



# Pinar Su

## Annual Report 2009



# contents

2	<a href="#">Pinar Su in Brief</a>
3	<a href="#">Highlights from Pinar Su's History</a>
4	<a href="#">Key Financial Highlights</a>
6	<a href="#">Chairperson's Message</a>
10	<a href="#">Board of Directors</a>
11	<a href="#">Senior Management and Board of Auditors</a>
12	<a href="#">Macroeconomic and Sectoral Overview</a>
20	<a href="#">Assessment of 2009 Activities</a>
26	<a href="#">Environment &amp; Sustainability</a>
30	<a href="#">Corporate Governance Practices and Financial Information</a>





# My Life Source

Having introduced the first nationally branded packaged water products to consumers in Turkey in 1984, Pinar Su has since then established itself as an important part of people's everyday lives with its Pinar Yaşam Pınarım-Çamlıca, Pinar Yaşam Pınarım-Madran, and Pinar Yaşam Pınarım-Toros labels.

Regarding customer satisfaction as its highest priority and continuously improving its production quality as its most important objective, Pinar Su pursues its mission of being the firm that leads the way in its sector with products

## Pinar Su in Brief

### Pinar Su: Where health, trust, and taste all come together

The Pinar trademark was introduced for the first time in Turkey in 1975 by the Yaşar Group, a group of companies which offers innovative products that enhance the quality of life for people in every business line that it enters and which is committed to maintaining its stature as an innovative pioneer. That year, sister company Pinar Süt produced the first long-life packaged milk in Turkey using UHT technology. Growing increasingly stronger in the years that followed, Pinar introduced its first packaged water to the Turkish market in 1984.

Quickly expanding its capacity shortly after commencing operations, Pinar Su's plant in İzmir-Menderes made its first exports to Germany in 1985. In order to meet the growing demand for its bottled water, Pinar Su opened a second plant in Aydın-Nazilli and introduced its "Pinar Madran" brand, a water that enjoys a deservedly high international reputation for the excellence of its taste.

In 2003 Pinar Su acquired two more plants with natural springs—one in Sakarya-Hendek and the other in Isparta-Eğirdir—and began producing packaged water from both. Products from these two springs were marketed under the "Pinar Yaşam Pınarım" and "Pinar Denge" labels respectively.

### Pinar Yaşam Pınarım

Aware that water is one of the most vitally essential substances on which all life depends and recognizing that its own products had become important elements of its consumers' everyday lives, Pinar Su decided to bring all three brands together under the "Pinar Yaşam Pınarım" name meaning "Pinar: My Life Source".

The Pinar Yaşam Pınarım-Çamlıca and the Pinar Yaşam Pınarım-Madran plants were licensed to sell natural mineral water in 2007 while the Pinar Yaşam Pınarım-Toros plant received its license in 2008. Having become thoroughly identified with consumer confidence over the years, today Pinar Su produces Pinar Yaşam Pınarım

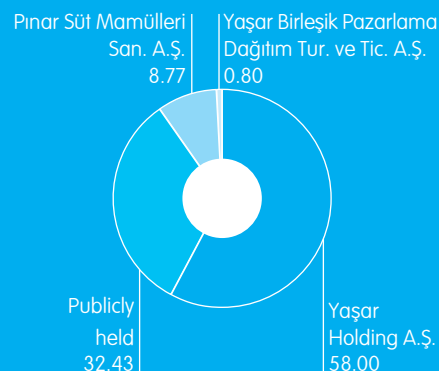
brand natural mineral water at three plants: Aydın-Bozdoğan, Isparta-Eğirdir, and Sakarya-Hendek. Water from these springs is collected and bottled under conditions of the strictest hygiene and without being subjected to any other physical or chemical intervention whatsoever.

### One of the top three bottled water brands in Turkey

Regarding customer satisfaction as its highest priority and continuously improving its production quality as its most important objective, Pinar Su is determined to continue pursuing its mission of being the firm that leads the way in its sector with products that "come from the source of life."

