100% Pure Apple Juice
- Pınar 100% Pure Peach & Apple Juice
- Pınar 100% Pure Apricot & Apple Juice

Fruit Drinks
- Pınar Tropical
- Pınar Orange & Peach
- Pınar Orange, Carrot & Lemon
- Pınar Orange, Pear & Apple
- Pınar Pear & Pineapple

Condiments

Sweet Sauces
- Pınar Chocolate Sauce

Mayonnaises
- Jar Mayonnaise
- Light Mayonnaise

Ketchups (regular & spicy)
Mustards
Pınar Whole Cream
Pınar Sütkrem (Clotted Cream)
Kremilla (Custard)

Desserts

Convenience Desserts
- Kido Puddings (cocoa, banana)
- Puddings (cocoa, banana, vanilla, bitter chocolate, chocolate & hazelnut flavored, supangle)
- Chantilly Cream

Bulk-Packed Products for the Food Trade

Milk
- Food Trade Milk full-fat & half-fat)
- Pınar Bag-In-Box Milk (full-fat & half-fat)

Cheeses
- Pınar Labaneh
- Pınar Cream Cheese
- Pizzarella
- Toasting Cheese Slices

Butters
- PVC-Tub & Foil-Wrapped Portions
- Roll Butter

Yoghurt
- Pınar Natural Yoghurt

Ayran

Dehydrated Milk for the Food Trade
- Dehydrated Skim Milk
- Dehydrated Full-Fat Milk
- Dehydrated Whey

Condiments
- Food Trade Mayonnaise
- Food Trade Ketchup
- Bucket Mayonnaise
- Bucket Ketchup

28

In 2013 there were two new product launches and 26 packaging projects.

Developing consumer-focused products that conform to the needs of the Turkish market, Pınar Süt keeps a close watch on the world's leading food-industry trends.

New products introduced to the market in 2013

Maintaining its innovative approach in the sector and continuing to give importance to consumers' needs, Pınar Süt added two new products to its portfolio in 2013 while also carrying out 26 packaging projects in different product categories.

New products
- Çikola Latte
- Kremilla

Packaging projects
- Kahvaltı Keyfi 400 gr
- Kahvaltı Keyfi 800 gr
- Cheese Spread 100 gr
- Cheese Slices 200 gr
- Denge Calcium 1/5
- Denge Lactose-Free 1/5
- Pınar Light Milk 50% 1/5
- Pınar Light Milk 0% 1/5 6-MP
- Pınar Toddler 1/5
- Ketchup 300 gr
- Mayonnaise 255 gr

AFH - Dairy Group
- Yoghurt AFH 200 gr
- Yoghurt AFH 200 gr Half Fat
- Yoghurt AFH 150 gr Half Fat
- Pınar Labaneh AFH 20 gr
- Triangular Cheese Half Fat 15 gr AFH
- Butter 2 kg AFH
- Milk Full Fat 1/5 AFH
- Milk Half Fat 1/5 AFH
- Milk No-Fat 1/5 AFH
- Milk No-Fat 1/1 AFH
- Ayran AFH 200 ml
- Ayran AFH 300 ml

Exports
- Cheese Spread 160 gr (Special Formula)
- Breakfast Cream 200 gr
- Triangular Cheese (full-fat, light, and half-fat in Arabic-language packaging)

Product packaging projects

Changes were made in product packaging in order to draw attention to the features that make Pınar-brand products preferred at points-of-sale and among final consumers. At the same time, priority was also given to packaging materials optimization in line with the Company's sustainability approach.

Some of the packaging changes necessitated revisions in the Eskişehir plant's ayran bottling line. Beginning in May 2013, the 1- and 1.5-liter bottles of this product were fitted with plastic handles that make the containers easier to carry and use.

Innovative R&D

Developing consumer-focused products that conform to the needs of the Turkish market, Pınar Süt keeps a close watch on the world's leading food-industry trends. Pınar Süt continues to innovate in line with the importance that it gives to goal-focused R&D, sustainability, and environmental awareness. In 2013 the Company introduced the first vanilla-flavored custard sauce to the Turkish market under the "Pınar Kremilla" name. This thick vanilla-flavored custard can be conveniently used in a variety of ways such as a filling for pastries and as a flavoring in and sauce for desserts. It is also suitable for eating in its own right as an accompaniment to fresh fruit.

"Pınar Çikola Latte", which was launched in the second half of 2013, is a product that combines the flavor and appeal of chocolate and coffee. Suitable for drinking both hot and cold, the product drew attention as an attractive, dairy-based alternative beverage.

Pınar Süt quality approach and management systems

Pınar Süt's primary goal is to offer consumers high added-value products that are natural and wholesome. With production compliant with international standards, its innovative structure, and determination to satisfy consumers' needs, Pınar Süt has the richest line of milk and dairy products on offer in Turkey today. Exploiting all of the benefits of existing and new technologies, Pınar Süt keeps pace with, acquires, and implements national and international developments in such areas not only in terms of production methods, machinery, and equipment, but also with respect to such issues as marketing, product & quality improvements, packaging, information systems, logistics, and consumer convenience.

Pınar Süt has been involved in assessing and achieving compliance with the control mechanisms and certification procedures related to the production of heat-treated milk and dairy products for export to the European Union since 2000.

These activities are conducted in collaboration with the European Commission Directorate-General for Health and Consumer Protection, European Commission Food and Veterinary Office (FVO) specialists, the Turkish Food, Agriculture and Livestock Ministry, certified dairy farms and dairy plants, and the Turkish Packaged Milk and Milk Products Manufacturers Association. Last year FVO officers conducted a ten-day round of audits in Turkey that began on February 28th.

These audits were carried out under the separate headings of "Legal Framework & Competent Authority", "Business Registration and Identification of Animals", "Laboratory Services", "Farm Controls", "Post-Harvesting Raw Milk Controls", and "Dairy Enterprise Government Controls". Based on its ability to fulfill general and specific hygiene requirements and to carry out production in compliance with EU standards, Pınar Süt was granted approval to export its products to EU countries. Pınar Süt's "EU Milk and Milk Products Export Certificate of Approval" was published in the EU's official journal in April 2013.

Pınar Süt has been awarded ISO 22000 Food Safety Management System and FSSC 22000 Food Safety Management System certifications in recognition of its compliance with international standards.

Focusing on environmental safety in its production and packaging materials, Pınar Süt takes every possible precaution to conserve natural resources in the conduct of its activities. The company first qualified for TS EN ISO 14001 Environmental Management System certification as long ago as 2003. More recently in May 2013, Pınar Süt was awarded TS 18001 Occupational Health and Safety Management System and TS EN ISO 50001 Energy Management System certifications in further recognition of its ongoing efforts in this direction.

In line with its environment, energy, and occupational health & safety policies, Pınar Süt:

- Complies with all applicable laws and regulations concerning environmental protection and the reduction of environmental pollution, energy conservation, and occupational health & safety;
- Makes use of production methods which are not detrimental to environmental or human health and which reduce resource consumption;
- Abides by principles and engages in efforts to reduce, recover, and recycle waste;
- Develops maintenance programs and undertakes new investments aimed at reducing its energy use;
- Engages in efforts to reduce water consumption, seeks new ways to reuse water discharged during the conduct of production processes, and strives to minimize waste water effluents;
- Educates its employees, customers, and suppliers on issues related to environment, energy, and occupational health & safety issues.

The Company formulates and implements environmental management programs that are focused on making productive use of natural resources, minimizing the environmental impact of waste on the receiving environment, ensuring the environmental safety of raw materials used in production processes, improving production process environmental performance, and performing qualitative and quantitative effluent controls.

Developments in operational improvements and cost optimization

Having created many firsts in Turkey as a company which defines, advances, and transforms the sector in which it operates, Pınar Süt places innovation at the heart of its corporate culture.

OCI (introduced in 1999) and Lean Six Sigma (introduced in 2007) practices create significant benefits at Pınar Süt by enabling the Company to effectively manage its costs.

Pınar Süt successfully conforms to TS EN ISO 14001:2004 Environmental Management System, TSE ISO EN 22000 Food Safety Management System, and FSSC 22000:PAS 220 Food Safety Management System requirements and holds certifications for all four.

1,200

Turkey's biggest and strongest sales and distribution network, Yaşar Birleşik Pazarlama employs a fleet of more than 1,200 vehicles in the conduct of its operations.

85% of Pınar Süt's sales are made through Yaşar Birleşik Pazarlama, Yaşar Holding's sales and distribution company.

91%

A poll conducted among consumers who contacted the Pınar Communication Center in 2013 indicated that 91% of them were satisfied with the service they had received.

Operational Cost Improvement System

The underlying goal of Operational Cost Improvement (OCI) is to reduce costs. This is achieved essentially by asking individuals to report problems related to their own functions, soliciting ideas to deal with the problems, and implementing solutions that are approved by management. The OCI system is supported by a program of rewards for those whose projects are successful.

When they were originally introduced in the 1990s, OCI projects were dealt with individually. As IT infrastructure continued to make progress and with the changeover to SAP, a more systematic management of these projects began in 2003.

Lean Six Sigma projects

In 2013 Pınar Süt carried out eight Lean Six Sigma projects at its Eskişehir and İzmir production facilities. First introduced in 2008 and continued ever since, these bring the total number of projects deploying the Lean Six Sigma methodology to 45.

The projects undertaken in 2013 were designed to reduce and improve process variability, to improve operational costs, and to manage environmental risks.

The common goal of all Lean Six Sigma projects is to achieve operational excellence by responding flexibly and nimbly to customers' expectations as they evolve over time. In addition, the Lean Six Sigma philosophy makes it possible to create a customer satisfaction structure that is constantly made better through efforts to achieve quality, cost, and delivery time improvements.

Information technology infrastructure

A number of major changes were made in Pınar Süt's information technology (IT) infrastructure in 2013 in order to improve business continuity, data security, and cost effectiveness. These changes significantly boosted performance and contributed to business productivity. Another change last year involved incorporating new product development processes into the existing SAP system. By providing a common work platform, this has improved data consistency and process monitoring.

Milk procurement project

All milk procurement operations have been incorporated into the SAP system. By placing milk acceptance, quality control, pricing, and invoicing processes under the control of this system, significant progress was achieved in reliable data flows, automation, pricing speed, and detailed reporting.

Pınar Communication Center

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

Accessible from everywhere in Turkey on 444 7626 without the need to dial an area code, the Pınar Communication Center (PİM) is staffed by live operators who are on duty and respond to incoming calls between the hours of 07:00 and 23:00 every day of the week. Their job is to ensure that callers are provided with the information that they need as quickly as possible. PİM has a call success rate of about 90% and 92% of all calls are answered within 15 seconds. Last year a dedicated PİM Twitter account was opened by means of which it is possible to examine and respond to consumers' wishes and suggestions submitted through social media. Satisfaction surveys are regularly conducted among consumers who contact the center in order to systematically quantify PİM's service levels. A poll conducted among consumers who contacted the Pınar Communication Center in 2013 indicated that 91% of them were satisfied with the service they had received.

Distribution

85% of Pınar Süt's sales are made through Yaşar Birleşik Pazarlama, Yaşar Holding's sales and distribution company.

Yaşar Birleşik Pazarlama

Turkey's biggest sales and distribution network

Operating through 9 regional departments, more than a 100 dealerships, and 150 thousand sales outlets, Yaşar Birleşik Pazarlama ensures that Pınar-branded products reach customers and consumers in the freshest, most wholesome, and fastest way possible. With more than 500 types of product in 17 different categories maintained under three different degrees of climate control, Yaşar Birleşik Pazarlama is one of the biggest and most important sales and distribution organizations in Turkey.

Yaşar Birleşik Pazarlama employs a strong team of specialized, customer-focused, and experienced personnel and a fleet of more than 1,200 vehicles to sell and distribute the products made by the Yaşar Group Foods Division.

Keeping customer channels supplied with the products in the Company's portfolio in order to ensure both that the maximum number of sales outlets is reached and that product diversity is maximized at each outlet, Yaşar Birleşik Pazarlama's extensive and efficient distribution clout contributes significantly to Pınar-branded products standing as market leaders.

Because it conducts all of its business activities on the basis of efficiency and effective reporting, Yaşar Birleşik Pazarlama deploys state-of-the-art software systems to keep track of and report its operations and their results.

With its talent for managing results-focused customer relations and believing in the value of a qualified workforce that works as a team, Yaşar Birleşik Pazarlama develops and implements training programs which are compatible with its own business practices and which improve the sales and professional skills of its own personnel and those of its business partners.

Fundamental to all of Yaşar Birleşik Pazarlama's operations is a strategy that seeks to optimize transport costs and achieve effective stock management by maximizing sales outlets, product diversity, activities, customer relationship management, data management, and teamwork and by minimizing financial risks.

Yaşar Birleşik Pazarlama continues to develop new projects capable of increasing its economic efficiency and service quality as well as new practices that will improve productivity.

Pınar Professional

According to figures published by the Turkish Statistical Institute, the away-from-home (AFH) market in Turkey is estimated to be worth TL 33 billion a year. In 2012 an AFH Marketing Department was set up in Yaşar Birleşik Pazarlama and began exploring opportunities and strategies for expanding the Company's expansion into the AFH business line.

In 2013 Yaşar Birleşik Pazarlama became a member of ETÜDER, a professional of suppliers who cater to the AFH consumption trade and whose membership consists of the sector's leading firms. On 28-31 March, the Company took part in AFH EXPO 2013, a trade fair organized jointly by ETÜDER and CNR Expo, and made use of the occasion to once again draw attention to the Pınar's stature as the sector's most important brand. As a crucial element of its AFH communication strategy, Yaşar Birleşik Pazarlama began developing communication with chefs and cooking professionals who are recognized opinion leaders. Last year the Company continued to develop more products suitable for the AFH channel.

AFH

Yaşar Birleşik Pazarlama continued to develop products suitable for the AFH channel in 2013.

For our suppliers...

25,000

Pınar Süt has more than 25,000 producers.

In order to ensure that it has access to superior quality raw milk, Pınar Süt works with more than 200 contractual dairy farms whose production conforms to EU standards and who identify with the Pınar Süt quality philosophy.

210

Pınar Süt works with 210 dairy farms that have been awarded "Approved Dairy Farm" certification.

The founder and leader of the Turkish organized dairy industry, Pınar Süt held a convention attended by 300 of its milk producers from different parts of Turkey at the Altın Yunus Hotel in Çeşme as part of its 40th anniversary celebrations.

Of the 210 dairy farms with which Pınar Süt works, fifteen hold disease-free certification and five hold "Approved Dairy Farm" certification, the latter of which recognizes that their milk production conforms to EU standards.

The quality values of milk procured from farms are reported back to producers on a daily basis. This feedback keeps producers informed about the current standing of their output.

Milk is procured from 440 chilling stations, 210 of which are located on a dairy farm.

In order to keep its producers informed and aware about the need to produce wholesome milk, Pınar Süt conducts training programs for them on such issues as milk quality, herd health, animal nutrition, preventive medicine.

The more than fifty producer training meetings that were held in villages and towns during 2013 were attended by over 2,500 producers.

During such meetings, participants are provided with information on a wide range of topics related to the impact that animal health has on milk quality and quantity such as hygiene and correct milking practices, the importance of healthy calves to herd sustainability, silage and ensilaging practices, and the identification, detection, and prevention of harmful substances that may be present in feed.

A training program for milk tanker drivers was launched in order to help maintain quality control even while harvested milk is being transported to plants.

For our employees…

One of the most important assets underlying all of Pınar Süt's success is people–which is to say its employees.

1,035

Pınar Süt had an average of 1,035 people on its payroll.

In 2013

Recognizing that its growth and development are rooted in the bedrock of its human resources, Pınar Süt formulates and manages its human resources policies in line with its basic business policies and strategies so as to ensure that the Company always has the effective, productive, and loyal personnel that it needs.

As is true at all Yaşar Group companies, Pınar Süt's human resources strategy is rooted in the principle of "Improve manpower productivity by increasing the number of competent and effective human resources". Taking that as its point of departure, Pınar Süt seeks to attract the labor market's most talented, qualified, creative, innovative, motivated, and high-performing people, to further improve the quality of its workforce, and to strengthen employee loyalty through fair-minded human resources policies and practices that win the hearts and minds of its personnel.

Aware that high levels of employee motivation and loyalty create a significant advantage in achieving success more quickly, Pınar Süt has been soliciting feedback from its personnel through employee opinion surveys that it has been conducting regularly every other year since 1998. In 2012 a pilot project exploring the possibility of taking the poll online through the Yaşar Group corporate intranet met with considerable success. The plan now is to conduct the biennial Employee Opinion Survey in this way. All Yaşar Group white-collar personnel will be queried in the 2014 online survey with blue-collar workers being included in future ones as well.

During 2013, Pınar Süt provide a total of 14,706 hours of training to its employees. Average training time per person was 9.2 hours.

In 2012 Pınar Süt launched a pilot project to create a new training platform that makes use of e-learning methodologies. Called "Yaşar Academy", the initial results of the project were successful and the number of employees taking part in it was increased in 2013.

Pınar Süt has been making use of a standardized performance evaluation system since 2005 as a way of ensuring that company goals and employee objectives remain in alignment.

The "People First" principle is the focal point of Pınar Süt's attitude towards human resources. In line with this approach the Company seeks to:

- Increase the number of competent and effective human resources and deploy outstanding people within the Company through a competency-based selection and placement process
- through the deployment of a performance evaluation system, ensure that company and individual objectives coincide so as to enhance overall corporate performance
- reward individual success and encourage even better efforts by evaluating employee performance on the basis of the degree to which goals have been achieved
- formulate annual training & development plans by identifying compulsory and optional training components and implementing them accordingly
- provide support training on issues related to health in recognition of the importance of employees' physical and mental wellbeing to the successful performance of their jobs

Owing to the expiration of the existing collective bargaining agreement on 31 December 2013, Pınar Süt and the Tek Gıda Labor Union have entered into negotiations for new workplace-level contracts that will cover the period 1 January 2014 to 31 December 2015.

Pınar Süt also provided traineeship positions for 128 university and 83 lycee students during 2013.

14,706

Pınar Süt employees were provided with a total of 14,706 hours of training in 2013.

For the environment and the community...

CO_2

Pınar Süt's İzmir and Eskişehir plants are committed to reducing their carbon footprints by at least 15% between now and 2020.

While pursuing growth in its sector, Pınar Süt makes every possible effort to protect natural resources and to cooperate closely with local communities wherever it may have operations.

