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.
Convenience translation into English of financial statements originally issued in Turkish

			Other Comprehensive Income/(Expense) not to be reclassified to profit or loss			
PREVIOUS PERIOD	**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**
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.)
Convenience translation into English of financial statements originally issued in Turkish

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.)
Convenience translation into English of financial statements originally issued in Turkish

- 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

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.)
Convenience translation into English of financial statements originally issued in Turkish

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.

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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.

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.)
Convenience translation into English of financial statements originally issued in Turkish

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.

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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.

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.)
Convenience translation into English of financial statements originally issued in Turkish

- 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

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.)
Convenience translation into English of financial statements originally issued in Turkish

	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**

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.)
Convenience translation into English of financial statements originally issued in Turkish

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**

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

	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**

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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**

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.)
Convenience translation into English of financial statements originally issued in Turkish

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

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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**

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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.

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.)
Convenience translation into English of financial statements originally issued in Turkish

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:

	31 December 2013	31 December 2012
Bails	664.086.110	652.482.300
Letters of guarantee	8.617.041	9.957.164
	672.703.151	**662.439.464**

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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**

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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

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

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.

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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**

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.)
Convenience translation into English of financial statements originally issued in Turkish

	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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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.

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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**	

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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-	-	-	-	-	-	

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.)
Convenience translation into English of financial statements originally issued in Turkish

	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**

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.)
Convenience translation into English of financial statements originally issued in Turkish

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)**	**-**

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.)
Convenience translation into English of financial statements originally issued in Turkish

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**	**-**

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.)
Convenience translation into English of financial statements originally issued in Turkish

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**	**-**

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.)
Convenience translation into English of financial statements originally issued in Turkish

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**

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.)
Convenience translation into English of financial statements originally issued in Turkish

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.

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.)
Convenience translation into English of financial statements originally issued in Turkish

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).

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.)
Convenience translation into English of financial statements originally issued in Turkish

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.