Responding to consumers' health, confidence, and taste expectations in the best way possible, Pinar Su will continue to be the leading name in Turkey's packaged water sector and to further strengthen its market position with new investments.

### Pinar Su Shareholder Structure (%)



Issued Capital: TL 12,789,345  
Registered Capital: TL 50,000,000

Shareholder	Share (%)	Amount (TL)
Yaşar Holding A.Ş.	58.00	7,417,546
Yaşar Birleşik Pazarlama Dağıtım Tur. ve Tic. A.Ş.	0.80	101,992
Pınar Süt Mamülleri San. A.Ş.	8.77	1,122,150
Publicly held	32.43	4,147,657
<b>Total</b>	<b>100.00</b>	<b>12,789,345</b>

The matter of increasing the issued capital to TL 12,789,345 was registered on 18 February 2010. The company's capital consists entirely of bearer shares.

Pinar Su shares are listed on the Istanbul Stock Exchange with the ticker symbol PINSU.

## Highlights from Pinar Su's History

### Pinar Su introduces consumers in Turkey to packaged water products for the first time.

**1984** Pinar Su introduces consumers in Turkey to packaged water products for the first time.

**1985** Pinar Su ships its first exports to Germany.

PVC packaging is used for the first time.

**1989** Pinar Su single-handedly accounts for 90% of all of Turkey's water exports.

**1995** Bottled water output reaches 100,000 tons a year.

**1996** Pinar Su opens its second plant in Aydın-Nazilli and launches its "Pinar Madran" brand.

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

**1999** Pinar Su receives ISO 9002 Quality Management System certification.

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

**2002** Pinar Madran is marketed in polycarbon containers.

**2003** The rights to the Sakarya and Isparta springs are acquired and Marmara Su is set up. Water from these two springs is marketed under the "Pinar Yaşam Pınarım" and "Pinar Denge" labels respectively.

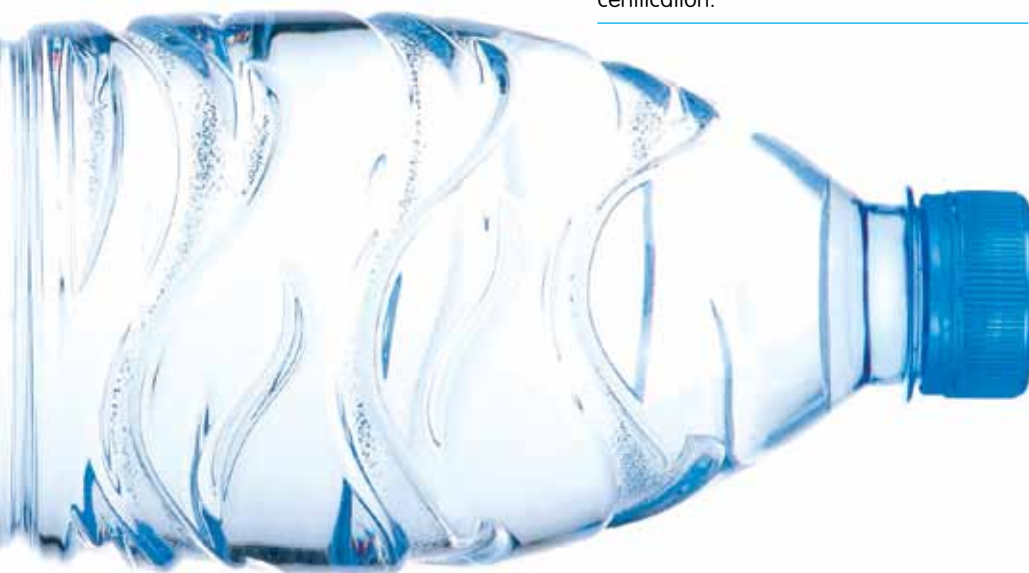
Pinar Su is awarded TS ISO 9001:2000 certification.