Pınar Süt is a company which is careful about using natural resources, which sorts waste according to its type, which complies with the requirements of laws and regulations, which is concerned about pollution and its environmental consequences, which is mindful of the environmental impact of its products even after they have been used, and which seeks to pass a healthier physical and social environment on to future generations so that they too may enjoy an acceptable quality of life in a livable world.

Pınar Süt continues to contribute to the community of which it is a member even as it conducts its business according to the principles of profitability and productivity. Recognizing that sustainability is a "three-dimensional" concept which touches upon social as well as economic and environmental issues, Pınar Süt addresses the concept of sustainability in all of its aspects and it determines its goals and strategies accordingly. In addition, the Company also maintains a balance among the three pillars that are essential to sustainability: energy, economics, and the environment.

In line with the United Nations Global Compact (UNGC) that its parent company Yaşar Holding subscribed to in 2007, Pınar Süt has also committed itself to regularly providing its stakeholders with information about its stance and progress with respect to the issues of human resources, manpower, and combating corruption. Through activities conducted under the "Corporate Reputation" project that was launched in 2010, Pınar Süt also emphasizes its intention to be more systematic in its efforts to achieve a balance among economic, environmental, and social issues. In the case of our other stakeholders, including but not limited to our suppliers, we develop new strategies that will strengthen our communication channels so as to remain on course as they accompany us on our journey to sustainability.

Pınar Süt rates its suppliers not just on the basis of core commercial and operational indicators but also taking into account the sustainability and risks inherent in their performance. To this end, the Company has developed a project to include its suppliers in a sustainability tracking system in which suppliers are treated as an essential constituent of management processes.

Calculating the carbon footprint

A team headed by a Carbon Leader calculated and reported the Company's "corporate carbon footprint" as of 2013. Pınar Süt has identified a goal of reducing this footprint by at least 15% between now and 2020.

Teams were also provided with TS EN 50001 Energy Management System training.

Using eco-friendly materials and technologies

Pınar Süt invests in the environment, makes the most productive use possible of national and natural resources, complies with all environment-relevant laws and regulations in the conduct of its operations, and carries out all of its activities in line with prescribed management system policies. Pınar Süt's actions are informed by its environmental awareness and consciousness. It seeks to constantly improve its environmental performance as governed by the TS EN ISO 14001 Environmental Management System certification that it has been awarded.

Based on its compliance with legal norms, Pınar Süt's Eskişehir plant has been awarded an "air emission permit" that is valid for a five-year period. The Company also has its emissions regularly measured by an accredited agency as required by law.

At the beginning of each year, Pınar Süt formulates environmental action plans and programs aimed at further improving its performance in resource use reduction. The effectiveness of these activities is monitored throughout the year. To date, the following progress has been achieved:

- An economizer investment reduced the carbon emissions generated by steam boilers and resulted in energy savings.
- The replacement of ammonia with ice water as a refrigerant in cold storage refrigeration systems resulted in energy savings.
- The use of illumination panels and high-efficiency lighting fixtures in newly-constructed units resulted in energy savings.
- The replacement of high power consumption electrical motors with EFF1 high-efficiency units resulted in energy savings.
- Boiler and burner system modifications resulted in fuel savings.
- Recent investments in new-generation UHT systems and machinery whose higher energy efficiency, eco-friendliness, and low carbon emission values increased energy efficiency.
- The use of waste heat from condensers to heat yoghurt incubation rooms resulted in electricity savings.
- Improvements in waste water treatment processes reduced chemical agent costs.

As one requirement of its ISO 14001 Environmental Management System certification, environmental impact inventories have been drawn up for all units within the plant and environmental logs have been created in which is maintained a record of the nature and scope of each unit's environmental impact. A supplier evaluation system has also been set up under which Pınar Süt assigns points to its suppliers based on the existence and effectiveness of their own environment management systems.

Reductions in energy consumption

In 2013 Pınar Süt engaged in a variety of activities aimed both at making more efficient use of energy and at reducing its existing energy consumption.

Work has begun on installing an illumination system that takes advantage of natural daylight in the manufacturing sections of the Pınar Süt Eskişehir plant. Electricity is also being conserved by replacing existing fixtures with more efficient ones.

At the Pınar Süt İzmir plant, work has begun on replacing existing manufacturing-section and exterior illumination systems with LED-based systems that use less electricity and are more energy-efficient.

Pınar Süt uses metering in order to keep track of the amounts of energy that it consumes in the conduct of its production activities. The results of this metering are documented and comparisons are made in order to determine how much energy is used for each type of production. Through such comparisons, the dimensions of the Company's energy use are quantified, thus allowing targets to be set and target performance to be reviewed at regular intervals. Energy efficiency is one of the criteria taken into account before making machinery & equipment procurement decisions.

All of Pınar Süt's energy efficiency efforts were documented under the TS ISO 50001:2011 Energy Management System certification that it was awarded in 2013.

The Company's total energy consumption figures are reported annually to the Ministry of Energy and Natural Resources through that ministry's ENVER portal.

Production line efficiency

The efficiency of the production lines in operation at all of Pınar Süt's production centers is measured on a daily basis. These measurements are consolidated and permanently recorded at regular intervals and they are also subject to testing and analysis periodically. Immediate and long-term action plans are formulated in order to eliminate any factors that may cause production losses and also to improve existing efficiency values.

94%

Survey results indicated a high (94%) level of logistical services satisfaction among dealers.

Packaging waste management initiatives to reduce the environmental impact of products

In order to determine the potentially adverse environmental impact of its product manufacturing and use processes and to minimize them wherever possible, Pınar Süt regards identifying and exploiting technological alternatives as a high-priority component of its environmental awareness.

An industrial waste management plan has been formulated to manage and control waste generated during production and to ensure regulatory compliance. This plan incorporates such information as the types and quantities of waste and where and how the waste is disposed of.

The results of in-house inspections conducted by environmental officers are recorded so that the Company may continuously review and improve its environmental performance.

Organic waste and domestic waste resulting from processing is temporarily stored at the same facility in a holding area that fully complies with the requirements of laws and regulations. Such waste is subsequently disposed of at locations which have been designated by local authorities.

Similarly, waste that is generated in the course of production and use that cannot be recycled is sent to licensed firms for disposal while that which can is sent to licensed recycling firms so that it may be put to economic use. All waste, including packaging waste, that is generated is reported annually to the Ministry of Environment and Urban Planning.

Product packaging is designed and executed with the issues of reusability and recoverability in mind.

Pınar Süt is a member of and works with the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO) in the fulfillment of the Company's contractual obligations set forth in a packaging waste management plan which has been submitted to the ministry for approval. ÇEVKO also engages in public education campaigns that are aimed at both individuals and municipalities.

All company employees are encouraged to play an active role in waste management through both on-the-job and classroom training activities that focus on increasing environmental awareness and on minimizing waste and preventing environmental pollution as part of Pınar Süt's ISO 14001 Environmental Management System certification requirements.

Improvements in shipping management

Efforts made in 2010-2012 to develop and improve Pınar Süt's nationwide sales and distribution activities continued without any loss of momentum in 2013 as well. Such efforts are grounded in the Company's desire to enhance both the efficiency of and customers' satisfaction with its logistical processes while also lending its support to Green Logistics concepts.

Yaşar Foods Group companies' logistical processes are informed by the principle of "economies of scale", for which purpose the Foods Group Transport Project was launched in 2010. Under this project, a new route optimization model was introduced which has achieved savings in logistical costs by shortening the aggregate distance traveled by all delivery vehicles moving between cities. Besides lowering logistical costs, this optimization also contributes significantly to environmental sustainability by reducing carbon emissions.

Yaşar Foods Group companies together booked about 40,000 separate shipments throughout the country in 2013. During these shipments, 90% of non-perishables and 50% of perishables were carried aboard optimized-route lorries.

A monthly Dealer Logistical Services Satisfaction Survey is conducted both to determine the degree to which dealers are satisfied with the Company's logistical services and to improve service quality. The 91% satisfaction level achieved in 2012 was improved by three percentage points in 2013 to 94%.

The service quality and performance of firms to which the Company outsources its logistical services are also analyzed and reported on a monthly basis within the framework of the Lean Six Sigma program.

Social responsibility

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

Pınar Children's Theater in its 26th year

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

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

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

Source: GfK Flavored Dairy Products Tracking Survey

Pınar Art Competition

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

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

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

According to a public-awareness poll conducted by GfK, the Pınar Children's Art Competition's public-awareness rating was 31% in 2013.

Source: GfK Flavored Dairy Products Tracking Survey

Support for sport

Pınar KSK

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

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

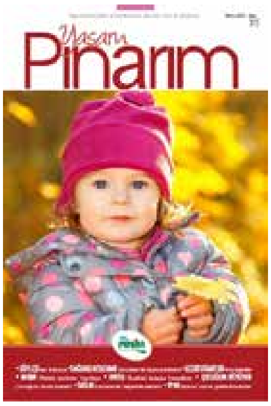
In the 2013-2014 season, was the championship winner of the Spor Toto Türkiye Cup.

33%

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

31%

The Pınar Art Competition had a public-awareness rating of 31% in 2013.



pınarenstitüsü

Pınar & UNICEF Hand-In-Hand

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

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

Pınar Institute

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

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

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

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

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

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

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

Publications

Yaşam Pınarım

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

Pınar

Pınar is a newspaper that serves as an important source of information for meat and dairy farmers on issues related to animal health and nutrition, dairy technology, and the like. The journal is published quarterly for the 25,000 producers that supply Pınar Süt with milk, veterinaries, and the producers with which the Pınar Et procurements department works.

Fairs & congresses

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

In 2013 Pınar Süt:

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

Sponsorships

Leading events supported and sponsored by Pınar in 2013:

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

Corporate Governance Practices and Financial Information

Management

BOARD OF DIRECTORS

İdil Yiğitbaşı
Chairperson

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

Yılmaz Gökoğlu
Vice Chairperson

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

Turhan Talu
Independent Director

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

Ali Yiğit Tavas
Independent Director

Ali Yiğit Tavas received his master's degree in agricultural engineering from Ege University, Faculty of Agriculture, Department of Agriculture Technology in 1979. The same year, he started his career as a Production Engineer at Pınar Süt, where he subsequently functioned as Technical Presentation Specialist and R&D Department Manager. He transferred to Pınar Et in 1984, where he served as Production Manager, R&D Manager, Assistant General Manager for Technical Affairs, General Manager, and Vice President of Food Division Production. After holding the position of Vice President of Yaşar Food Division Meat and Meat Products from 2001 through 2003, he retired from business life and left the Group. Mr. Tavas worked as Production Coordinator at Abalıoğlu Holding from 2004 to 2006.

Dr. Mehmet Aktaş
Director

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

Hakkı Hikmet Altan
Director

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

Management

Hasan Girenes
Director

Hasan Girenes received his bachelor's degree from Ege University, Faculty of Agriculture in 1983 and completed his master's degree at the same university in 1998. He joined the Yaşar Group in 1985 as a Production Engineer at Pınar Yem, where he subsequently held the positions of Production Manager and Technical Manager. From 1998, Mr. Girenes served as the General Manager of Pınar Yem, Çamlı Besicilik, Çamlı Damızlık, and Pınar Deniz Ürünleri companies. He was appointed as Vice President of Agribusiness in 2001 and he has been serving as the President of Yaşar Holding Agriculture Livestock Breeding and Fishery Division since 2009. Mr. Girenes is an assembly member of EBSO (Aegean Region Chamber of Industry), board member of the Turkish Milk Board, Chairman of the Board of Union of Seafood Producers and Farmers of İzmir, and a member of the Yaşar University Board of Trustees. He has been holding seats on the boards of directors of Yaşar Group companies.

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

SENIOR MANAGEMENT

Ergun Akyol
Vice President

Ergun Akyol got his bachelor's degree in milk technology from Ankara University, Faculty of Agriculture in 1983 and his master's degree in milk microbiology at the same university. He started his career in 1983, working as a production engineer at various milk plants in Ankara, and joined Pınar Süt in 1985 as Quality Assurance Specialist. He held the positions of Production Manager, Quality Assurance Manager, Business Unit Department Head, Assistant General Manager of İzmir Plant (1999-2001), and Assistant General Manager for Technical Affairs responsible for all plants and planning coordination. He was the General Manager of Pınar Süt from 2001 until 2012. He has been serving as Pınar Süt Vice President since June 2012.

Gürkan Hekimoğlu
General Manager

Gürkan Hekimoğlu got his bachelor's degree in agricultural technology from Ege University, Faculty of Agriculture in 1986 and his master's degree in dairy technology from Ege University, Institute of Science. He began his career in 1989 as a Production Manager at Ömür Yoğurt. After joining Türkiye Süt Endüstrisi Kurumu in 1990 as an operations engineer at Bolu Facility, he held the positions of Operations Manager and Production Manager at Türkiye Kalkınma Vakfı (Development Foundation of Turkey) and Köytür Holding in 1992. He began working at Pınar Süt as a Production Supervisor in 1994, where he later functioned as a Project Supervisor and Production Manager. He was Eskişehir Plant Director from 1999 to 2012. He has been serving as Pınar Süt General Manager since June 2012.

Erhan Savcıgil
R&D and Technology Coordinator

Erhan Savcıgil received his bachelor's degree in food engineering from Ege University, Faculty of Engineering in 1990. He began his professional life as a Milk Purchaser in the Milk Purchasing Department at Pınar Süt in 1992. He then held the positions of Production Engineer, Production Supervisor, Production Manager and Business Unit Department Manager. He served as İzmir Plant Director from 2001 to 2012. Mr. Savcıgil has been appointed as Pınar Süt R&D and Technology Coordinator in June 2012.

Mustafa Şahin Dal
Financial Affairs and Budget Control Director

Mustafa Şahin Dal got his bachelor's degree in monetary economics and banking from Dokuz Eylül University, Faculty of Economics and Administrative Sciences in 1984. He began his career in the Financial Affairs Department at Yaşar Holding in 1987, where he held the positions of accounting supervisor, assistant manager, and budget, accounting and financial affairs department manager at the Food Division Companies from 1993. He has been functioning as the Financial Affairs and Budget Control Director of Food Division Companies since 2010.

Muzaffer Bekar
Finance Director

Muzaffer Bekar received his bachelor's degree in public administration from Marmara University, Faculty of Economics and Administrative Sciences in 1982. He began his professional life in the Finance Department of Dyo Boya in 1989 and subsequently worked as Finance Supervisor, Finance Manager and Finance Director of Coatings Division Companies. He has been working as the Finance Director of Food Division Companies since December 2008.

Serdar Türkmen
İzmir Plant Director

Serdar Türkmen got his bachelor's degree in food engineering from Ege University, Faculty of Engineering in 1996. He began his career as a Shift Engineer at Pınar Süt İzmir Plant in 1998, where he later worked as Production Supervisor and Production Manager. He has been serving as İzmir Plant Director since June 2012.

Mehmet Erdi Eren
Eskişehir Plant Director

Mehmet Erdi Eren got his bachelor's degree in food engineering from the Middle East Technical University, Faculty of Engineering in 1992. He started his career as an Operations Engineer at Tariş Pamuk ve Yağlı Tohumlar İşletmesi in 1993, where he worked through 1995. He joined Pınar Süt as a Shift Engineer at İzmir Plant in 1996, and then worked as Eskişehir Plant Production Engineer, Production Supervisor, Production Manager, and İzmir Plant Production Manager. He has been serving as Eskişehir Plant Director since June 2012.

Risk Management, Internal Control System and Internal Audit Activities

RISK MANAGEMENT

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

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

Risk Management Policy of the Company

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

Activities of the Early Detection of Risk Committee

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

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

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

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

Along the line,

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

INTERNAL CONTROL SYSTEM AND INTERNAL AUDIT ACTIVITIES

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

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

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

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

Legal Disclosures

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

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

Affiliated Companies Report

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

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

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

Donations and Grants

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

During 2013, the Company's donations and grants to various organizations and institutions amounted to TL 846,255.

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

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

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

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

Changes in the Articles of Incorporation during the Reporting Period

It has been approved to amend "Article 16 - Board of Directors" of the Company's articles of incorporation by T.R. Prime Ministry Capital Markets Board letter no. 2056 dated 04 March 2013 and by the T.R. Ministry of Customs and Trade General Directorate of Domestic Trade permission no. 1537 dated 06 March 2013; the same has been laid down for the approval of shareholders, and unanimously agreed and ratified, at the Annual General Assembly Meeting held on 25 March 2013.

Based on the T.R. Prime Ministry Capital Markets Board permission no. 29833736-110.03.02-1435-4722 dated 03 May 2013 and the T.R. Ministry of Customs and Trade General Directorate of Domestic Trade permission no. 67300147/431.02.2976-561564-5027-3668 dated 07 May 2013, it has been unanimously agreed at the Annual General Assembly meeting convened on 15 May 2013 to amend "Article 2 -Company Name", "Article 3 - Purpose and Occupation Field of the Company", "Article 4 - Head Office and Branches of the Company", "Article 5 - Duration", "Article 6 - Registered Capital", "Article 7 - Issuance of Bonds and Commercial Papers", "Article 8 - Board of Directors", "Article 9 - Term of the Board of Directors", "Article 10 - Meetings of the Board of Directors", "Article 11 - Management and Representation of the Company", "Article 12 - Duties of the Members of the Board of Directors", "Article 13 - Remuneration of the Board of Directors", "Article 14 - Auditors", "Article 17 -Place of Meeting", "Article 18 - Presence of the Ministry Representative in Meetings", "Article 19 - Meeting Quorum", "Article 20 - Votes", "Article 21 - Proxy Assignment", "Article 22 - Announcements", "Article 23 - Voting Manner", "Article 24 - Foundation", "Article 26 - Annual Reports", "Article 27 - Annual Accounts", "Article 28 - Distribution of Profit", "Article 29 - Dividend Distribution Timing", "Article 32 - Legal Provisions", and "Article 33 - Jurisdiction", and to annul "Article 15 - Responsibilities of Auditors", "Article 25 - Modification of the Articles of Incorporation", "Article 31 - Printing the Articles of Incorporation", and "Provisional Article" of the Company's articles of incorporation.

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

Financial rights provided to the chairperson, members of the Board of Directors and Senior Executives are determined within the frame of the Remuneration Policy posted on our website. Financial rights provided to the chairperson, members of the Board of Directors and Senior Executives in the twelve months that ended on 31 December 2013 are determined within the frame of the Remuneration Policy posted on our website. In the twelve months that ended on 31 December 2013, remunerations and similar payments made to the members of the Board of Directors and senior executives amounted to TL 3,300,255.

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

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

The Company's Shareholders' Equity

The shareholders' equity worth TL 479,832,216 as at 31 December 2013 indicates that the issued capital of TL 44,951,051 has been very well maintained.

Agenda

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

Profit Distribution Proposal

At a meeting of the Board of Directors held on 03 March 2014, the Company's directors voted to submit the following Profit Distribution Proposal for approval at the Annual General Assembly meeting:

The Company's net distributable profit for 2013 is calculated as TL 67,442,927. This amount is arrived at as follows:

TL 67,442,927 is shown as net profit for 2013 in the Company's independently audited financial statements, which have been prepared taking into account the requirements of the Turkish Commercial Code, capital markets legislation, Corporate Income Tax Law, Income Tax Law, and other applicable legislation as well as of the provisions of the Company's articles of incorporation pertaining to the distribution of profits, and in accordance with International Financial Reporting Standards. Inasmuch as the legally mandated threshold has been reached, no General Legal Reserves were set aside.

We submit for your consideration and approval the following proposal concerning the allocation of the TL 67,442,927 in distributable profit as calculated above:

- TL 13,657,836 will be distributed among shareholders as a first dividend. This corresponds to 20% of distributable profit when the TL 846,255 that was paid out as charitable donations during the year in line with the CMB rules is taken into account.
- Of the remainder, the amount of TL 34,439,788 will be distributed among shareholders as a second dividend. The net combined total of first and second dividends amounts to TL 40,882,981. This corresponds to 90.95% of our issued capital, which amounts to TL 44,951,051.
- Of the remainder, TL 4,585,007 will be set aside as a General Legal Reserve.
- Of the final amount remaining, all will be set aside as an Extraordinary Reserve.

The profit distribution table is presented on page 47 of this Annual Report.

If this proposal is approved, the Company will be paying out a net cash dividend amounting to TL 0.9095 on each share of its stock with a par value of TL 1.00.

Please be advised.

Profit Distribution Table

PINAR SÜT MAMULLERİ SANAYİİ A.Ş.
2013 PROFIT DISTRIBUTION TABLE (TL)

1.	Paid-in/Issued Capital		44,951,051
2.	General Legal Reserves (According to Legal Records)		38,100,992
Information on privileges for distribution of profits, if any, according to the Articles of Incorporation			
		According to CMB	**According to Legal Records (LR)**
3.	Profit for the Period	59,308,539	57,157,277
4.	Taxes (-)	8,134,388	(4,124,289)
5.	Net Profit for the Period (=)	67,442,927	53,032,989
6.	Losses in Prior Years (-)	-	-
7.	General Legal Reserves (-)	-	-
8.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**67,442,927**	**53,032,989**
9.	Donations during the Year (+)	846,255	
10.	**Net Distributable Profit for the Period Including Donations**	**68,289,182**	
11.	First Dividend to Shareholders	13,657,836	
	- Cash	13,657,836	
	- Bonus Shares		
	- Total	13,657,836	
12.	Dividends Distributed to Owners of Privileged Shares	-	
13.	Other Dividends Distributed	-	
14.	Dividends Distributed to Owners of Redeemed Shares	-	
15.	Second Dividend to Shareholders	34,439,788	
16.	General Legal Reserves	4,585,007	
17.	Statutory Reserves	-	
18.	Special Reserves		
19.	**EXTRAORDINARY RESERVES**	**14,760,296**	**350,358**
20.	Other Resources to be Distributed		
	- Previous Year Profit		
	- Extraordinary Reserves		
	- Other Distributable Reserves as per the Law and Articles of Incorporation		

RATIO OF DIVIDENDS TABLE

		TOTAL DIVIDENDS DISTRIBUTED (TL)		**TOTAL DIVIDENDS DISTRIBUTED/NET DISTRIBUTABLE PROFIT FOR THE PERIOD**	**DIVIDENDS PER SHARE WITH A PAR VALUE OF TL 1 TL EACH**	
	CLASS	**CASH (TL)**	**BONUS (TL)**	**RATIO (%)**	**AMOUNT (TL)**	**RATIO (%)**
NET	No share classes enjoy privileges for profit distribution	40,882,981		60.62	0.9095	90.95%
	TOTAL	**40,882,981**		**60.62**	**0.9095**	**90.95%**

Corporate Governance Principles Compliance Report

1. Statement of Compliance with Corporate Governance Principles:

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

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

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

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

PART I: SHAREHOLDERS

2. Investor Relations Department:

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

Information about the Shareholder Relations Unit is provided below.

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

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

The duties of the Investor Relations Department are listed below:

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

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

During the reporting period, the Unit held one-on-one contacts with nearly 35 investors, and responded to more than 400 queries by phone or e-mail. In addition, two webcast meetings have been organized, which were open to participation of all analysts and addressed the Company's activities and financial results in the 12-month period of 2012 and the 6-month period of 2013. "Investor Presentations" drawn up in Turkish and English languages concerning the Company's periodic operating results were published on the Company's website. The website and investor presentations have been updated regularly to make sure that up-to-date information is made available to the investors at all times. Maximum attention is paid to achieving compliance with the legislation in fulfilling investor requests

3. Shareholders' exercise of their right to obtain information:

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

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

4. General Assembly Meetings:

Pursuant to "Article 19 - Meeting Quorum" of the Company's articles of incorporation, the quorum requirements at annual and extraordinary General Assembly meetings are subject to the provisions of the Capital Market Law and of the Turkish Commercial Code.

The 2012 Annual General Assembly meeting took place on 15 May 2013 during the reporting period. At the 2012 Annual General Assembly meeting, 80.07% of the Company's capital was represented. During the meeting, no shareholders electronically or physically attending the meeting or their proxies advanced any motions, and all questions that were raised were responded to by the Presiding Committee. Shareholders did not propose any agenda items during the said General Assembly meeting, either.

Other than shareholders, SAHA Kurumsal Yönetim ve Kredi Derecelendirme Hizmetleri A.Ş. representative participated in the meeting, whereas no media representatives were present. 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 are promulgated under "Article 22 - Announcements" of the Company's articles of incorporation, and in accordance with the relevant provisions of the Turkish Commercial Code and with other regulations, communiqués, Capital Markets Board requirements to be published under the said Code, as well as other applicable legislation.

The announcement was published in the Turkish Trade Registry Gazette twenty-one days (excluding the meeting dates) in advance. 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 meeting, the meeting date, place and agenda, and the profit distribution proposal to be submitted by the Board of Directors to the General Assembly were publicly disclosed in material disclosures.

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

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

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

Moreover, an extraordinary General Assembly meeting was convened on 25 March 2013. At the extraordinary General Assembly meeting, 80.63% of the Company's capital was represented. During the meeting, no shareholders electronically or physically attending the meeting or their proxies advanced any motions, and all questions that were raised were responded to during the General Assembly meeting by the Presiding Committee. During the meeting, shareholders did not propose any additional agenda items, either.

5. Voting Rights and Minority Rights:

Article 8 of the Company's articles of incorporation grants the following privilege regarding nominations to the Board of Directors:

"Should the Board of Directors be constituted of five members, three of them shall be elected from among the nominees indicated by Group A shareholders, one member each shall be elected from among the nominees indicated by Group B and Group C shareholders. In case the Board consists of seven members, four of them shall be elected from among the nominees indicated by Group A shareholders, two members shall be elected from among the nominees indicated by Group B shareholders, and one member shall be elected from among the nominees indicated by Group C shareholders. In case the Board consists of nine members, five of them shall be elected from among the nominees indicated by Group A shareholders, three members shall be elected from among the nominees indicated by Group B shareholders, and one member shall be elected from among the nominees indicated by Group C shareholders.

The Board of Directors may, upon its sole discretion, elect managing director(s). However, the Chairperson of the Board of Directors and the managing director(s) shall be elected from among members representing Group A."

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The Company's articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. With respect to the exercise of voting rights, the Company's articles of incorporation contain no provisions preventing non-shareholders to vote by proxy as an appointed representative. Article 23 of the Company's articles of incorporation, which governs the exercise of voting rights, reads as follows:

"Save for the votes to be cast in the Electronic General Meeting System, voting is conducted through open ballot and by raising hands during a General Assembly meeting. However upon demand by those possessing at least one-tenth of the capital which shareholders present at a meeting represent, recourse must be had to secret ballot. CMB rules pertaining to proxy voting are reserved."

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's Dividend Policy formulated in line with the Capital Markets legislation has been laid down for the approval of the 2012 Annual General Assembly meeting and publicly disclosed. Our Dividend Policy is publicly disclosed also via our website. The Dividend Policy has also been incorporated in the Company's annual report.

Distribution of the Company's profit for 2012 has been completed on 30 May 2013.

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:

Employee participation in management is provided through systematic meetings and suggestion systems, which are founded on the process-oriented management system and Total Quality philosophy, which aim at improvement and increased efficiency, and which give consideration to the demands and opinions of employees. Our customers are involved in the management through dealer meetings, customer satisfaction system and employee opinion surveys. The feedback from stakeholders are sought in this framework concerning material decisions that bear consequences for them.

Customer demands and complaints can be communicated via our toll-free customer line which can be reached from any part of Turkey without dialing a city code, upon which the demands and complaints received are handled and resolved. To ensure customer satisfaction, various research studies and surveys are continually conducted by our Company and by independent firms. Efforts are taken on to improve the product and service quality based on the research outcomes and customer demands.

Business volumes of our suppliers also expand in keeping with our own volumes which grow on the basis of cooperations with suppliers, and regular audits result in co-development of new materials that conform to food safety requirements and to the quality management systems that the food industry needs, while suppliers find opportunities to enter into new lines of business. By establishing an uninterrupted information network with our suppliers, the potential developments and innovations in the industry are followed-up, quality and innovation circles are organized, collaborations are carried out and efforts are spent to introduce these innovations as a matter of priority.

Dealer meetings organized by the Company serve as a tool to convey the opinions and feedback of dealers that have a direct business relationship with the Company to the senior management.

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 did not receive any complaints about discrimination as at 2013. The Company's basic human resources policies are set forth clearly in the Company's Personnel Regulations, which are issued to all non-contract employees against their individual signature. In addition to basic policies, these regulations also contain information about working hours, hiring principles and processes, termination, and discipline. Human resources policies and practices pertaining to employees who are covered by collective bargaining agreements are spelled out in such agreements. Job descriptions are devised for all of the Company employees. Performance and rewarding criteria for the white-collar employees are disclosed in the White Collar Employee Regulation, while the rewarding criteria for our blue-collar workers are described in the Collective Bargaining Agreement.

Basic human resources policies

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

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

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

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

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

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

g) Employee opinion surveys are conducted 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 three workplace representatives at Pınar Süt (two in the Pınarbaşı plant and one in the Eskişehir plant).

Corporate Governance Principles Compliance Report

There are four blue-collar shop stewards at Pınar Süt company (in our İzmir and Eskişehir facilities). These individuals and their jobs are identified below:

At the İzmir Plant: İlyas Koç, Mechanical Shop Technician; Ali Ünlü, Cheese Packaging Shift Supervisor

At the Eskişehir Plant: Erdoğan Yörüksoy, Tetrapak Operator; Vural Sakarya, Machinery Maintenance Shift Supervisor.

The duties of these representatives are to:

a) Hear workers' wishes and resolve their complaints exclusively with respect to matters at the workplace;

b) Ensure continued labor peace through worker-employer cooperation and labor fairness;

c) Be mindful of workers' rights and interests; assist in the implementation of the working conditions which are provided for in labor laws and in collective bargaining agreements.

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.

14. Rules of Ethics and Social Responsibility:

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

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

PART IV: BOARD OF DIRECTORS

15. Structure and Formation of the Board of Directors:

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

Name	Position	Independent Director or Not	Executive Director or Not	Term of Office
İdil Yiğitbaşı	Chairperson	Non-independent Board Director	Non-executive	1 year
Yılmaz Gökoğlu	Deputy Chairperson	Non-independent Board Director	Non-executive	1 year
Turhan Talu	Director	Independent Board Director	Non-executive	1 year
Ali Yiğit Tavas	Director	Independent Board Director	Non-executive	1 year
Mehmet Aktaş	Director	Non-independent Board Director	Non-executive	1 year
Hakkı Hikmet Altan	Director	Non-independent Board Director	Non-executive	1 year
Hasan Girenes	Director	Non-independent Board Director	Non-executive	1 year

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

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

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

16. Operating Principles of the Board of Directors:

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

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

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

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

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

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

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

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

The Audit Committee is headed by Turhan Talu and its other member is Ali Yiğit Tavas. 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 Ali Yiğit Tavas, who is a non-executive and independent Board director, and its other member is Yılmaz Gökoğlu, 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 Remuneration Committee, the Corporate Governance Committee formulates its proposals regarding the principles for compensating the Board directors and senior executives, in view of the long-term goals of the Company.

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

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

18. Risk Management and Internal Control Mechanism:

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

19. Strategic Goals of the Company:

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

20. Financial Rights:

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

Independent Auditor's Report on the Annual Report

To the Board of Directors of

Pınar Süt Mamulleri Sanayi ve Ticaret A.Ş.

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

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

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

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

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

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

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

Atila Yılmaz DÖLARSLAN, YMM
Partner

Izmir, 3 March 2014

Independent Auditor's Report

To the Board of Directors of

Pınar Süt Mamulleri Sanayi A.Ş.

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

Management's responsibility for the financial statements

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

Independent Auditor's responsibility

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

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

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

Opinion

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

Emphasis of Matter

5. As explained in Notes 1 and 7 to the financial statements, the Company sells a substantial portion of its products to its related party and associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), which performs sales and distribution of the Company's products in the domestic market.

Other matter

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

Independent Auditor's Report

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

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

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

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

Atila Yılmaz DÖLARSLAN, YMM
Partner

İzmir, 3 March 2014

Contents

Pınar Süt Mamulleri Sanayii A.Ş.

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

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

	Notes	31 December 2013	31 December 2012
ASSETS			
Current assets		**233.008.057**	**224.057.786**
Cash and cash equivalents	6	823.866	4.506.394
Trade receivables		115.879.577	101.164.320
- Due from related parties	7	108.887.049	91.655.241
- Other trade receivables	8	6.992.528	9.509.079
Other receivables		6.518.748	23.960.608
- Due from related parties	7	5.286.851	23.612.219
- Other receivables	10	1.231.897	348.389
Derivative financial instruments	25	-	2.214.222
Inventories	11	95.188.742	82.124.448
Prepaid expenses	13	3.718.011	2.238.897
Other current assets	30	10.879.113	7.848.897
Non-current assets		**450.339.382**	**392.799.966**
Financial assets	45	56.148.218	53.333.436
Other receivables	10	751	751
Investments in associates accounted for using equity method	4	45.947.804	44.867.057
Property, plant and equipment	15	346.848.708	292.423.485
Intangible assets	18	813.515	252.102
Prepaid expenses	13	580.386	1.923.135
TOTAL ASSETS		**683.347.439**	**616.857.752**

The financial statements at 31 December 2013 and for the year then ended have been approved for issue by Board of Directors of Pınar Süt Mamulleri Sanayii A.Ş. on 3 March 2014.

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

Pınar Süt Mamulleri Sanayii A.Ş.

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

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

	Notes	31 December 2013	31 December 2012
LIABILITIES			
Current liabilities		**153.820.005**	**136.905.863**
Short term borrowings	25	1.269.615	922.984
Short-Term Portion of Long-Term Borrowings	25	164.773	14.596.873
Other financial liabilities		3.093.529	-
Trade payables		144.515.326	114.776.730
- Due to related parties	7	27.065.092	17.514.092
- Other trade payables	8	117.450.234	97.262.638
Payables Related to Employee Benefits	28	1.041.517	865.551
Other payables		2.019.885	1.622.545
- Due to related parties	7	130.131	307.825
- Other payables	10	1.889.754	1.314.720
Deferred Income		202.500	305
Current income tax liabilities	39	73.331	2.289.128
Short-term Provisions		1.390.340	1.783.327
- Provisions for Employee Benefits	28	1.390.340	1.704.776
- Other Provisions	26	-	78.551
Other current liabilities	30	49.189	48.420
Non-current liabilities		**49.695.218**	**43.776.197**
Long-Term Borrowings	25	-	131.958
Trade payables		27.678.536	12.695.205
- Other trade payables	8	27.678.536	12.695.205
Other payables		45.450	48.534
- Other payables	10	45.450	48.534
Long-term Provisions		10.600.960	9.756.080
- Provisions for Employee Termination Benefits	28	10.600.960	9.756.080
Deferred income tax liabilities	39	11.370.272	21.144.420
TOTAL LIABILITIES		**203.515.223**	**180.682.060**
EQUITY		**479.832.216**	**436.175.692**
Share capital	31	44.951.051	44.951.051
Adjustment to share capital	31	16.513.550	16.513.550
Other comprehensive income/expense not to be reclassified to profit or loss		130.599.073	114.274.524
- Revaluation of property, plant and equipment	15	134.799.798	117.422.792
- Revaluation reserves of investments-in-associates		552.525	713.355
- Actuarial gain/loss arising from defined benefit plans		(3.961.260)	(3.175.386)
- Actuarial gain/loss arising from defined benefit plans of investments-in associates		(791.990)	(686.237)
Other comprehensive income/expense to be reclassified to profit or loss		37.133.995	35.418.771
- Foreign currency translation differences		1.344.686	382.045
- Fair value reserves of available-for-sale investments	45	31.021.811	28.334.932
- Fair value reserves of investments-in-associates		4.767.498	6.701.794
Restricted reserves	31	38.576.527	34.121.324
Distribution to shareholders	2.6.8	(5.537.877)	(5.537.877)
Retained earnings		150.152.970	139.013.283
Profit for the year		67.442.927	57.421.066
TOTAL LIABILITIES AND EQUITY		**683.347.439**	**616.857.752**

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

Pınar Süt Mamulleri Sanayii A.Ş.