**2005** Pinar Su is awarded TS 13001 HACCP Food Safety System certification.

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

**2007-2008** Pinar Su receives natural mineral water licenses for all three of its brands.

**2009** A project to launch a Pinar Su Order Hotline on 444 99 00 reaches the final stage.





## Key Financial Highlights

### Financial Indicators

(TL million)	2009	2008	% change
Total assets	88.7	84.0	5.6
Shareholders' equity	70.2	61.3	14.5
Financial liabilities	5.3	7.0	-24.3
Sales revenues	54.7	61.2	-10.6
Profit before taxation on income	7.4	7.5	-1.3
Net period profit	6.0	5.7	5.3
Earnings per share (TL)	0.4733	0.4461	6.1

### Financial Ratios

	2009	2008
Total liabilities/Total assets (%)	21	27
Total liabilities/Shareholders' equity (%)	26	37
Current assets/Current liabilities	1.89	1.18
Equity turnover ratio	0.83	1.04
Net financing costs/Net sales (%)	2	4
Net financing costs/Shareholders' equity (%)	2	4

**Total Assets** (TL million)**Shareholders' Equity** (TL million)**Net Period Profit** (TL million)

Pinar Su continued to perform consistently in 2009 as a result of its effective management, production, marketing, and sales activities; while achieving financial and operational results that enabled it to make it through the economic crisis and ensuing recession successfully.



## Chairperson's Message



Pinar Su carefully harvests the precious gift of nature and delivers it in its purest, most natural, and most healthy form to consumers under the "Pinar My Life Source" label.

# a trailblazing leader dynamic structure

The first privately-owned company in its sector in Turkey and a trailblazing leader since the day it was founded, Pinar Su continues to create value for the national economy while also fulfilling all of its social responsibilities without exception.

We are determined to be no less dynamic and resolute in our determination to undertake many new investments and to lead the way with innovative practices in our sector in the years ahead as well.



**Pınar Su is the foremost name in the bottled water sector in Turkey. Since the day it was founded, our company has striven to provide consumers with this vitally essential product on which all life is based under the most natural and hygienic conditions possible.**

For Pınar Su, one of the leading concerns in the Turkish bottled water industry, 2009 was a year in which the company remained on course despite every difficulty. Combining long years of experience with solid management practices, our company once again achieved its corporate objectives while also posting successful financial and operational results.

The first privately-owned company in its sector in Turkey and a trailblazing leader since the day it was founded, Pınar Su continues to create value for the national economy while also fulfilling all of its social responsibilities without exception.

Pınar Su's most fundamental attributes are its deep-rooted corporate identity, its superior production strengths, its sound financial structure, its high quality standards, its advanced sense of social and environmental responsibility, its ability to continuously create value for the economy and the community, and its possession of sustainable strategies to accomplish its objectives.

### **2009 was a year of reorganization for Pınar Su.**

In order to create a more effective model in the source-to-consumer value-creation chain taking changing market conditions into account while also increasing our competitive strength in the national market and cutting costs, it was decided to merge the firm of Birmaş Tüketim Malları Ticaret A.Ş., a Yaşar Group company that handled the sale and distribution of Pınar Su products, into our own. The formalities involved in this reorganization were initiated in 2009 and were finalized as of the end of January 2010.

Taking all of the foreseeable factors into account given the economic conditions of 2009, we successfully applied our strategies and maintained our consistent performance. Our company achieved successful results in its budget targets thanks to the effective management, production, marketing, and sales activities that it carried out. The financial and operational results that we registered enabled us to make it through the economic crisis and ensuing recession without serious problems.

The most important issue with which the market had to contend in 2009 was severe price-based competition driven by the global economic crisis and by recession. The number of licensed water producers in Turkey increased by nearly 13% from 236 to 266 during 2009.