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

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

	Note Reference	1 January - 31 December 2013	1 January - 31 December 2012
Revenue	32	809.821.985	727.149.364
Cost of Sales (-)	32	(658.957.435)	(582.167.481)
Gross Profit from Trading Operations		**150.864.550**	**144.981.883**
GROSS PROFIT	**32**	**150.864.550**	**144.981.883**
General Administrative Expenses (-)	34	(27.863.632)	(29.806.101)
Marketing Expenses (-)	34	(60.288.388)	(54.903.777)
Research and Development Expenses (-)	34	(8.221.306)	(7.244.169)
Other Operating Income	35	6.003.641	4.229.619
Other Operating Expenses (-)	35	(10.481.435)	(2.968.396)
OPERATING PROFIT		**50.013.430**	**54.289.059**
Income from Investment Activities	36	5.640.801	11.589.330
Expense from Investment Activities (-)	36	(2.209.739)	-
Share of results of investment-in-associates - net	4	5.701.222	3.145.422
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		**59.145.714**	**69.023.811**
Financial Income	37	3.130.271	3.918.657
Financial Expenses (-)	37	(2.967.446)	(7.853.457)
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS		**59.308.539**	**65.089.011**
Tax Income/(Expense) of Continuing Operations		8.134.388	(7.667.945)
- Current Income Tax Expense	39	(4.124.289)	(10.738.893)
- Deferred Tax Income	39	12.258.677	3.070.948
PROFIT FOR THE YEAR		**67.442.927**	**57.421.066**
Earnings per share:		**1,5004**	**1,2774**
- Earnings per share from continuing operations	40	1,5004	1,2774
OTHER COMPREHENSIVE INCOME			
Other comprehensive income/expense not to be reclassified to profit or loss		**20.797.956**	**(2.614.854)**
Increase in revaluation reserve		24.230.727	-
Actuarial loss arising from defined benefit plans	28	(982.343)	(3.268.568)
Actuarial gain/loss arising from defined benefit plans of investments-in associates		(105.753)	-
Increase in revaluation reserve of investments in associates		11.951	-
Taxes for other comprehensive income/expense not to be reclassified to profit or loss		(2.356.626)	653.714
- Deferred tax (liabilities)/assets	39	(2.356.626)	653.714
Other comprehensive income/expense to be reclassified to profit or loss		**1.715.224**	**8.320.038**
Foreign currency translation differences	4	962.641	(137.888)
Increase in fair value reserve of available-for-sale investments	45	2.814.782	6.997.930
Increase in fair value reserve of investment in associates	4	(1.934.296)	1.811.294
Taxes for other comprehensive income/expense to be reclassified to profit or loss		(127.903)	(351.298)
- Deferred tax (liabilities)	39	(127.903)	(351.298)
OTHER COMPREHENSIVE INCOME		**22.513.180**	**5.705.184**
TOTAL COMPREHENSIVE INCOME		**89.956.107**	**63.126.250**

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

Pınar Süt Mamulleri Sanayii A.Ş.

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

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

	Notes	1 January - 31 December 2013	1 January - 31 December 2012
A. NET CASH PROVIDED FROM OPERATING ACTIVITIES			
Net period income		**67.442.927**	**57.421.066**
Adjustments related to reconciliation of net profit for the year		**(854.306)**	**10.335.124**
Adjustment to taxation on (income)/expense	39	(8.134.388)	7.667.945
Depreciation and amortization	15-18	15.658.728	13.217.435
Interest income	36-37	(1.904.882)	(5.845.432)
Interest expense	35-37	2.122.055	3.013.949
Provision for employment termination benefits	28	1.646.335	1.560.886
Management bonus provision	28	-	500.000
Share of results of investment in associates - net	4	(5.701.222)	(3.145.422)
Inventory profit elimination	4	6.785	1.290
(Loss)/Gain from sales of property, plant and equipment - net	36	1.857.430	(635.553)
Dividend income	36	(3.490.618)	(3.382.389)
Unrealized foreign exchange gain/(loss)		1.093.852	(576.828)
Income accruals		(4.008.381)	(2.040.757)
Changes in working capital		**17.619.037**	**(3.028.022)**
Decrease in trade receivables	8	2.516.551	2.833.434
Increase in inventory	11	(13.064.294)	(22.452.194)
Increase in trade receivables from related parties	7	(17.231.808)	(1.634.082)
Decrease/(increase) in short and long - term other receivables and other current assets		(1.276.524)	3.401.184
Decrease/(increase) in other non-current assets		1.342.749	(42.279)
Increase in trade payables	8	35.170.927	9.247.932
Increase/(decrease) in short-term trade payables to related parties	7	9.551.000	6.435.837
Increase/(decrease) in other payables to related parties		(180.778)	(955.609)
Increase in other payables		791.214	137.755
Cash flows from operating activities		**(8.462.054)**	**(13.842.639)**
Bonus paid		(230.234)	(186.814)
Employment termination benefit paid	28	(1.891.731)	(1.483.836)
Taxes paid	39	(6.340.089)	(12.171.989)
Net cash provided by operating activities		**75.745.604**	**50.885.529**
B. NET CASH PROVIDED FROM INVESTING ACTIVITIES			
Interest received		1.904.882	5.845.432
Purchases of property, plant and equipment and intangible assets and advances given		(49.505.643)	(31.449.883)
Gain from property, plant and equipment sales		1.233.576	1.396.770
Decrease/(increase) in non-trade receivables from related parties	7	18.325.368	51.178.951
Dividends received	7	7.038.851	8.814.963
Participation to capital increase in available -for- sales investments	45	-	(264.267)
Net cash (used in)/provided from investing activities		**(21.002.966)**	**35.521.966**
C. NET CASH PROVIDED FROM FINANCING ACTIVITIES			
(Redemption of)/increase in borrowings and leasing obligations		(10.003.528)	(18.697.257)
Dividends paid	7	(46.299.583)	(65.179.024)
Interest paid		(2.122.055)	(3.013.949)
Net cash used in financing activities		**(58.425.166)**	**(86.890.230)**
Net (decrease)/increase in cash and cash equivalents before foreign currency translation differences		**(3.682.528)**	**(482.735)**
D. EFFECT OF CURRENCY TRANSLATION DIFFERENCES ON CASH AND CASH EQUIVALENTS		-	-
Net decrease in cash and cash equivalents		**(3.682.528)**	**(482.735)**
E. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**4.506.394**	**4.989.129**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**6**	**823.866**	**4.506.394**

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

Pınar Süt Mamulleri Sanayii A.Ş.

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.
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			Other Comprehensive Income/(Expense) not to be reclassified to profit or loss			
	Share Capital	**Adjustment to share capital**	**Revaluation Reserve**	**Revaluation reserves of investments in associates**	**Actuarial gain/ (loss) arising from defined benefit plans**	**Actuarial gain/ (loss) arising from defined benefit plans of investments in associates**
PREVIOUS PERIOD						
1 January 2012-as previously reported	**44.951.051**	**16.513.550**	**120.790.638**	**738.172**	**-**	**-**
Change in accounting policies (Note 2)	-	-	-	-	(560.532)	(686.237)
Balances at 1 January 2012 - restated	**44.951.051**	**16.513.550**	**120.790.638**	**738.172**	**(560.532)**	**(686.237)**
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-
Transfer to restricted reserves	-	-	-	-	-	-
Dividend Payment	-	-	-	-	-	-
Sale of property, plant and equipment	-	-	(299.673)	-	-	-
Depreciation transfer of investments-in-associates - net	-	-	-	(24.817)	-	-
Total comprehensive income	-	-	-	-	(2.614.854)	-
Depreciation transfer - net (Note 15)	-	-	(3.068.173)	-	-	-
31 December 2012	**44.951.051**	**16.513.550**	**117.422.792**	**713.355**	**(3.175.386)**	**(686.237)**
CURRENT PERIOD						
1 January 2013-as previously reported	**44.951.051**	**16.513.550**	**117.422.792**	**713.355**	**-**	**-**
Change in accounting policies (Note 2)	-	-	-	-	(3.175.386)	(686.237)
1 January 2013- restated	**44.951.051**	**16.513.550**	**117.422.792**	**713.355**	**(3.175.386)**	**(686.237)**
Transfer of profit for prior year to retained earnings	-	-	-	-	-	-
Transfer to restricted reserves	-	-	-	-	-	-
Dividend Payment	-	-	-	-	-	-
Sale of property, plant and equipment	-	-	(1.070.404)	-	-	-
Depreciation transfer of investments-in-associates - net	-	-	-	(172.781)	-	-
Total comprehensive income	-	-	21.677.632	11.951	(785.874)	(105.753)
Depreciation transfer - net (Note 15)	-	-	(3.230.222)	-	-	-
31 December 2013	**44.951.051**	**16.513.550**	**134.799.798**	**552.525**	**(3.961.260)**	**(791.990)**

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

Other Comprehensive Income/(Expense) to be classified to profit or loss					Retained earnings		
Fair value reserve for available for sale investments	**Fair value reserve for investment in associate**	**Foreign currency translation differences**	**Restricted reserves**	**Distribution to shareholders**	**Retained earnings**	**Profit for the year**	**Total Equity**
21.688.300	**4.890.500**	**519.933**	**27.778.175**	**(5.537.877)**	**132.975.882**	**72.920.142**	**438.228.466**
-	-	-	-	-	1.246.769	-	-
21.688.300	**4.890.500**	**519.933**	**27.778.175**	**(5.537.877)**	**134.222.651**	**72.920.142**	**438.228.466**
-	-	-	-	-	72.920.142	(72.920.142)	-
-	-	-	6.343.149	-	(6.343.149)	-	-
-	-	-	-	-	(65.179.024)	-	**(65.179.024)**
-	-	-	-	-	299.673	-	-
-	-	-	-	-	24.817	-	-
6.646.632	1.811.294	(137.888)	-	-	-	57.421.066	**63.126.250**
-	-	-	-	-	3.068.173	-	-
28.334.932	**6.701.794**	**382.045**	**34.121.324**	**(5.537.877)**	**139.013.283**	**57.421.066**	**436.175.692**
28.334.932	**6.701.794**	**382.045**	**34.121.324**	**(5.537.877)**	**137.766.514**	**54.806.212**	**436.175.692**
-	-	-	-	-	1.246.769	2.614.854	-
28.334.932	**6.701.794**	**382.045**	**34.121.324**	**(5.537.877)**	**139.013.283**	**57.421.066**	**436.175.692**
-	-	-	-	-	57.421.066	(57.421.066)	-
-	-	-	4.455.215	-	(4.455.203)	-	-
-	-	-	-	-	(46.299.583)	-	**(46.299.583)**
-	-	-	-	-	1.070.404	-	-
-	-	-	-	-	172.781	-	-
2.686.879	(1.934.296)	962.641	-	-	-	67.442.927	**89.956.107**
-	-	-	-	-	3.230.222	-	-
31.021.811	**4.767.498**	**1.344.686**	**38.576.527**	**(5.537.877)**	**150.152.970**	**67.442.927**	**479.832.216**

Pınar Süt Mamulleri Sanayii A.Ş.

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

(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)
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NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Pınar Süt Mamulleri Sanayii A.Ş. ("the Company") was established in 1973 and the main operations of the Company are the processing, production and sales of milk, dairy products, fruit juice, sauces and powder products. The Company's production facilities are located in İzmir - Pınarbaşı and Eskişehir Organized Industry Zone. The Company sells its products under "Pınar" brand, which is one of the leading brands in food and beverages business in Turkey.

96% (2012: 97%) of sales and distribution of the Company's products in the domestic market are performed by its investment-in-associate, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP"), and exports are performed by Yaşar Dış Ticaret A.Ş., ("YDT") which are both Yaşar Group Companies (Note 7).

The Company is subject to the regulations of the Capital Market Board ("CMB") and 37,95% (2012: 37,95%) of its shares are quoted on the Borsa Istanbul ("BIST"). The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 61,41% shares of the Company (2012: 61,41%) (Note 31).

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

Şehit Fethi Bey Caddesi No: 120
Alsancak/İzmir

NOTE 2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

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

The financial statements of the Company are prepared as per the CMB announcement of 7 June 2013 relating to financial statements presentations. Comparative figures are reclassified, where necessary, to conform to changes in the presentation of the current year's financial statements.

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, TAS 29, "Financial Reporting in Hyperinflationary Economies", accepted by the IASB, has not been applied in the financial statements for the accounting year starting from 1 January 2005.

The Company maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. Subsidiaries operating in foreign countries have prepared their financial statements in accordance with the laws and regulations of the countries in which they operate.

2.2 Amendments in Turkish Financial Reporting Standards

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

- Amendment to TAS 1, "Financial statement presentation" regarding other comprehensive income, 1 July 2012, The main change resulting from these amendments is a requirement for entities to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or (loss) subsequently (reclassification adjustments). The amendments do not address which items are presented in other comprehensive income.
- Amendment to TAS 19 (revised), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Actuarial gains and losses arising from the calculations of provision for employment termination benefits will be classified under other comprehensive income without having an effect on the net profit/(loss) for the year.
- As a result of retrospective application of this amendment, actuarial losses accounted for in the general administrative expenses and share of result in investment in associate, in the previously reported statements of comprehensive income as of 1 January 2012 and 2013, are amounting to 1.246.769 TL, consisting of 560.532 TL and 686.237 TL, and amounting to 3.861.623 TL, consisting of 3.175.386 TL and 686.237 TL, respectively, net of deferred income taxes. These actuarial losses are restated by recognizing in "actuarial losses arising from defined benefit plans" in other comprehensive income statement, with corresponding reclassifications in the shareholders' equity.
- TFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

Pınar Süt Mamulleri Sanayii A.Ş.

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

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

b) New standards, amendments and interpretations issued and effective as of 1 January 2013 have not been presented since they are not relevant to the operations of the Group or have insignificant impact on the financial statements.

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

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

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

2.3 Basis of consolidation

The Company does not have any subsidiary to be consolidated in the financial statements. The investments in associates are accounted for using the equity method. These are undertakings over which the Company has between 20% and 50% of the voting rights, or over which the Company has significant influence but not control. Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company’s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Company’s share of its associates’ post-acquisition profits or losses is recognized in the statement of comprehensive income, and its share of post-acquisition movements in reserves of the associated undertakings, such as fair value changes in available-for-sale financial assets, revaluation of property, plant and equipment, depreciation transfer and derecognition of such reserves, is recognized in the statement of changes in equity and the statement of comprehensive income.

When the Company’s share of the losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. The carrying amount of the investment at the date when significant influence ceases is regarded at cost thereafter.

The table below sets out the associates and the proportion of ownership interest as of 31 December 2013 and 2012 (Note 4):

	Share/Voting Right (%)	
	2013	**2012**
Investments-in-associates		
YBP	31,82	31,82
Desa Enerji Elektrik Üretim A.Ş. (“Desa Enerji”)	30,52	30,52
Pınar Foods GmbH (“Pınar Foods”)	44,94	44,94

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The Company undersigned an agreement dated 6 December 2013 with Dimes Gıda Sanayii Ticaret A.Ş. ("Dimes") regarding the milk production and distribution to schools in East Anatolian and Aegean Region. According to this agreement, an ordinary partnership was established namely as "Dimes - Pınar Adi Ortaklığı" ("Dimes-Pınar") with the shareholding rate of 39% by Pınar Süt and 61% by Dimes. Since the ordinary partnership is non-operative, there is no impact on the financial statements at 31 December 2013.

Foreign currency translation

i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

ii) Translation of financial statements of foreign associate

Financial statements of the investment-in-associate operating in Germany (Pınar Foods) are prepared according to the legislation of the country in which it operates, and adjusted to the financial reporting standards issued by the CMB. The assets and liabilities of foreign associate are translated into TL from the foreign exchange rates at the balance sheet date. The income and expenses of foreign associate are translated into TL at the average foreign exchange rates. As of 31 December 2013, equivalent of 1 Euro is TL2,9365 (2012: TL2,3517) and for the year then ended the average equivalent of 1 Euro TL2,5270 (2012: TL2,3046). Exchange differences arising from re-translation of the opening net assets of investments-in-associate and the differences between the average and year-end rates are included in the "currency translation reserve" under the equity as a separate component

2.4 Offsetting

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

2.5 Comparative Information

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Group prepared its balance sheet at 31 December 2013 on a comparative basis with balance sheet at 31 December 2012; and statements of comprehensive income, cash flows and changes in equity for the period of 1 January - 31 December 2013 on a comparative basis with financial statements for the period of 1 January - 31 December 2012.

The Company has made below reclassifications in prior period consolidated financial statements in line with the illustrative financial statements and disclosures guidance issued by CMB with the decision taken on the meeting held on 7 June 2013, numbered 20/670.

- Prepaid expenses amounting to 4.162.032 TL was reclassified under prepaid expenses. In addition, expense accruals amounting to 1.704.776 TL was reclassified under short term provisions for employee benefits. Other current liabilities amounting to 865.551 TL was reclassified under payables related to employee benefits while other current liabilities amounting to 305 TL was reclassified under deferred income in balance in previous period

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

- Gain from sales of property, plant and equipment amounting to 635.553 TL and dividend income amounting to 3.382.389 TL were classified from other operating income and expenses to income from investment activities, respectively.
- Foreign exchange and interest gain amounting to 5.796.988 TL and foreign exchange gain amounting to 778.733 TL were reclassified from finance income to income from investment activities and other operating income, respectively.
- Foreign exchange and interest expense amounting to 690.558 TL were reclassified from finance expense to other operating expenses.

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2.6 Summary of Significant Accounting Policies

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

2.6.1 Revenue recognition

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

Interest income is recognized on a time-proportion basis using the effective interest method. The amount of the provision for trade receivables is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Interest income on loans is recognized using the effective interest rate. Rent income is recognized on an accrual basis. Dividend income is recognized when the Company's right to receive the payment is established.

2.6.2 Inventories

The Company's raw material inventory mainly consist of cheddar cheese, lactic butter, concentrated fruit juice and packaging materials used for production of dairy products and fruit juice; work-in-progress inventory mainly consist of raw milk, milk powder, melting cheese, pasteurized lactic butter and pasteurized milk; finished goods inventory mainly consist of UHT milk, white cheese, kasseri, labne, packaged fruit juice, butter, sauces and yogurt; and other inventory mainly consist of spare part and pallet.

Inventories are valued at the lower of cost or net realizable value. Net realizable 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 11).

2.6.3 Property, plant and equipment

Property, plant and equipment, except for land and land improvements, buildings, machinery and equipment, are carried at cost less accumulated depreciation. Land and land improvements and buildings are stated at fair value, based on valuations by external independent valuers namely Elit Gayrimenkul Değerleme A.Ş. as at 30 June 2013 while machinery and equipment are stated at fair value, based on valuations by external independent valuers namely Vakıf Gayrimenkul Değerleme A.Ş. as at 31 December 2011 (Note 15). Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount as at 31 December 2013. 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. Property, plant and equipment except for land, land improvements and buildings and machinery and equipment acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortization and impairment losses, if any (Note 15).

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the relevant asset, and the net amount is restated to the revalued amount of the asset.

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

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.

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

Depreciation is provided on the restated or revalued amounts of property, plant and equipment on a straight-line basis (Note 15).