In 2009, our company distanced itself from the intensive price cutting taking place in the market and concentrated instead on strengthening its domestic and international market positions by making the best possible use of its inherent competencies. Our financial performance in 2009 enabled us to achieve our budgeted results. As of year-end we showed a turnover worth TL 93 million. Last year Pınar Su booked net sales amounting to TL 54.7 million. Pınar Su's EBITDA amounted to TL 10.1 while the company also generated a profit-per-share figure of TL 0.4733.

Having begun focusing on making the most effective use possible of its production capacity in 2009, our company continued to manage its bottling processes optimally in line with market demand in 2009 as well. This enabled the company to respond to the needs of both its domestic and its international customers throughout the year. Under the crisis conditions that prevailed in both 2008 and 2009, Pınar Su maintained an ideal balance between the two markets and, with the help of its sales organization, it managed its supply chain with great success.

Pınar Su exported 3.72% of its production in 2009. Our international sales amounted to a total of 15.2 million liters. We exported goods to eighteen countries while our efforts to increase our market shares in a number of neighboring countries met with success.

## Pinar Su employs cleanroom technology to ensure that the water it supplies to consumers conforms to the highest standards of hygiene and quality.

### The cornerstones of our business:

#### Hygiene and quality

The life-sustaining importance of water combines with the issues of hygiene and quality in the bottled water sector, making the freshness, naturalness, and packaging of our products matters of great concern.

Pinar Su carefully harvests the precious gift of nature bestowed by three of Turkey's most distinguished springs located in Aydın, Sakarya, and Isparta and delivers it in its purest, most natural, and most healthy form to consumers under the "Pinar Yaşam Pınarım" label.

Pinar Su employs cleanroom technology to ensure that the water it supplies to consumers conforms to the highest standards of hygiene and quality. Designed to ensure the existence of a hygienic environment conforming to internationally prescribed standards, the cleanroom system is the most advanced manufacturing technology in existence today. Under this system, bottling takes place inside facilities whose interior sterility is maintained by means of positive air pressure. The air entering the cleanroom is filtered to remove contaminants while the air inside is constantly recirculated and

refiltered to keep it clean. Cleanroom technology is what makes it possible for Pinar Su to bottle its water under ultra-hygienic conditions and to minimize any risks of contamination from ambient sources.

R&D activities also contribute towards our ability to deliver our bottled water to consumers under conditions that are excellent in every respect. Packaging is another issue to which we give the utmost attention, with special importance being given to protecting both consumer health on the one hand and the environment on the other.

Packaging is a part of our business that is no less important to consumer health than is the product that it contains. It gives me pleasure and pride to say that Pinar Su employs packaging materials that conform to international standards. All of our company's packaging materials are approved by the Ministry of Agriculture and Rural Affairs and they are obtained from suppliers in Turkey who are themselves certified for full compliance with required standards.

### Sustainability

Pinar Su attaches great importance to the environment not just because water is its business line but also because it is an industrial concern. Our company has been awarded ISO 14001 Environmental Management System certification and it takes great pains to ensure that its packaging fully complies with all legal and regulatory requirements. Under our collaborative agreement with the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO), our company is collecting an increasingly greater volume of PET containers for use as recycled material every year. A total of 2,530 tons of such packaging was collected under this agreement last year, an amount that corresponds to a year-on rise of 12% compared with 2008.

### The water market in Turkey and its strong potential in nearby countries

Turkey ranks third among European countries from the standpoint of the availability of natural water resources while its bottled water sector is important, has a solid infrastructure, and possesses considerable potential—the last of which is indicated by the strength of the development and the growth of the competition that was witnessed in 2009.

Estimates put total drinking water production at 9 billion liters in Turkey in 2009, which translates into an annual per capita consumption figure of 122 liters. 76% of the bottled water consumed last year was delivered in 19-liter polycarbon containers with the remaining 24% supplied in smaller-sized PET containers. There were 266 firms supplying the market with water in both container types. 140 firms hold licenses to supply water to the polycarbon market. The ten biggest firms, our own company being one of them, together control 63% of the market for water bottled in PET bottles.

As it continues to undergo rapid growth and development, Turkey is certain to go on experiencing strong growth in the demand for water for all uses. Urban growth, trends in attitudes towards health and hygiene issues, and higher education levels are the most important factors fueling the demand for bottled water.

What's more our country's bottled water industry is located adjacent to other valuable markets which can only look forward to increased expansion of their own.

### Our customers and consumers come first.

As Pinar Su we engage in an ongoing effort to identify our customers' wishes precisely. The results of our findings are used as feedback in fine-tuning all of our processes so as to achieve customer satisfaction. Our Communication Center conducts market research and surveys and it uses the customer feedback obtained in this way to change and improve processes as need be.

As a consumer-focused company that is adept at quickly coming up with solutions to address consumers' wishes and needs, we will continue to generate value for all of society as much through the direct and indirect employment that we create, the investments that we undertake, and the taxes that we pay as we do through the products that we make and deliver.

Drawing on the strengths of its values, corporate culture, and experience, our company engages in a never-ending effort to create that which is better and to deliver it to its consumers, and its employees. We are determined to be no less dynamic and resolute in our determination to undertake many new investments and to lead the way with innovative practices in our sector in the years ahead as well. This commitment is what will make it possible for us to internalize the potential of the bottled water sector both in Turkey and abroad in the fastest and most effective way possible while also expanding our added-value production as well.

In closing, I extend my thanks to our valued suppliers, customers, employees and shareholders for their great contributions towards our company's past and future success.



İdil Yiğitbaşı  
Chairperson of the Board of Directors

## Board of Directors



**İdil Yiğitbaşı**  
Chairperson



**Yılmaz Gökoğlu**  
Deputy Chairperson



**Mehmet Aktaş**  
Director



**Hakkı Hikmet Altan**  
Director



**Ahmet Atay**  
Director



**Suat Özyiğit**  
Director



**Ali Sözen**  
Director

## Senior Management and Board of Auditors

### Senior Management

#### Ali Sözen

President of the Food and Beverage Group

#### Ahmet Atay

General Manager

### Board of Auditors

#### Kamil Deveci

Member

#### Turgut Sarioğlu

Member

## Terms of Office of the Company's Directors and Statutory Auditors

### Board of Directors

Name	Title
İdil Yiğitbaşı	Chairperson
Yılmaz Gökoğlu	Deputy Chairperson
Mehmet Aktaş	Director
Hakkı Hikmet Altan	Director
Ahmet Atay	Director
Suat Özyiğit	Director
Ali Sözen	Director

### Board of Auditors

Name	Appointed on	Term of office
Kamil Deveci	13.05.2009	1 Year
Turgut Sarioğlu	13.05.2009	1 Year

#### Limits of Authority:

Under article 16 of the company's articles of incorporation, the duties, authorities, and responsibilities of the statutory auditors are governed by the principles set forth in the relevant articles of the Turkish Commercial Code.

- At the annual general meeting held on 13 May 2009, the following elections to seats on the Board of Directors were approved: Mehmet Aktaş, who replaced Korkmaz İlkörür; Ahmet Atay, who replaced Ata Murat Kudat; B. Safa Ocak, who replaced Suat Özyiğit.

- At a meeting of the Board of Directors held on 18 June 2009, İdil Yiğitbaşı was elected chairperson of the Board of Directors and Yılmaz Gökoğlu was elected deputy chairperson of the Board of Directors.

- On 24 September 2009, Ali Sözen was elected to a seat on the Board of Directors to replace Emine Feyhan, who resigned as of 11 August 2009.

#### Limits of Authority:

The chairperson and members of the Board of Directors possess all of the authorities provided for under the Turkish Commercial Code and under articles 12 and 13 of the company's articles of incorporation.