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Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of property, plant and equipment are as follows

	Years
Buildings and land improvements	15 - 50
Machinery and equipment	15 - 25
Furniture and fixtures	5 - 10
Motor vehicles (including leased motor vehicles)	5

Where the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. If the property, plant and equipment that are impaired, are revalued, the impairment is charged to the revaluation reserves to the extent that the amount offsetting previous increases of the same asset charged in the revaluation reserves and all other decreases are recognized in the statement of comprehensive income.

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

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value or recognized 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. The Company derecognizes the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Subsequent costs included in the asset's carrying value or recognize as separate asset, are depreciated based on their useful lives.

2.6.4 Intangible assets

Intangible assets comprise acquired rights, information systems and software (Note 18). 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 impairment losses, if any. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period of six years from the date of acquisition. Residual values of intangible assets are deemed as negligible. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use.

2.6.5 Impairment of assets

At each reporting date, the Company assesses whether there is an impairment indication for the assets, except for the deferred income tax asset that are stated at revalued amounts as of reporting date. When an indication of impairment exists, the Company estimates the recoverable amounts of such assets. Recoverable amounts of intangible assets that are not available for use, are estimated at each reporting date. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

In accordance with IAS 39 "Financial Instruments: Recognition and Measurement", if there is an indication of impairment in investment in associates, the carrying amount of the investments is tested in accordance with IAS 36, by comparing its recoverable amount (higher of value-in-use and fair value less cost to sell) with its carrying amount and any additional impairment loss is recognized, if any.

Assets are allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level. The recoverable amount of an intangible assets not yet available for use to be measured annually, irrespective of whether there is any indication that it may be impaired. An impairment loss is recognised 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 and value in use. All impairment losses are accounted for in the statement of comprehensive income. Decreases that offset previous increases of the respective asset are charged against the revaluation reserve; all other decreases are charged to 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 recognised.

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

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2.6.6 Borrowing and borrowing cost

Borrowings are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 37). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 25).

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

A qualifying asset is an asset that takes a substantial period of time to get ready for its intended use or sale. According to TAS 23 (Revised), borrowing costs of qualifying assets having capitalization date

1 January 2009 or later, can be capitalized, 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 capitalized as a part of cost of related asset.

2.6.7 Financial assets

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. The Company classifies its financial instruments in the following categories:

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

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. 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 45). 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.

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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.

2.6.8 Business combination

However, if the parties involved for the transaction are the entities under common control, here between the Company and Yaşar Group Companies, the provisions stated in IFRS 3 are not applicable for the transaction, and accordingly goodwill or negative goodwill are not be accounted for. The difference between the purchase consideration and the fair value of the net asset acquired was accounted for under equity as "Distribution to shareholders".

2.6.9 Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 40).

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 per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them retroactive effect for the year in which they were issued and for each earlier year.

In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

2.6.10 Subsequent events

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

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

2.6.11 Provisions, contingent liabilities and contingent assets

Provisions are recognized 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.

In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to settle the liability. The rate used to discount provisions to their present values is determined considering the interest rate in the related markets and the risk associated with the liability. The discount rate must be pre-tax and does not consider risks associated with future cash flow estimates. In cases where the time value of money is material and the provisions approach to their expected realization date, the increase in the provision due to passage of time is recognized as interest expense in the statement of comprehensive income.

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 recognize contingent assets and liabilities (Note 26). Provisions are not recognized for future operating losses.

2.6.12 Accounting policies, errors and change 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 changes 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.

2.6.13 Related parties

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

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2.6.14 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 is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that takes strategic decisions.

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 material, segment reporting is not applicable.

2.6.15 Leases

(1) The Company as the lessee

Finance Leases

Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property net off any tax incentives received, if any, 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 other liabilities (Note 21). 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 lower of useful life or the lease period of the asset (Note 15).

Operating Leases

Leases where 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 period of the lease.

(2) The Company as the lessor

Operating Leases

Assets leased out under operating leases are included in property, plant and equipment in the balance sheet. Rental income (net of any incentives given to lessees) is recognized on a straight-line basis over the lease term in the statement of comprehensive income.

2.6.16 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 41). The adjustments related to prior period tax liabilities are recognized in other operating expenses.

Deferred income tax income or expense is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity. In case, when the tax is related to items recognized directly in equity and other comprehensive income, the tax is also recognized in equity and other comprehensive income.

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. To the extent that deferred income tax assets will not be utilized, the related amounts have been deducted accordingly.

2.6.17 Provision for employment termination benefits

Employment termination benefits, as required by the Turkish Labor Law and the laws applicable in the countries where the subsidiaries operate, represent the estimated present value of the total reserve of the future probable obligation of the Group arising in case of the retirement of the employees. According to Turkish Labor Law and other laws applicable in Turkey, the Group is obliged to pay employment termination benefits to all personnel in cases of termination of employment without due cause, call for military service, be retired or death upon the completion of a minimum one year service. All actuarial gains and losses are recognized in consolidated statements of income (Note 28).

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

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2.6.18 Statement of cash flow

In the statement of cash flows, cash flows are classified into three categories as operating, investing and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investing activities indicate cash inflows and outflows resulting from property, plant and equipment and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources. For the purposes of the statement of cash flows, cash and cash equivalents comprise of cash in hand accounts, bank deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities equal or less than three months.

2.6.19 Share capital and dividends

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

2.6.20 Government grants and incentive

Grants from the government are recognized at their fair value when there is a reasonable assurance that grant will be received and the Company will comply with all relevant conditions after fulfilling minimum requirements.

The Company recognizes the subsidy received for brand development and marketing by way of crediting respective selling and marketing costs whereas the subsidy received for usage of milk powder in products sold abroad is net off against the cost of sales (Note 24).

2.6.21 Critical accounting estimates and judgments

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

a) Income taxes

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. 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.

b) 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 (Note 45)

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

Property, plant and equipment, except for land and land improvements, buildings, machinery and equipment, are carried at cost less accumulated depreciation. Land and land improvements and buildings are stated at fair value, based on valuations by external independent valuers namely Elit Gayrimenkul Değerleme A.Ş. as at 30 June 2013 while machinery and equipment are stated at fair value, based on valuations by external independent valuers namely Vakıf Gayrimenkul Değerleme A.Ş. as at 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 as at 31 December 2013.

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

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

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- Regarding the valuation of the machinery and equipment, technologic conditions, actual depreciation, commercial attributes and industrial positions as well as demounting and assembling costs were taken into account.
- Whenever a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment. Such machinery and equipment were reviewed and assessed by their line.

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

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

NOTE 3 - BUSINESS COMBINATIONS

None (31 December 2012: None).

NOTE 4 - INTERESTS IN OTHER ENTITIES

Investment in associates:

	31 December 2013		31 December 2012	
	TL	%	TL	%
YBP	32.759.764	31,82	34.195.743	31,82
Desa Enerji	8.271.725	30,52	6.955.563	30,52
Pınar Foods	4.916.315	44,94	3.715.751	44,94
	45.947.804		**44.867.057**	

Movement in investments-in-associates during the years is as follows:

	2013	2012
1 January	**44.867.057**	**45.482.093**
Share of profit before taxation of investments-in-associates - net	5.701.222	3.145.422
Increase in fair value reserves of investments-in-associates - net	(1.934.296)	1.811.294
Dividend income from investments-in-associates (Note 7.ii.d)	(3.548.233)	(5.432.574)
Currency translation reserve	962.641	(137.888)
Increase in revaluation reserve of investment in associate - net	11.951	-
Actuarial gain/loss arising from defined benefit plans of investments-in associates	(105.753)	-
Elimination of net effect of unrealized profits on inventory	(6.785)	(1.290)
31 December	**45.947.804**	**44.867.057**

Condensed financial statements of investments in associates are as follows;

	31 December 2013				
	Assets	Liabilities	Net Sales	Net period Income	Other Comprehensive income/(expense)
- YBP	318.254.437	214.533.630	1.245.029.917	12.913.964	(6.374.438)
- Desa Enerji	30.167.824	3.065.186	29.887.228	4.437.452	-
- Pınar Foods	15.161.263	4.221.532	41.618.604	528.902	2.141.891

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	31 December 2012				
	Assets	**Liabilities**	**Net Sales**	**Net period Income**	**Other Comprehensive income/(expense)**
- YBP	348.852.634	240.507.505	1.119.940.000	5.344.195	5.708.000
- Desa Enerji	25.987.656	3.197.476	26.544.752	4.472.907	-
- Pınar Foods	11.635.476	3.367.228	26.489.341	177.499	(304.038)

Details of significant investment in associates of the Company as at 31 December 2013 and 2012 are as follows;

			Share in capital and voting rights (%)	
Associates	**Nature of business**	**Based on**	**31 December 2013**	**31 December 2012**
- YBP	Marketing and distribution	Turkey	31,82	31,82
- Desa Enerji	Energy generation	Turkey	30,52	30,52
- Pınar Foods	Marketing and distribution	Germany	44,94	44,94

NOTE 5 - SEGMENT REPORTING

None (2012: None).

NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2013	**31 December 2012**
Cash in hand	40.478	31.627
Banks	783.388	4.474.767
- Time deposits	300.000	4.233.000
- TL	300.000	4.233.000
- Demand deposit	483.388	241.767
- TL	483.388	241.767
	823.866	**4.506.394**

As of 31 December 2013, time deposits are denominated in TL amounted to 300.000 TL (2012: 4.233.000 TL) and all mature in less than one month (2012: less than one month) with the effective weighted average interest rates of 8,65% per annum ("p.a") (2012: 7,69% p.a).

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 the banks is sufficient. The market values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet date.

NOTE 7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

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

i) Balances with related parties:

	31 December 2013	**31 December 2012**
a) Trade receivables from related parties- current:		
YBP	92.993.117	82.472.451
YDT	16.673.328	9.604.578
	109.666.445	**92.077.029**
Less: Unearned finance income	(779.396)	(421.788)
	108.887.049	**91.655.241**

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The effective weighted average interest rates applied to related party trade receivables are 8,54% p.a. as of 31 December 2013 (2012: 7,57% p.a). Trade receivables from related parties mature within two months (2012: two months).

As of 31 December 2013, trade receivables amounting to 3.388.946 TL (2012: 1.652.905 TL), over which no provision for impairment is provided of overdue receivables and maturity is about one month (2012: one month) (Note 46.a).

b) Non-trade receivables from related parties-current:

	31 December 2013	31 December 2012
Yaşar Holding	3.411.731	23.045.288
HDF FZCO ("Had")	1.386.533	-
DYO Boya Fab. A.Ş. ("DYO Boya")	454.007	544.676
Other	34.580	22.255
	5.286.851	**23.612.219**

As of 31 December 2013, the Company has short-term receivables from Yaşar Holding amounting to 3.411.731 TL (2012: 10.926.555 TL), which are non-trade. The effective weighted average interest rate applied to those receivables is 8,75% p.a. (2012: 8,25% p.a.). The maturity of these non-trade receivables from Yaşar Holding is expected as between three and twelve months.

As of 31 December 2012 non-trade receivables from Yaşar Holding amounting to 12.118.733 TL consisting of loans obtained from a various financial institutions by the Company, and were transferred to related parties with the same terms and conditions. The effective weighted average interest rate applied to TL denominated loan is 13,91% p.a.

Other receivables of the Company from related parties consist of receivables related with overdue interest charges and bail commission charges for the borrowings obtained by Yaşar Group companies from international capital markets and various financial institutions with the guarantee of the Company.

c) Trade payables to related parties - current:	31 December 2013	31 December 2012
Yadex Export-Import und Spedition GmbH ("Yadex")	18.733.407	8.635.016
Çamlı Yem	3.068.205	3.963.012
Yaşar Holding A.Ş.	2.779.618	2.386.592
Desa Enerji	1.311.554	1.338.872
HDF FZCO	-	270.631
Other	1.222.157	943.827
	27.114.941	**17.537.950**
Less: Unincurred finance cost	(49.849)	(23.858)
	27.065.092	**17.514.092**

18.733.407 TL (2012: 8.635.016 TL) of due to related parties is the payable to Yadex arising from import transactions conducted by these companies on behalf of the Company. Due to Çamlı Yem is mainly derived from the cattle feed purchases from Çamlı Yem that are sold as merchandise stocks to raw milk suppliers.

As of 31 December 2013, the effective weighted average interest rate applied to those payables is

8,56% (2012: 7,55%) and maturity is 2 months (2012: 2 months).

d) Non-trade payables to related parties- current:

Payable to shareholders	128.007	304.548
Other	2.124	3.277
	130.131	**307.825**

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ii) Transaction with related parties:

a) Product sales:	**1 January - 31 December 2013**	**1 January - 31 December 2012**
YBP	688.945.603	631.509.085
YDT	88.483.191	73.499.930
Pınar Et	301.930	539.715
Other	31.541	113.833
	777.762.265	**705.662.563**

Majority of the Company's sales in the domestic market are made to its associate, YBP, and its exports are made to YDT, which are both Yaşar Group Companies.

b) Service sales:

Çamlı Yem	594.263	482.506
YBP	477.515	234.866
Pınar Et	45.621	33.300
Other	444.016	108.028
	1.561.415	**858.700**

c) Finance income and income from investment activities:

Yaşar Holding A.Ş.	2.536.400	6.451.510
DYO Boya	151.516	171.929
Viking	71.011	66.434
YBP	46.669	89.334
Other	26.298	206.736
	2.831.894	**6.985.943**

The part of financial income and income from investment activities includes interest income of borrowings obtained from various financial institutions and transferred to the related parties with the same terms and conditions and interest income of non-trade receivables. As it is explained in Note 37, the majority of finance income consists of bail commission charges amounting to 1.034.020 TL (2012: 1.188.955 TL), for the borrowings obtained by Yaşar Group Companies from international capital markets and various financial institutions with the guarantee of the Company as further explained to the financial statements. The commission rates of bail and financing used in the associated intercompany charges is 0,50% p.a. (2012: 0,50% p.a.).

d) Dividends received:

YBP [*]	3.548.233	5.432.574
Pınar Et	3.489.121	3.380.086
Bintur	1.497	2.303
	7.038.851	**8.814.963**

[*] Investment-in-associate (Note 4).

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	1 January - 31 December 2013	1 January - 31 December 2012
e) Other income from related parties:		
YBP	920.501	883.861
Çamlı Yem	788.042	844.820
Other	11.750	70.638
	1.720.293	**1.799.319**

Other income from YBP and Çamlı Yem is related to the rent of cars and buildings in the current period.

f) Product purchases:

Yadex	39.332.995	24.793.578
Desa Enerji	13.352.635	12.043.358
Çamlı Yem	5.965.125	7.323.734
Hedef Ziraat	3.911.753	2.671.578
Other	121.034	132.138
	62.683.542	**46.964.386**

The Company imports raw materials through Yadex, purchases steam and electricity from Desa Enerji and purchases raw materials from Çamlı Yem.

g) Service purchases:

Yaşar Holding	9.871.379	9.542.203
YBP	5.659.023	5.653.411
YDT	3.475.889	2.167.069
Bintur	829.874	486.631
HDF	623.971	-
Çamlı Yem	537.625	-
Other	218.867	208.299
	21.216.628	**18.057.613**

Service purchases from YBP, which is Company's associate and Yaşar Group company, are related to promotion and advertisement, whereas service purchases from Yaşar Holding are related to consultancy, revision and research and development services.

	1 January - 31 December 2013	1 January - 31 December 2012
h) Purchases of property, plant and equipment and intangible assets:		
Yaşar Holding	188.939	82.697
Other	81.806	11.874
	270.745	**94.571**

i) Finance and other operating expenses:

Çamlı Yem	139.071	248.505
Yaşar Holding	53.789	111.738
YBP	47.978	142.319
DYO Boya	10.356	19.930
Viking	10.356	19.930
Pınar Et	10.356	19.930
Other	207.380	19.930
	479.286	**582.282**

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The finance expense mainly consists of bail commission charges, which is related with the transferred loans and borrowings obtained by the Company from international capital markets and various financial institutions with the guarantee of Yaşar Group Companies (Note 37). The commission rates of bail and financing used in the associated intercompany charges is 0,50% p.a. (2012:0,50% p.a.).

	1 January - 31 December 2013	**1 January - 31 December 2012**
j) Dividends paid:		
Yaşar Holding	28.432.019	39.879.724
	28.432.019	**39.879.724**

(*) In the year 2013, the Company distributed dividend amounting to TL46.299.583 (2012: TL65.179.024). TL17.867.564 portion of this dividend (2012: TL25.299.300) was paid to other shareholders.

k) Sales of property, plant and equipment:

Dyo Boya	25.998	12.488
Çamlı Yem	10.448	12.189
YDT	3.135	3.893
Pınar Et	-	2.691
Other	46.023	29.511
	85.604	**60.772**

l) Donations:

Yaşar Üniversitesi	500.000	-
Yaşar Eğitim Vakfı	75.598	-
	575.598	**-**

m) Key management compensation:

Key management includes members of Board of Directors, General Manager and directors. The compensation paid or payable to key management is shown below:

Salaries and other short term employee benefits	3.028.549	1.929.110
Management bonus	195.836	898.288
Post-employment benefits	-	-
Other long-term benefits	75.870	140.174
	3.300.255	**2.967.572**

n) Bails given for Yaşar Group companies:

The Company jointly guarantees with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş. and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş., the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR44.444.444 and USD250.000.000 equivalent of TL664.086.110 (2012: EUR69.000.000 and USD275.000.000 equivalent of TL652.482.300) (Note 26).

o) Bails received from Yaşar Group companies:

Received bails are related with guarantees amounting to TL11.423.923 provided by Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş.(31 December 2012: guarantees received from related parties are related with joint guarantees provided to the Company by Yaşar Holding A.Ş., Çamlı Yem, Dyo Boya, Viking Kağıt, Pınar Su, Pınar Et and YBP for repayment of borrowings obtained by the Company from international capital markets amounting to EUR6.000.000 equivalent to TL14.110.200 and guarantees provided by YBP related with other bails amounting to TL7.897.779).

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NOTE 8 - TRADE RECEIVABLES AND PAYABLES

	31 December 2013	31 December 2012
a) Short-term trade receivables:		
Customer current accounts	2.513.180	4.711.470
Cheques and notes receivable	4.982.537	5.302.883
	7.495.717	**10.014.353**
Less: Provision for impairment of receivables	(467.649)	(458.181)
Unearned finance income	(35.540)	(47.093)
	6.992.528	**9.509.079**

The effective weighted average interest rate on TL denominated trade receivables is 8,74% p.a. as of 31 December 2013 (2012: 7,61% p.a.) and maturing within 2 months (2012: 2 months).

The agings of trade receivables as of 31 December 2013 and 2012 are as follows;

Overdue	230.105	205.986
0 - 30 days	3.698.578	3.877.578
31 - 60 days	3.036.845	4.019.020
61 - 90 days	27.000	1.406.495
	6.992.528	**9.509.079**

The Company does not expect any collection risk regarding its trade receivables overdue but not impaired amounting to TL230.105 as of 31 December 2013 (2012: TL205.986) considering its past experience and subsequent collections (Note 46.a)

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

0 - 3 months overdue	**230.105**	**205.986**

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

	2013	2012
1 January	**458.181**	**462.724**
Collection (Note 35)	(9.000)	(4.543)
Charged to consolidated statement of comprehensive income (Note 35)	18.468	-
31 December	**467.649**	**458.181**

	31 December 2013	31 December 2012
b) Short-term trade payables:		
Supplier current accounts	115.293.886	95.809.421
Cheques	2.663.197	1.757.668
	117.957.083	97.567.089
Less: Unincurred finance cost	(506.849)	(304.451)
	117.450.234	**97.262.638**

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As of 31 December 2013 and 2012, the effective weighted average interest rates for TL, USD and EUR denominated on short-term trade payables are as follows:

	31 December 2013	31 December 2012
TL denominated trade payables	8,59%	7,58%
USD denominated trade payables	2,24%	2,21%
EUR denominated trade payables	2,96%	2,37%

Trade payables mature within two months (2012: two months).

c) Long-term trade payables

Supplier current accounts	27.678.536	12.695.205
	27.678.536	**12.695.205**

Long-term trade payables are comprised of payables regarding property, plant and equipment purchases that are amounting to EUR9.425.689 as of 31 December 2013 (2012: EUR5.398.310). The effective weighted average interest rate for trade payables is 8,64% p.a. (2012: 7,59% p.a.).

The redemption schedules of long-term trade payables at 31 December 2013 and 2012 are as follows:

2014	-	4.827.799
2015	9.451.658	3.461.136
2016	8.450.277	2.477.897
2017	5.101.704	1.928.373
2018	3.343.698	-
2019	1.331.199	-
	27.678.536	**12.695.205**

NOTE 9 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2012: None).

NOTE 10 - OTHER RECEIVABLES AND PAYABLES

	31 December 2013	31 December 2012
a) Other short-term receivables:		
Value Added Tax ("VAT") receivable	890.252	-
Receivables from insurance companies	225.262	225.262
Receivables from personnel	5.832	6.277
Deposits and guarantees given	2.435	8.734
Other	108.116	108.116
	1.231.897	**348.389**

b) Other long-term receivables:

Deposits and guarantees given	751	751

c) Other short-term payables:

Taxes and funds payable	1.802.150	1.277.107
Deposits and guarantees received	50.000	-
Other	37.604	37.613
	1.889.754	**1.314.720**

d) Other long-term payables:

Deposits and guarantees received	45.450	48.534

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NOTE 11 - INVENTORIES

	31 December 2013	31 December 2012
Raw materials	32.875.259	23.670.896
- Raw materials	25.525.895	22.347.798
- Raw materials in transit	7.349.364	1.323.098
Work-in-progress	24.304.773	23.210.778
Finished goods	33.666.984	31.233.804
Merchandise stocks	609.777	503.473
Spare parts and palettes	3.731.949	3.505.497
	95.188.742	**82.124.448**

The costs of inventories recognized as expense and included in cost of sales amounted to 570.029.756 TL (2012: 501.570.525 TL) (Note 29). Inventories are carried at cost, and there are no inventories valued at fair value less costs to sell as of 31 December 2013.

NOTE 12 - BIOLOGICAL ASSETS

None (2012: None).

NOTE 13 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2013	31 December 2012
a) Prepaid expenses - current		
Prepaid expenses	3.447.973	1.900.719
Order advances given	270.038	338.178
	3.718.011	**2.238.897**
b) Prepaid expenses - non-current		
Advances given	580.386	1.856.462
Prepaid expenses	-	66.673
	580.386	**1.923.135**

NOTE 14 - INVESTMENT PROPERTY

None (2012: None).

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NOTE 15 - PROPERTY, PLANT AND EQUIPMENT

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

	1 January 2013 Opening	Additions	Disposals	Transfers	Revaluation	31 December 2013 Closing
Cost or valuation:						
Land	69.113.000	-	-	-	15.287.000	84.400.000
Land improvements and buildings	69.342.469	215.029	-	5.225.143	4.732.991	79.515.632
Machinery and equipment	143.174.408	7.379.805	(3.652.733)	6.898.711	-	153.800.191
Motor vehicles	5.999.857	-	(104.853)	-	-	5.895.004
Leasehold improvements	753.995	-	-	-	-	753.995
Furniture and fixtures	44.935.667	1.746.971	(237.184)	2.102	-	46.447.556
Construction in progress	4.890.823	39.343.281	-	(12.125.956)	-	32.108.148
	338.210.219	**48.685.086**	**(3.994.770)**	**-**	**20.019.991**	**402.920.526**
Accumulated depreciation:						
Land improvements and buildings	(2.785.469)	(3.120.491)	-	-	4.210.736	(1.695.224)
Machinery and equipment	(5.073.824)	(9.325.704)	564.098	-	-	(13.835.430)
Motor vehicles	(5.148.372)	(209.784)	104.853	-	-	(5.253.303)
Leasehold improvements	(737.579)	-	-	-	-	(737.579)
Furniture and fixtures	(32.041.490)	(2.743.605)	234.813	-	-	(34.550.282)
	(45.786.734)	**(15.399.584)**	**903.764**	**-**	**4.210.736**	**(56.071.818)**
Net book value	**292.423.485**					**346.848.708**

As at 31 December 2013, main additions to property, plant and equipment are comprised of investments related to productions lines of the Company.

	1 January 2012 Opening	Additions	Disposals	Transfers	31 December 2012 Closing
Cost or valuation					
Land	69.113.000	-	-	-	69.113.000
Land improvements and buildings	66.048.952	371.739	-	2.921.778	69.342.469
Machinery and equipment	124.554.297	8.894.849	(3.001.343)	12.726.605	143.174.408
Motor vehicles	5.350.993	775.655	(126.791)	-	5.999.857
Leasehold improvements	2.223.121	-	(1.469.126)	-	753.995
Furniture and fixtures	43.811.758	1.492.760	(391.022)	22.171	44.935.667
Construction in progress	2.536.220	18.025.157	-	(15.670.554)	4.890.823
	313.638.341	**29.560.160**	**(4.988.282)**	**-**	**338.210.219**
Accumulated depreciation:					
Land improvements and buildings	-	(2.785.469)	-	-	(2.785.469)
Machinery and equipment	-	(7.292.853)	2.219.029	-	(5.073.824)
Motor vehicles	(4.998.279)	(276.478)	126.385	-	(5.148.372)
Leasehold improvements	(1.613.508)	(5.628)	881.557	-	(737.579)
Furniture and fixtures	(29.699.849)	(2.732.292)	390.651	-	(32.041.490)
	(36.311.636)	**(13.092.720)**	**3.617.622**	**-**	**(45.786.734)**
Net book value	**277.326.705**				**292.423.485**

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As at 31 December 2012, main additions to property, plant and equipment are comprised of investments related to productions lines of the Company.

There are no mortgages or other collaterals placed on property, plant and equipment as of 31 December 2013 (2012: None)

Current year's depreciation and amortization charges were allocated to cost of goods sold by TL10.855.671 (2011: TL8.747.910), to the cost of inventories by TL824.603 (2012: TL1.004.388), to selling and marketing expenses by TL1.617.190 (2012: TL1.195.786) (Note 34), to general administrative expenses by TL1.932.824 (2011: TL1.918.973) (Note 34), to research and development expenses by TL428.440 (2012: TL350.378).

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

	2013	2012
1 January	**117.422.792**	**120.790.638**
Disposal of revaluation funds due to sale of property, plant and equipment -net	(1.070.404)	(299.673)
Deferred income tax calculated on depreciation transferred to retained earnings (Note 39)	807.556	767.043
Increase in revaluation reserve arising from revaluation of land, buildings and land improvements	24.230.727	-
Deferred income tax calculated on increase in revaluation reserve arising from revaluation of land, buildings and land improvements	(2.553.095)	-
Depreciation transfer upon revaluation reserve	(4.037.778)	(3.835.216)
31 December	**134.799.798**	**117.422.792**

The carrying amounts of each class of property, plant and equipment that would have been recognized if the assets have been carried under the cost model at 31 December 2013 and 2012 are as follows:

	Land	Land improvements and buildings	Machinery and equipment
31 December 2013:			
Cost	8.555.014	50.917.429	182.904.480
Less: Accumulated depreciation	-	(18.233.659)	(80.274.685)
Net book value	**8.555.014**	**32.683.770**	**102.629.795**
31 December 2012:			
Cost	8.555.014	45.477.258	170.940.692
Less: Accumulated depreciation	-	(15.113.168)	(71.513.079)
Net book value	**8.555.014**	**30.364.090**	**99.427.613**

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

None (2012: None).

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

None (2012: None).

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NOTE 18 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortization for the years ended 31 December 2013 and 2012 were as follows:

	1 January 2013 Opening	Additions	31 December 2013 Closing
Costs:			
Rights	9.626.116	820.557	10.446.673
Accumulated amortization	(9.374.014)	(259.144)	(9.633.158)
Net book value	**252.102**		**813.515**

	1 January 2012 Opening	Additions	31 December 2012 Closing
Costs:			
Rights	9.490.479	135.637	9.626.116
Accumulated amortization	(9.249.299)	(124.715)	(9.374.014)
Net book value	**241.180**		**252.102**

NOTE 19 - GOODWILL

None (2012: None).

NOTE 20 - EXPLORATION FOR AND EVALUATION OF MINERAL RESOURCES

None (2012: None).

NOTE 21 - LEASING

Please see Note 15.

NOTE 22 - SERVICE CONCESSION AGREEMENTS

None (2012: None).

NOTE 23 - IMPAIRMENT IN ASSETS

None (2012: None).

NOTE 24 - GOVERNMENT GRANTS AND INCENTIVES

During 2013, in accordance with bulletin of Ministry of Agriculture and Rural Affairs, numbered 2011/40, regarding the utilization of milk powder within export goods, the Company was provided TL4.348.020 government incentive. The relevant incentive amount was reflected to the statement of comprehensive income by netting off against the cost of sales (2012: TL6.495.504). Also in scope of Turquality Project implemented by Undersecreteriat of Foreign Trade to support brandization of products made in Turkey in foreign markets and to settle the image of Turkish goods, the Company was provided TL2.656.404 (2012: TL1.773.158) government incentive. The incentive amount is deducted from selling and marketing expenses.

There are investment incentive certificates to which the Company has been entitled by the official authorities (Note 39).

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NOTE 25 - BORROWINGS AND BORROWING COSTS

	31 December 2013	31 December 2012
Short-term bank borrowings	1.269.615	922.984
Short-term portion of long-term bank borrowings	164.773	14.596.873
Short-term derivative financial assets	-	(2.214.222)
Short-term financial liabilities and derivative assets - net	**1.434.388**	**13.305.635**
Long-term bank borrowings	-	131.958
Long-term financial liabilities and other financial assets	**-**	**131.958**
	1.434.388	**13.437.593**

a) Bank borrowings and other financial liabilities:

	Effective weighted average interest rate p.a. %		Original currency		TL equivalent	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Short-term bank borrowings:						
TL borrowings (*)	-	-	1.269.615	922.984	1.269.615	922.984
Short-term portion of long-term bank borrowings:						
Short-term portion of long-term EUR borrowings (**)	5,55	6,04	56.112	6.206.945	164.773	14.596.873
Total short-term borrowings					**1.434.388**	**15.519.857**
Derivative financial assets:						
Cross currency swaps (Note 47)	-	-	-	(2.214.222)	-	**(2.214.222)**
Total short-term bank borrowings and derivative financial assets					**1.434.388**	**13.305.635**
Long-term bank borrowings:						
EUR borrowings (**)	-	5,55	-	56.112	-	131.958
Total long-term bank borrowings					**-**	**131.958**

(*) As of 31 December 2013, TL denominated short term bank borrowings comprised of spot loans without interest charges.
(**) As of 31 December 2013, EUR denominated bank borrowings consist of fixed interest rate of 5,55% p.a. amounting to EUR56.112 equivalent of TL1.164.773 (31 December 2012: Consist of 6.094.721 EUR equivalent to 14.332.955 TL maturing 27 September 2013 with interest rate of Euribor+5,60% p.a. with semi-annually interest payment and 168.336 EUR equivalent to 395.876 TL with fixed interest rate of 5,55% p.a.).

Based on the loan agreement undersigned on 27 September 2006 between the Company and Morgan Stanley International Limited, the Company received a borrowing amounting to EUR6.000.000 with a maturity date of 27 September 2013 and with an interest rate of Euribor + 5,60% p.a. Yaşar Holding, Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş., DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş. have undersigned this loan agreement as the guarantors of this borrowing obtained. With respect to a long term borrowing of EUR6.000.000, the Company signed a cross currency swap agreement with Morgan Stanley & Co. International Limited together with the undersigned International Swaps and Derivatives Association ("ISDA") master agreements, related appendices and corresponding swap confirmation documents. In line with this agreement, the Company swapped the borrowing amounting to EUR6.000.000 with the interest rate of Euribor + 5,60% p.a., with a currency swap amounting to TL11.694.000, using the interest rate of TL swap curve +8,50% p.a. The gain or loss relating to the cross currency swaps is recognized in the statement of comprehensive income in finance income and finance expenses. Regarding swap transactions were closed at 27 September 2013.

Guarantees given for Group's financial liabilities and other financial liabilities are explained in Note 26.

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

	31 December 2013	31 December 2012
2014	-	131.958
	-	**131.958**

The carrying amounts and fair values of borrowings including derivative financial instruments designated as fair value and cash flow hedges (Note 43) are as follows:

	3 months to 1 year	Total
- 31 December 2013:		
Bank borrowings with fixed rates	-	164.773
Bank borrowings without interest	-	1.269.615
Total	**-**	**1.434.388**
- 31 December 2012:		
Bank borrowings with floating rates	12.118.733	12.118.733
Bank borrowings with fixed rates	-	395.876
Bank borrowings without interest	-	922.984
Total	**12.118.733**	**13.437.593**

According to the interest rate sensitivity analysis performed at 31 December 2013, if interest rates on bank borrowings had been 1% higher while all other variables being constant, net profit for the year would be TL36.339 lower as a result of additional interest expense that would be incurred on bank borrowings with floating rates.

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

	Carrying Amounts		Fair Values	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Bank borrowings	**1.434.388**	**13.437.593**	**1.450.734**	**13.473.522**

The fair values are based on cash flows discounted using the rates based on the borrowing rates of 3,58% p.a. (31 December 2012: 3,75% p.a. and 14,42% p.a. for EUR and TL denominated bank borrowings respectively).

NOTE 26 - PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

	31 December 2013	31 December 2012
a) Short-term provisions:		
Provision for litigations	-	76.000
Other	-	2.551
	-	**78.551**

b) Guarantees Given:

Bails	664.086.110	652.482.300
Letters of guarantee	8.617.041	9.957.164
	672.703.151	**662.439.464**

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The Company jointly guarantees with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Su Sanayi ve Ticaret A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş. and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş., the repayment of loans obtained by Yaşar Group companies from international markets and financial institutions amounting to EUR44.444.444 and USD250.000.000 equivalent of TL664.086.110 (2012: EUR69.000.000 and USD275.000.000 equivalent of TL652.482.300).

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

	31 December 2013			31 December 2012		
	Currency	Amount	TL Equivalent	Currency	Amount	TL Equivalent
CPM provided by the Company:						
A. Total amount of CPM given for the Company's own legal personality	TL	8.617.041	8.617.041	TL	9.957.164	9.957.164
B. Total amount of CPM given on behalf of fully consolidated companies		-	-			
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties		-	-			
D. Total amount of other CPM			**664.086.110**			**652.482.300**
i Total amount of CPM given on behalf of the majority shareholder			**533.575.000**			**445.650.000**
	USD	*250.000.000*	*533.575.000*	*USD*	*250.000.000*	*445.650.000*
		-	-			
ii. Total amount of CPM given to behalf of other group companies which are not in scope of B and C			**130.511.110**			**206.832.300**
	USD	-	-	*USD*	*25.000.000*	*44.565.000*
	EUR	*44.444.444*	*130.511.110*	*EUR*	*69.000.000*	*162.267.300*
iii. Total amount of CPM given on behalf of third parties which are not in scope of C	-	-				
TOTAL			**672.703.151**			**662.439.464**
The ratio of total amount of other CPM to Equity			138%			150%

	31 December 2013	31 December 2012
c) Guarantees received:		
Bails	11.423.923	22.007.979
Letters of guarantee	4.120.433	5.959.003
Guarantee cheques	783.364	796.886
Guarantee notes	205.227	167.312
Mortgages	75.000	75.000
	16.607.947	**29.006.180**

Received bails are related with guarantees amounting to TL11.423.923 provided by Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş.(31 December 2012: guarantees received from related parties are related with joint guarantees provided to the Company by Yaşar Holding A.Ş., Çamlı Yem, Dyo Boya, Viking Kağıt, Pınar Su, Pınar Et and YBP for repayment of borrowings obtained by the Company from international capital markets amounting to EUR6.000.000 equivalent to TL14.110.200 and guarantees provided by YBP related with other bails amounting to TL7.897.779).

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Foreign currency denominated guarantees given at 31 December 2013 is as follows:

Guarantees Received	EUR	703.103
	USD	103.717

Foreign currency denominated guarantees given at 31 December 2012 is as follows:

Guarantees Received	EUR	7.006.512
	USD	193.717

d) Contingent liabilities:

As a result of negotiations with the Ayazağa Municipality Housing Department, it was identified that the plots in İstanbul - Ayazağa, the site of the Company's land, buildings and land improvements, are located within a workspace that Municipality have not completed the master plans. As of 31 December 2013, the fair value of the aforementioned properties located on the plots amounts to TL15.245.000. If a new plan comes into force, Ayazağa Municipality may reduce the legal area on the title deeds of those properties. In consideration of the time consuming process, it is not possible to make a reliable estimate of any possible reduction over those plots. The Company management assumes that the impact of such reduction will be immaterial to the financial statements.

e) Major litigations

Based on the result of the tax inspection by Ministry of Finance, İzmir Hasan Tahsin Tax Office initiated a legal action against the Company and charged tax penalties amounting to TL3.835.663 comprising of TL1.723.468 VAT penalty and TL2.112.195 tax loss penalty for the transactions in fiscal years in between 2006 and 2011. The Company applied to İzmir Tax Court for cancellation of those tax penalties and except for the lawsuit regarding inconsistency, they were lost. The Company has appealed to a higher court to suspend the execution within the legal time and the higher court decided to stop execution in favor of the Company. The legal counselor of the Company believe that the likelihood of losing the cases is considered to be remote. As a result, no provision was accounted for in the financial statements.