## Macroeconomic and Sectoral Overview

# the global economy signs of improvement

The contraction in total demand triggered by the global economic crisis affected the Turkish economy as well.

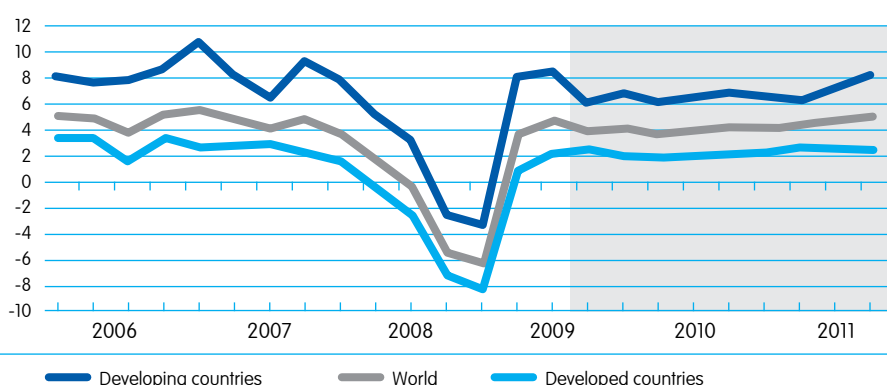
In 2009, total water production in Turkey is put at 9 billion liters, whose market value is estimated to be TL 3.1 billion.



### A gradual transition

Even though the recovery has begun, what is most certain is that the timing of the crisis-exit process is going to be tricky and that a gradual transition is going to be required.

Real GDP (Annual change %)



Source: IMF

### The World Economy

Responding to the packages of fiscal and monetary measures put into effect by the governments of the world's developed and developing countries to deal with the global crisis, a process of economic recovery got under way in the third quarter of 2009.

However despite factors that support a positive outlook such as strong domestic demand and rising consumption outlays in the USA and other leading economies, a return by manufacturers to building up stocks, and normalization of the terms of global trade, there have been only dilatory improvements in the global economy's leading indicators so far. Factors such as high unemployment rates, persistently tight credit, and severe impairments in budget balances in particular suggest that any recovery in the global economy will be slow and is going to take time.

According to its most recent (January 2010) revision, the International Monetary Fund (IMF) posits a 0.8% contraction in the global economy during 2009 while also projecting growth rates of 3.9% in 2010 and 4.3% in 2011.

As a result of weak demand brought on by the global credit crunch, inflation remained in decline throughout the downturn. This in turn made it possible for the monetary authorities of both the developed and the developing countries to relax monetary policies to a significant degree in the effort to limit the effects of the cutback in economic activity. Responding to such expansionist monetary policies, interest rates fell to historically low levels.

Suggestions that economies have bottomed out and that recovery has begun provoke debates over when expansionist fiscal and monetary policies should be ended and when monetary authorities should begin raising interest rates again. At this juncture what is most certain is that the timing of the crisis-exit process is going to be tricky and that a gradual transition is going to be required.

According to end-2009 figures, the twelve-month rises in CPI and PPI were 6.53% and 5.93% respectively.



#### The Turkish Economy

The contractionary pressures that the global crisis exerted on total demand made themselves felt in the real sector of the Turkish economy as well and they caused both production and employment figures to fall.

Having become quite evident in the last quarter of 2008, the contraction in the Turkish economy increased its impact in the first quarter of 2009, during which there was a quarter-to-quarter GDP decline on the order of 14.7% compared with 2008. Beginning with the second quarter of the year however, the contraction began to slow down with the result that the overall decline in the first 9 months was 8.4%.

By contrast, economic growth is now thought to have resumed in the last quarter of the year. This outcome is attributed largely to four developments:

- The Central Bank's cuts in its short-term interest rates finally kicked in and began to take effect, albeit after some delay.
- Banks in general supported consumption by lowering their credit interest rates.
- As developed countries' economies began showing signs of recovery, Turkish-made goods discovered new market opportunities and this spurred the growth of the country's exports.
- Poor economic performance in the first three quarters created a low so-called "base effect" that seemed to amplify the results in the last quarter.

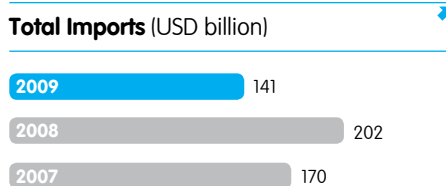
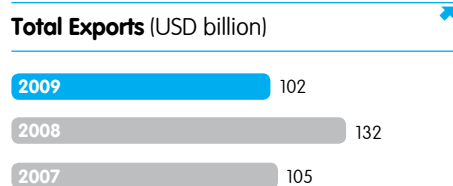
In light of these developments the Turkish economy shrank 4.7% overall in 2009.

The official unemployment rate, widely regarded everywhere as the most important structural indicator of economic activity, reached a record-breaking 16% in Turkey before receding to the 13% or so level in the last quarter.

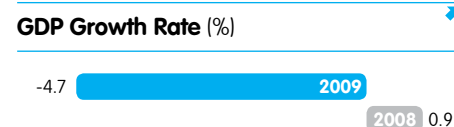
Paralleling declines in domestic and foreign demand, Turkey experienced significant contractions in both its imports and its exports throughout 2009. Indeed imports shrank faster than exports with the result that there was a significant reduction in the country's foreign trade deficit. CIF imports were down 30.3% year-on-year to USD 140.8 billion while FOB exports shrank 22.6% to USD 102.2 billion. Even Turkey's "suitcase trade" suffered, dropping 22.9% to USD 4.8 billion last year.

**Foreign trade down**

The effects of the global economic crisis made themselves felt in Turkey's foreign trade, which was down 2.72% by total volume.

**Slow down in contraction**

Beginning with the second quarter of the year, the contraction began to slow down with the result that the Turkish economy shrank 4.7% overall in 2009.



The current account deficit, which hitherto had been moving along a precarious course, continued to decline all year long, dropping 67% in the twelve months to end-2009 from USD 41.9 billion to USD 13.8 billion. Nevertheless rises in energy prices and renewed demand for imports are likely to resume widening the deficit once again, however slowly.

Despite some improvements in the month of December, the central government budget deficit stood at TL 52.6 billion as of end-2009, three times what it had been the year before. The factors contributing to this result are said to be rapid growth in current account transfers (nourished especially by local elections in the first quarter of the year) on the expenditures side and, on the revenues side, tax and non-tax receipts that were lower than what they had been in 2008 as a result of depressed economic activity in 2009. During the same period the non-interest surplus also shrank from TL 33.2 billion to TL 571 million.

The government has announced its medium-term program covering the years 2010-2012, according to which it is said that importance will be given to policies aimed at permanently increasing production, investment, and exportation in the national economy. Foremost among the measures that are to be taken is the introduction of the so-called "golden rule" of fiscal policy whose aim is to ensure that the ratio of public sector debt to national income remains sustainable over the medium and long terms.

When the marked contraction in the propensity to consume and in total demand combined with sharp declines in commodity prices, the result was a rapid drop in inflation rates everywhere in the world, including Turkey. According to end-2009 figures, the twelve-month rises in CPI and PPI were 6.53% and 5.93% respectively.

Anticipating that there would be a rapid decline in inflation beginning with the last quarter of 2008, the Central Bank focused its attentions on containing the damage that this might potentially cause to economic activity. While rapidly reducing its short-term interest rates in this process, the bank adhered to a liquidity policy that sought to maintain a balance and to loosen up credit markets. As a result of the interest rate cuts that the Central Bank began making in October 2008, short-term interest rates dropped to the 6.50% level as of November 2010.

Polycarbon-supplied water is apt to become a scene of increasingly stiffer competition as it becomes more and more popular in the years ahead.