NOTE 27 - COMMITMENTS

As of 31 December 2013, the Company has purchase commitments of 2.698 tons of concentrated fruit juice equivalent of TL7.387.159 and packaging materials amounting to EUR558.655 and USD837.626 equivalent of TL3.428.235, and tomato paste amounting to 1.570.000 TL (2012: 3.519 tons of concentrated fruit juice equivalent of TL9.600.420 and packaging materials amounting to EUR825.132 and USD842.593 equivalent of TL3.442.468 and tomato paste amounting to 3.409.000 TL).

NOTE 28 - EMPLOYEE BENEFITS

	31 December 2013	**31 December 2012**
a) Payables due to employee benefits		
Social security premiums payable	948.508	765.415
Payable to personnel	93.009	100.136
	1.041.517	**865.551**

b) Short-term provisions due to employee benefits

Year-end bonus provision	1.225.457	1.455.691
Provision for seniority incentive bonus	164.883	249.085
	1.390.340	**1.704.776**

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Movement of year-end bonus provision for the year ended at 2013 and 2012 is as follows:

	2013	2012
1 January	**1.455.691**	**1.142.505**
Year-end bonus payment	(230.234)	(186.814)
Year-end bonus provision	-	500.000
31 December	**1.225.457**	**1.455.691**

c) Long-term provisions due to employee benefits

Provision for employment termination benefits	10.165.237	9.428.290
Provision for seniority incentive bonus	435.723	327.790
	10.600.960	**9.756.080**

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL3.254,44for each year of service as of 31 December 2013 (31 December 2012: TL3.033,98). The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL3.438.22 which is effective from 1 January 2014 (1 January 2013: TL3.129.25) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

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

	31 December 2013	31 December 2012
Discount rate (%)	4,09	3,50
Probability of retirement (%)	96,33	96,81

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

	2013	2012
1 January	**9.428.290**	**6.082.672**
Interest costs	812.098	283.453
Actuarial losses	982.343	3.268.568
Paid during the year	(1.891.731)	(1.483.836)
Annual charge	834.237	1.277.433
31 December	**10.165.237**	**9.428.290**

The total of interest cost, actuarial losses and increase during the year amounting to 2.628.680 TL (2012: 4.829.454 TL) was included in general administrative costs amounting to 1.646.335 TL (2012: 1.560.886 TL) and other comprehensive income amounting to 982.343 TL (2012: 3.268.568 TL).

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NOTE 29 - EXPENSES BY NATURE

	2013	2012
Direct material costs	570.029.756	501.570.525
Staff costs	50.141.594	44.364.478
Advertisement	31.017.427	31.556.099
Utilities	25.423.218	23.831.096
Depreciation and amortization	15.838.513	12.750.841
Repair and maintenance	21.517.521	23.196.557
Consultancy charges	10.295.696	9.874.447
Transportation	4.877.137	3.398.024
Outsourced services	12.152.365	10.616.581
Rent	2.412.554	3.162.728
Employment termination benefits	1.646.335	1.560.886
Taxes, dues and fees	1.507.015	1.248.414
Insurance	769.920	603.575
Other	7.701.710	6.387.277
	755.330.761	**674.121.528**

NOTE 30 - OTHER ASSETS AND LIABILITIES

	31 December 2013	31 December 2012
a) Other current assets:		
VAT deductible	6.870.661	5.807.249
Income accrual	4.008.452	2.041.648
	10.879.113	**7.848.897**

Income accruals are comprised of government subsidy to be received for brand developments and related marketing activities, and for usage of milk powder in products sold abroad.

b) Other current liabilities

Expense accruals	49.189	36.423
Other	-	11.997
	49.189	**48.420**

NOTE 31 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company adopted the registered share capital system available to companies registered to 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 authorized registered capital at 31 December 2013 and 2012 is as follows:

	31 December 2013	31 December 2012
Registered share capital (historical values)	80.000.000	80.000.000
Authorized registered share capital with a nominal value	44.951.051	44.951.051

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

	31 December 2013		31 December 2012	
	Share (%)	TL	Share (%)	TL
Yaşar Holding (A, B, C)	61,41	27.603.901	61,41	27.603.901
Public quotation (C)	37,95	17.060.367	37,95	17.060.367
Other	0,64	286.783	0,64	286.783
Share capital	**100**	**44.951.051**	**100**	**44.951.051**
Adjustment to share capital	16.513.550	16.513.550		
Total paid-in capital	**61.464.601**	**61.464.601**		

Adjustment to share capital amounting to TL16.513.550 (2012: TL16.513.550) represents the remaining amount after net-off the accumulated losses of 2003 from the difference between restated (inflation adjusted) share capital and historical cost of share capital (before inflation adjustment).

The companies registered in Turkey can exceed authorized registered share capital by way of increasing bonus shares from capital reserves, except for by cash, at once. However, capital increase by cash shall not exceed authorized registered share capital.

As of 31 December 2013, there are 4.495.105.125 (2012: 4.495.105.125) units of shares each with a face value of Kr1 (2012: Kr1) each.

The Company's capital is composed of 172.800 units of A type shares and 126.000 units of B type shares and 4.494.806.325 units of C type shares, and the C type shares are traded on the ISE. Based on the Company's Articles of Association, the Board of Directors comprises five to nine members elected by the General Assembly from the Company's shareholders or from outside the Company personnel, in accordance with the provisions of the Turkish Commercial Code and the CMB Regulation. In the event the Board of Directors comprises of five members, three are elected from among candidates nominated by shareholders bearing A type shares, one from those nominated by shareholders bearing B type shares and one from those nominated by shareholders bearing C type shares. In the event the Board of Directors comprises of seven members, four are elected from among candidates nominated by shareholders bearing A type shares, two from those nominated by shareholders bearing B type shares, and one from those nominated by shareholders bearing C type shares. In the event the Board of Directors comprises of nine members, five are elected from among the candidates nominated by shareholders bearing A type shares, three from those nominated by shareholders bearing B type shares, and one from those nominated by shareholders bearing C type shares. Executive director can be appointed by Board of Directors in case of their decision. Moreover, the chairman of the board and the executive director are selected among shareholders of A type shares.

Board of Directors has authority to classify new shares as registered or bearer separately in accordance with the CMB regulations. Companies can increase their share capital by way of bonus issue to existing shareholders in proportion of their shareholding rates.

Retained earnings, as per the statutory financial statements, are available for distribution, subject to the legal reserve requirement referred to below:

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

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

The aforementioned amounts accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. At 31 December 2013, the restricted reserves of the Company amount to 38.576.527 TL (2012: 34.121.324 TL). The unrestricted reserves of the Company, amounting to 39.140.044 TL (2012: 38.894.799 TL), is classified in the retained earnings.

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

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

Capital adjustments differences have no other use other than being transferred to share capital.

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Companies distribute dividends in accordance with their dividend payment policies numbered II-19.1settled by CMB on 1 February 2014.

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

Unless allocation of legal reserves per TCC and dividends defined in the dividend policy of companies, it cannot be decided to allocate other reserves, to transfer the profit to the retained earnings, and to distribute dividend to members of board of directors, employees, redeemed shareholders and parties other than shareholders. Furthermore, payment of dividend in cash is another requirement for distributing dividend to members of board of directors, employees, redeemed shareholders and parties other than shareholders.

Dividend is distributed for shares available as of accounting period of all of them equally without regarding to the dates of issue and acquisition.

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

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

Based on the decision of General Assembly meeting on 15 May 2013, the Company has distributed 46.299.583 of the distributable net profit for the year ended as dividend. In context of this dividend distribution decision, the Company separated 4.455.203 TL from 2012 profit (2012: 6.343.149 TL) as "Restricted Reserve". There is not any profit distribution decision for 2013 since General Assembly Meeting has not been conducted yet.

NOTE 32 - REVENUE AND COST OF SALES

	1 January - 31 December 2013	1 January - 31 December 2012
Domestic sales	994.008.503	909.725.897
Export sales	88.483.191	73.499.930
Merchandise goods sales	1.771.633	4.802.548
Gross Sales	1.084.263.327	988.028.375
Less: Discounts	(250.274.218)	(240.309.735)
Returns	(24.167.124)	(20.569.276)
Net sales	**809.821.985**	**727.149.364**
Cost of goods sold	(658.119.966)	(578.006.156)
Cost of merchandise goods sold	(837.469)	(4.161.325)
Cost of sales	**(658.957.435)**	**(582.167.481)**
Gross Profit	**150.864.550**	**144.981.883**

NOTE 33 - CONSTRUCTIONS CONTRACTS

None (2012: None).

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NOTE 34 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES, RESEARCH AND DEVELOPMENT EXPENSES

	1 January - 31 December 2013	1 January - 31 December 2012
a) Marketing, selling and distribution expenses:		
Advertisement	31.017.427	31.556.099
Staff costs	5.462.028	4.317.775
Transportation	4.877.137	3.398.024
Consultancy charges	4.254.636	-
Outsourced services	3.738.799	3.672.839
Maintenance	3.136.828	4.590.168
Depreciation and amortization	1.617.190	1.195.786
Rent	1.020.651	1.661.490
Other	2.506.443	4.511.596
	60.288.388	**54.903.777**

b) General administrative expenses:

Staff costs	10.908.793	9.471.659
Consultancy charges	6.041.060	9.874.447
Depreciation and amortization	1.932.824	1.918.973
Employment termination benefits	1.646.335	1.560.886
Taxes (Corporate Tax excluded)	1.398.063	1.248.414
Outsourced services	1.257.678	995.186
Utilities	982.139	988.629
Repair and maintenance	935.341	857.040
Rent	612.485	603.551
Travel	367.824	227.727
Communication	274.808	287.462
Insurance	196.822	117.658
Bonus provision	-	500.000
Other	1.309.460	1.154.469
	27.863.632	**29.806.101**

c) Research and Development Expenses:

Staff costs	3.571.160	3.179.388
Repair and maintenance	2.056.523	2.191.234
Outsourced services	1.325.171	724.041
Depreciation and amortization	428.440	350.378
Other	840.012	799.128
	8.221.306	**7.244.169**

NOTE 35 - OTHER OPERATING INCOME/EXPENSES

	1 January - 31 December 2013	1 January - 31 December 2012
a) Other operating income:		
Foreign exchange gain	2.047.869	778.733
Rent income	1.715.668	1.644.865
Income from sales of scrap	1.655.278	1.408.323
Collection of provision for doubtful receivables	9.000	-
Other	575.826	397.698
	6.003.641	**4.229.619**

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	1 January - 31 December 2013	1 January - 31 December 2012
b) Other operating expense:		
Foreign exchange loss	(6.931.252)	(156.194)
Interest expense	(714.474)	(534.364)
Donations	(846.255)	(135.725)
Auxiliary material and scrap sales	(502.945)	(185.566)
Rent expense	(422.983)	(154.915)
Provision for doubtful receivables expense	(18.468)	-
Tax penalty	-	(1.052.194)
Other	(1.045.058)	(749.438)
	(10.481.435)	**(2.968.396)**

NOTE 36 - INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January - 31 December 2013	1 January - 31 December 2012
a) Income from investment activities:		
Dividend income (Pınar Et and Bintur)	3.490.618	3.382.389
Interest income from other receivables from related parties	1.797.874	5.627.893
Income from sales of property, plant and equipment	352.309	635.553
Foreign exchange gain from other receivables from related parties	-	1.943.495
	5.640.801	**11.589.330**
b) Expense from investment activities:		
Loss from sales of property, plant and equipment	(2.209.739)	-
	(2.209.739)	**-**

NOTE 37 - FINANCIAL INCOME AND EXPENSES

	1 January - 31 December 2013	1 January - 31 December 2012
Finance income:		
Bail income from related parties	1.034.020	1.188.955
Interest income on term purchases	1.025.570	1.212.545
Foreign exchange gain	963.673	1.299.618
Interest income	107.008	217.539
	3.130.271	**3.918.657**
Finance expense:		
Interest expense	(1.199.567)	(2.479.585)
Interest expense on term sales	(1.143.242)	(956.117)
Foreign exchange loss	(440.319)	(4.077.277)
Bail expense from related parties	(110.110)	(261.900)
Other	(74.208)	(78.578)
	(2.967.446)	**(7.853.457)**

NOTE 38 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2012: None).

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NOTE 39 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND TAX LIABILITIES)

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

	31 December 2013	31 December 2012
Corporation taxes currently payable	4.124.289	10.738.893
Less: Prepaid corporate tax	(4.050.958)	(8.449.765)
Current income tax liabilities	**73.331**	**2.289.128**

Corporation tax is payable at a rate of 20% for 2013. (2012: 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. No further tax is payable unless the profit is distributed.

Dividends paid ton on-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% (2012: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2012: 20%) on their corporate income. Advance tax is declared by 14 th and payable by the 17 th (2012: 17 th) 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 25th of fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filling, during when the tax authorities have the right to examine 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 future taxable income for 5 years.

In Corporate Tax Law, there are many exemptions for corporations, those related to the Company are explained below:

Dividend income from shares in the capital of another corporation subject to resident taxpaying (except dividends from investment funds participation certificates and investment trusts shares) is exempt from corporate tax.

According to Turkish Corporate Income Tax Law numbered 5520, effective from 21 June 2006, a 75% portion of the gains derived from the sales 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 considerations have to be collected up until the end of the second calendar year following the year the sale was realized.

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 8th article of Corporate Tax Law, and 40th article of the Income Tax Law, together with other deductions mentioned in 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.

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The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred, 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 finalized and paid.

Taxation on income in the statement of comprehensive income for the years ended 31 December 2013 and 2012 are as follows:

	1 January - 31 December 2013	**1 January - 31 December 2012**
Current corporation tax expense	(4.124.289)	(10.738.893)
Deferred tax income	12.258.677	3.070.948
Taxation on income	8.134.388	(7.667.945)

The reconciliation of tax expense is as follows;

Profit before tax	**59.308.539**	**65.089.011**
Tax calculated at tax rates applicable to the profit	(11.861.708)	(13.017.802)
Expenses not deductible for tax purposes	(44.777)	(58.615)
Tax effect upon the results of investments-in-associates	1.140.244	629.084
Income not subject to tax	68.375	200.000
Income tax due to dividends received from available-for-sale investments	698.124	676.478
Utilized investment incentive during period	6.664.239	639.841
Recognition of deferred income tax asset on investment incentive	12.032.416	2.934.459
Other	(562.525)	328.610
Total taxation on income	**8.134.388**	**(7.667.945)**

Deferred income taxes

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between its financial statements are reported in accordance with the CMB Financial Reporting Standards and its tax purpose financial statements.

Deferred income taxes are calculated on temporary differences that are expected to be realized or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (2012: 20%).

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/(liabilities) provided at 31 December 2013 and 2012 using the enacted tax rates at the balance sheet dates are as follows:

	31 December 2013		**31 December 2012**	
	Cumulative temporary differences	**Deferred income tax assets/ (liabilities)**	**Cumulative temporary differences**	**Deferred income tax assets/ (liabilities)**
Revaluation of property, plant and equipment	154.278.812	(19.479.014)	135.423.868	(18.001.076)
Difference between carrying values (excluding revaluation reserve) and tax bases of property, plant and equipment and intangible assets	53.937.365	(10.972.166)	50.117.829	(10.208.259)
Difference between carrying value and tax bases of available-for-sale investments	33.983.603	(1.443.070)	31.168.821	(1.315.167)
Unused tax credits (*)	(93.031.506)	18.606.301	(32.869.426)	6.573.885
Provision for employment termination benefits	(10.165.237)	2.033.047	(9.428.290)	1.885.658
Other	576.850	(115.370)	397.305	(79.461)
Deferred tax liabilities - net		**(11.370.272)**		**(21.144.420)**

(*) The Company has investment incentive certificate relating with modernization investment at Eskişehir facility. As of 31 December 2013, based on the best estimate of the Company management, it is highly probable to utilize the deferred income tax asset upon investment incentive, amounted to TL18.606.301 (2012: TL6.573.885).

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The breakdown of deferred income tax assets/(liabilities) is as follows:

	31 December 2013	31 December 2012
1 January	**(21.144.420)**	**(24.517.784)**
Credited to consolidated statement of comprehensive income	12.258.677	3.070.948
Charged to actuarial gain/loss arising from defined benefit plans	196.469	653.714
Charged to fair value reserve of available-for-sale investments	(127.903)	(351.298)
Charge to fair value reserve	(2.553.095)	-
31 December	**(11.370.272)**	**(21.144.420)**

NOTE 40 - EARNINGS PER SHARE

		1 January - 31 December 2013	1 January - 31 December 2012
Profit for the period	A	67.442.927	57.421.066
Weighted number of shares with a Kr1 face value (Note 31)	B	4.495.105.125	4.495.105.125
Earnings per share with a Kr 1 face value	**A/B**	**1,5004**	**1,2774**

There are no differences between basic and diluted earnings per share. As of 31 December 2013, Board of Directors did not account any dividend.

NOTE 41 - SHARE BASED PAYMENTS

None (31 December 2012: None).

NOTE 42 - INSURANCE CONTRACTS

None (31 December 2012: None).

NOTE 43 - REPORTING IN HYPERINFLATIONARY ECONOMIES

Please see Note 2.

NOTE 44 - DERIVATIVE FINANCIAL INSTRUMENTS

Please see Note 25.

NOTE 45 - FINANCIAL INSTRUMENTS

Available -for sale investments:

	31 December 2013		31 December 2012	
	TL	%	TL	%
Pınar Et	40.888.141	12,58	35.218.319	12,58
Çamlı Yem	11.040.912	5,47	13.312.763	5,47
Pınar Su	3.590.880	8,77	4.095.848	8,77
YDT	534.440	1,76	620.014	1,76
Bintur	74.484	1,33	67.131	1,33
Other	19.361	-	19.361	-
	56.148.218		**53.333.436**	

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Pınar Et and Pınar Su are stated at quoted market prices as they are listed on ISE; YDT, Bintur and Çamlı Yem are stated at their fair values which are determined based on the discounted cash flows as of 31 December 2013 and 2012 by using the market interest rates and the risk premium specific to unlisted companies within the related sectors. The discount and growth rates used in discounted cash flow models as at 31 December 2013 and 2012 are as follows:

	Discount rate		Growth Rate	
	2013	**2012**	**2013**	**2012**
Bintur	12,62%	9,60%	1%	1%
YDT	9,83%	7,58%	0%	0%
Çamlı Yem	9,25%	8,98%	2%	2%

The movements of available-for-sale investments in 2013 and 2012 were as follows:

	2013	**2012**
1 January	**53.333.436**	**46.071.239**
Contribution to capital increase:		
YDT	-	264.267
Fair value gain/(loss)		
Pınar Et	5.669.822	4.579.471
Pınar Su	(504.968)	370.333
YDT	(85.574)	9.469
Bintur	7.353	10.038
Çamlı Yem	(2.271.851)	2.028.619
31 December	**56.148.218**	**53.333.436**

Movements of fair value reserve of available-for-sale investments are as follows;

1 January	**28.334.932**	**21.688.300**
Change in fair value of Pınar Et	5.669.822	4.579.471
Change in fair value of Çamlı Yem	(2.271.851)	2.028.619
Change in fair value of Pınar Su	(504.968)	370.333
Change in fair value of Bintur	7.353	10.038
Change in fair value of YDT	(85.574)	9.469
Deferred income tax on fair value reserve of available-for-sale investments (Note 39)	(127.903)	(351.298)
31 December	**31.021.811**	**28.334.932**

NOTE 46 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow, and 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 (especially arising from meat price fluctuations).

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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 risks arises from cash and cash equivalents, deposits in banks and financial intuitions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Majority of the Company's sales in domestic market are made to its investments in associate, YBP, and its exports are made to YDT, which are both Yaşar Group Companies. In line with past experiences and current condition trade receivables are monitored by the Company Management and necessary provisions for impairment is recognized. The Company management believes that credit risk arises from receivables is well managed. The Company management believes that there is no risk for non-trade receivables from related parties since they are mainly comprised of receivables from shareholders (Note 7.i.b). The credit risk analysis of the Company as of 31 December 2013 and 2012 are as follows:

31 December 2013	**Receivables**					
	Trade Receivables [1]		**Other Receivables**			
	Related Parties	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**	**Other**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**108.887.049**	**6.992.528**	**5.286.851**	**1.231.897**	**783.388**	**-**
- The part of maximum credit risk covered with guarantees		180.000				
A. Net book value of financial assets not due or not impaired (3)	105.498.103	6.762.423	4.865.993	1.231.897	783.388	-
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)	3.388.946	230.105	420.858	-	-	-
- The part covered by guarantees						
D. Net book value of assets impaired						
- Past due amount (gross book value)	-	467.649	-	-	-	-
- Collateral held as security and guarantees received	-	(467.649)	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received -	-	-	-	-	-	-
E. Off-balance items exposed to credit risk-	-	-	-	-	-	

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	Receivables					
	Trade Receivables [1]		Other Receivables			
31 December 2012	**Related Parties**	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits**	**Other**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**91.655.241**	**9.509.079**	**23.612.219**	**348.389**	**4.474.767**	**-**
- The part of maximum credit risk covered with guarantees	-	368.264	-	-	-	-
A. Net book value of financial assets not due or not impaired (3)	90.002.336	9.303.093	23.182.181	348.389	4.474.767	-
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (4)		1.652.905	205.986	430.038	-	-
- The part covered by guarantees	-	86.275	-	-	-	-
D. Net book value of assets impaired						
- Past due amount (gross book value)	-	458.181	-	-	-	-
- Impairment amount (-)	-	(458.181)	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
- Due amount (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Collateral held as security and guarantees received	-	-	-	-	-	-
E. Off-balance items exposed to credit risk-	-	-	-	-	-	-

[1] Trade receivables of the Company mainly consists of receivables resulting from sales of milk and milk products.

[2] Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.

[3] None.

[4] Agings of financial instruments past due but not impaired are as below:

31 December 2013	Receivables		
	Related Parties	**Third Parties**	**Total**
Past due 1 - 30 days	3.772.087	228.999	4.001.086
Past due 1 - 3 months	25.244	1.106	26.350
Past due 3 - 12 months	12.473	-	12.473
The part of credit risk covered with guarantees	-	-	-
	3.809.804 (*)	**230.105 (**)**	**4.039.909**

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31 December 2012	**Receivables**		
	Related Parties	**Third Parties**	**Total**
Past due 1 - 30 days	1.574.213	205.986	1.780.199
Past due 1 - 3 months	1.619	-	1.619
Past due 3 - 12 months	507.111	-	507.111
The part of credit risk covered with guarantees	-	(86.275)	(86.275)
	2.082.943	**119.711**	**2.202.654**

(*) A total amount of TL3.775.802 of the overdue but not impaired receivables from related parties has been collected as of the approval date of the financial statements.
(**) A total amount of TL33.008 the overdue but not impaired receivables from third parties has been collected as of the approval date of the financial statements.

b) Liquidity risk:

Prudent liquidity risk management comprises maintaining sufficient cash, 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 timely collection of trade receivables, takes actions to minimize the effect of delay in collections and arranges cash and non-cash credit lines from financial institutions in case of requirement.

	31 December 2013				
	Carrying Value	**Total Cash outflows per agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Contractual maturity dates:					
Non-Derivative Financial Liabilities					
Financial liabilities	4.527.917	4.532.540	4.363.144	169.396	-
Trade payables	172.193.862	174.591.176	125.680.243	19.720.008	29.190.925
Other payables	175.581	180.834	-	135.384	45.450
	176.897.360	**179.304.550**	**130.043.387**	**20.024.788**	**29.236.375**

	31 December 2012				
	Carrying Value	**Total Cash outflows per agreement (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Contractual maturity dates:					
Non-Derivative Financial Liabilities					
Financial liabilities	15.651.815	16.295.303	1.476.259	14.683.383	135.661
Trade payables	127.471.935	127.800.244	110.024.692	5.080.347	12.695.205
Other payables	356.359	366.359	-	317.825	48.534
	143.480.109	**144.461.906**	**111.500.951**	**20.081.555**	**12.879.400**
Derivative financial instruments					
Financial (assets)/liabilities (Note 8)	**(2.214.222)**	**(1.485.349)**	**440.864**	**(1.926.213)**	**-**

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c) Market risk:

i) Foreign exchange risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities. The Company minimizes the risk through balancing 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 the Board of Directors regularly and the foreign exchange rates relevant to the foreign currency position of the Company are mentioned. When necessary derivative financial instruments (swap contracts) are used as a tool to hedge foreign exchange risk.

	31 December 2013			
	TL Equivalent	**USD**	**EUR**	**Other (TL Equivalent)**
1. Trade Receivables	16.315.874	7.194.390	49.763	814.758
2a. Monetary Financial Assets (Cash, Bank accounts included)	16.442	955	4.905	-
2b. Non-monetary Financial Assets	-	-	-	-
3. Other	-	-	-	-
4. Current Assets (1+2+3)	**16.332.316**	**7.195.345**	**54.668**	**814.758**
5. Trade Receivables	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-
6b. Non-monetary Financial Assets	-	-	-	-
7. Other	-	-	-	-
8. Non-Current Assets (5+6+7)	**-**	**-**	**-**	**-**
9. Total Assets (4+8)	**16.332.316**	**7.195.345**	**54.668**	**814.758**
10. Trade Payables	32.081.235	7.873.564	5.198.758	10.534
11. Financial Liabilities	164.773	56.112	14.596.873	-
12a. Monetary Other Liabilities	-	-	-	-
12b. Non-monetary Other Liabilities	-	-	-	-
13. Short-Term Liabilities (10+11+12)	**32.246.008**	**7.873.564**	**5.254.870**	**10.534**
14. Trade Payables	27.678.536	-	9.425.689	-
15. Financial Liabilities	-	-	-	-
16a. Monetary Other Liabilities	-	-	-	-
16b. Non-monetary Other Liabilities	-	-	-	-
17. Long-Term Liabilities (14+15+16)	**27.678.536**	**0**	**9.425.689**	**0**
18. Total Liabilities (13+17)	**59.924.544**	**7.873.564**	**14.680.559**	**10.534**
19. Net Asset/(Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	**-**	**-**	**-**	**-**
19a. Amount of Hedged Asset	**-**	**-**	**-**	**-**
19b. Amount of Hedged Liability	**-**	**-**	**-**	**-**
20. Net Foreign Currency Asset/(Liability) Position (9-18+19)	**(43.592.228)**	**(678.219)**	**(14.625.891)**	**804.224**
21 Net Foreign Currency Asset/(Liability) Position of Monetary Items (IFRS 7.B23) (=1+2a+3+5+6a-10-11-12a-14-15-16a)	**(43.592.228)**	**(678.219)**	**(14.625.891)**	**804.224**
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	**-**	**-**	**-**	**-**
23. Hedged amount for Foreign Currency Assets	**-**	**-**	**-**	**-**
24. Hedged amount for Foreign Currency Liability	**-**	**-**	**-**	**-**
25. Export	**88.483.191**	**43.137.438**	**546.888**	**4.858.276**
26. Import	**69.895.016**	**-**	**26.691.223**	**-**

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Foreign Currency Position

31 December 2012			
TL Equivalent	**USD**	**EUR**	**Other (TL Equivalent)**
7.188.414	3.581.270	63.461	655.201
9.705	2.252	2.420	-
-	-	-	-
-	-	-	-
7.198.119	**3.583.522**	**65.881**	**655.201**
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
7.198.119	**3.583.522**	**65.881**	**655.201**
45.054.161	6.791.370	14.008.823	3.316
6.206.945	-		
	-		
	-		
59.651.034	**6.791.370**	**20.215.768**	**3.316**
12.695.205	-	5.398.310	-
131.958	-	56.112	-
-	-	-	-
-	-	-	-
12.827.163	**-**	**5.454.422**	**-**
72.478.197	**6.791.370**	**25.670.190**	**3.316**
-	-	**-**	
-	**-**	**-**	
-	-	**-**	
(65.280.078)	**(3.207.848)**	**(25.604.309)**	**651.885**
(65.280.078)	**(3.207.848)**	**(25.604.309)**	**651.885**
-	**-**	**-**	**-**
-	**-**	**-**	**-**
14.332.955	**-**	**6.094.721**	**-**
73.499.930	**38.250.876**	**274.724**	**4.667.851**
47.687.232	**-**	**20.277.770**	**-**

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31 December 2013	**Sensitivity Analysis for Foreign Currency Risk**			
	Profit/Loss		**Equity**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
Change of USD by 10% against TL:				
1- Asset/Liability denominated in USD - net	(144.752)	144.752	(144.752)	144.752
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	**(144.752)**	**144.752**	**(144.752)**	**144.752**
Change of EUR by 10% against TL				
4- Asset/Liability denominated in EUR - net	(4.294.893)	4.294.893	(4.294.893)	4.294.893
5- The part hedged for EUR risk (-)	-	-	-	-
6- EUR Effect - net (4+5)	**(4.294.893)**	**4.294.893**	**(4.294.893)**	**4.294.893**
Change of Other Currencies by average 10% against TL				
7- Assets/Liabilities denominated in other foreign currencies - net	80.422	(80.422)	80.422	(80.422)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**80.422**	**(80.422)**	**80.422**	**(80.422)**
TOTAL (3+6+9)	**(4.359.223)**	**4.359.223**	**(4.359.223)**	**4.359.223**

	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 - net	(571.831)	571.831	(571.831)	571.831
2- The part hedged for USD risk (-)	-	-	-	-
3- USD Effect - net (1+2)	**(571.831)**	**571.831**	**(571.831)**	**571.831**
Change of EUR by 10% against TL				
4- Asset/Liability denominated in EUR - net	(6.021.365)	6.021.365	(6.021.365)	6.021.365
5- The part hedged for EUR risk (-)	1.433.296	(1.433.296)	1.433.296	(1.433.296)
6- EUR Effect - net (4+5)	**(4.588.069)**	**4.588.069**	**(4.588.069)**	**4.588.069**
Change of Other Currencies by average 10% against TL				
7- Assets/Liabilities denominated in other foreign currencies - net	65.188	(65.188)	65.188	(65.188)
8- The part hedged for other foreign currency risk (-)	-	-	-	-
9- Other Foreign Currency Effect - net (7+8)	**65.188**	**(65.188)**	**65.188**	**(65.188)**
TOTAL (3+6+9)	**(5.094.712)**	**5.094.712**	**(5.094.712)**	**5.094.712**

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ii) Interest rate risk

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

	Interest Rate Position	
	31 December 2013	**31 December 2012**
Financial instruments with fixed interest rate		
Financial assets	121.990.294	129.282.933
Financial liabilities	176.851.910	129.098.620
Financial instruments with floating interest rate		
Financial liabilities	-	12.118.733

According to the interest rate sensitivity analysis performed as at 31 December 2012, if interest rates had been 1% higher while all other variables being constant, net income for the year would be TL36.339 lower as a result of additional interest expense that would be incurred on financial instruments with floating rates.

iii) Price risk

The profitability of the Company's operations and the cash flows generated by those operations are affected by changes in the raw material prices and market competition that are closely monitored by the Company management and precautions for cost efficiency are taken. The Company does not anticipate that prices of raw milk and other raw materials will change significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the risk of a decline or increase in the prices of raw milk and other stocks and raw materials.

The current risks are properly monitored by Board of Directors and Audit Committee regularly in considering the need for active financial risk management.

d) Capital Risk Management:

The Company's objectives when managing capital to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as the total liability (including borrowings, trade payables, due to related parties and other payables, as shown in the balance sheet) less cash and cash equivalents.

	31 December 2013	**31 December 2012**
Financial liabilities	4.527.917	15.651.815
Derivative financial assets	-	(2.214.222)
Other payables to related parties	130.131	307.825
Less: Cash and cash equivalents (Note 6)	(823.866)	(4.506.394)
Net debt	3.834.182	9.239.024
Total equity	479.832.216	436.175.692
Net-debt/equity ratio	**1%**	**2%**

The Company's strategy is to maintain low levels of balance sheet gearing and indebtedness consistent with its conservative financial profile. The Company management regularly monitors the debt/equity ratio.

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NOTE 47 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

Classification of financial assets

The Company classified financial assets and liabilities as available-for-sale investments, borrowings and receivables. Cash and cash equivalents (Note 6), trade receivables (Notes 7 and 8) and other receivables (Note 7 and 10) of the Company are categorized as loans and receivables; and measured at amortized cost using effective interest method. Available-for-sale investments of the Company are disclosed in Note 4. Financial liabilities (Note 25), other financial liabilities (Note 8), trade payables (Note 8) and other payables (Notes 7 and 10) are categorized as financial liabilities measured at amortized costs using effective interest method.

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 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 realize 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 value of the foreign currency denominated amounts, which are translated by using the exchange rates prevailing at period-end, is considered to approximate their fair value. The fair values of certain financial assets carried at costs, including cash and due from banks, receivables and other financial assets are considered to approximate their respective carrying values due to their short-term nature. Available-for-sale investments are carried at their fair values. The fair values of available-for-sale investments which do not have quoted market prices in active markets, are determined by using general accepted valuation techniques or stated at cost, less a provision for impairment, if any, by assuming the carrying values do not differ materially from their fair values.

Financial liabilities

Fair values of bank borrowings are disclosed in Note 25.

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end Exchange rates, are considered to approximate carrying values.

The table below analyses financial instruments except for the certain available for sale investments which are measured at cost less impairment, if any, as their fair values cannot be reliably estimated using generally accepted valuation techniques, 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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The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2013 and 2012.

31 December 2013

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	44.479.021	-	11.669.197	56.148.218
Derivative financial instruments designated as hedges	-	-	-	-
Total assets	**44.479.021**	**-**	**11.669.197**	**56.148.218**

31 December 2012

	Level 1	Level 2	Level 3 (*)	Total
Assets:				
Available-for-sale investments	39.314.167	-	14.019.269	53.333.436
Derivative financial instruments designated as hedges	-	2.214.222	-	2.214.222
Total assets	**39.314.167**	**2.214.222**	**14.019.269**	**55.547.658**

(*) As of 31 December 2013 and 2012, there is no movement between the levels 1 and 2. Please see Note 45 for the movement of Level 3 financial instruments.

NOTE 48 - SUBSEQUENT EVENTS

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

NOTE 49 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

Information for Investors

Stock Exchange

Pınar Süt Mamulleri Sanayii A.Ş. shares are traded on the National Market of the Borsa Istanbul (BIST) under the symbol "PNSUT".

Initial public offering date: 03 February 1986

Annual General Assembly Meeting

Pursuant to a resolution passed by the Board of Directors of Pınar Süt Mamulleri Sanayii A.Ş., the Company's annual General Assembly meeting will take place on 27 March 2014 at 14:30 hours at the following address: Kemalpaşa Asfaltı No.317 Pınarbaşı İzmir.

Dividend Policy

Pınar Süt Mamulleri Sanayii 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.

Investor Relations

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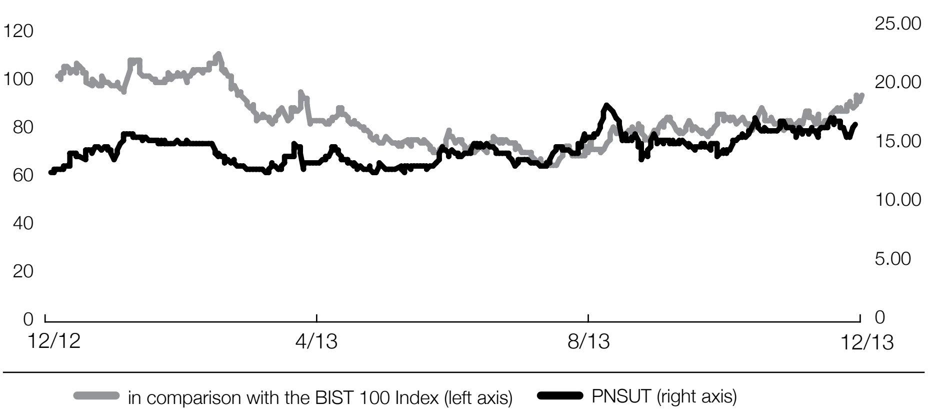
Pınar Süt investor relations web page:

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



* Adjusted share prices

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