#### Water Consumption by Country

(billion liters)

USA	32.8
Mexico	24.6
China	19.7
Brazil	14.3
Indonesia	11
Germany	10.8
France	8.4
Thailand	6.5
Spain	4

#### Per Capita Water Consumption

(liters)

Mexico	224
Italy	204
UAE	150
Belgium-Luxembourg	148
Germany	132
France	131
Spain	121
Lebanon	115
Hungary	110
USA	108

#### The worldwide bottled water industry

The bottled water sector, which prior to the 21st century was an important internal market in the United States largely by virtue of that country's standing as the world's biggest single national market, has today become one of the fastest-growing markets in the world. In the process of this evolution, bottled water first established itself as an important element of everyday life as a commercially-supplied beverage in Western Europe and then it went on to become a key commodity even in the world's remotest corners.

Throughout the first two decades of the 2000s, a number of Asian countries were the scenes of significant growth in the bottled water industry. According to Global Bottled Water Report published by the Beverage Marketing Corporation, worldwide consumption of bottled water is on the order of 53 billion gallons a year.

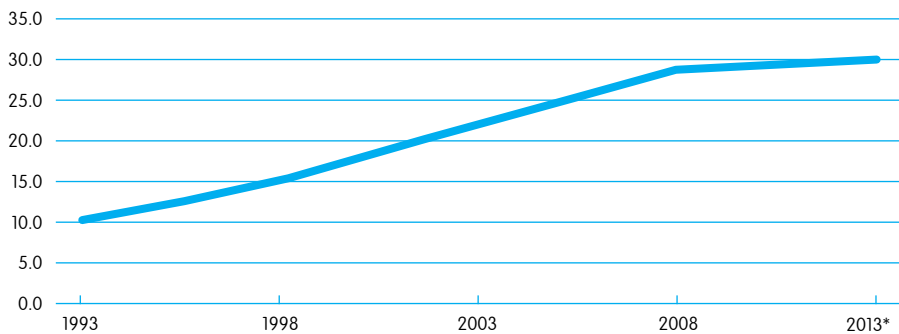
Bottled water consumption increased by 5.6% in 2008. Over the last five years, per capita consumption has increased by 9.1 liters and reached 35.9 liters a year. At the national level, there are substantial differences in per capita bottled water consumption from country to country. In most Western European countries for example the average consumption per person is 113.8 liters while among more densely populated developing countries, per capita consumption never goes beyond single-digit figures.

Among Middle Eastern countries, per capita consumption of bottled water is above the world average. While averages can be misleading, what is certain is that there is an overall trend towards the consumption of more bottled water, which is recognized as a beverages sector business line with a promising future in national markets everywhere in both developed and developing countries.

Paralleling changes in consumer habits during the last decade, the bottled water sector has registered significant growth. Consumers' increasingly greater awareness of the importance of good health and eating habits have been making bottled water the fastest-growing and most dynamic beverages market in developed countries such as Canada and the USA.

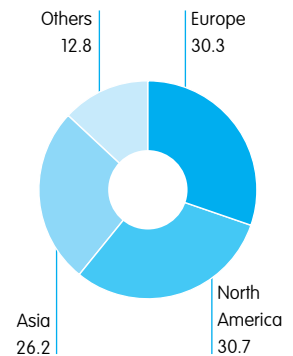
In many developed countries, bottled water is perceived as more than something with which to deal with the body's need for water and rather as one of the most important elements of healthful living. This perception is one of the most important factors contributing towards the steady growth of the bottled water sector. Even in many developing countries today, bottled water is seen as a preferable alternative to tap water on the grounds that it is more hygienic.



**Average Water Consumption** (per capita, gallons)

Source: Beverage Marketing Corporation

\* Projection

**2008 - Bottled Water Consumption (%)**

The bottled water industry's market is one that is primarily influenced by locally available brands. North America, in which are located two (Mexico and USA) of the biggest markets for bottled water on a per capita consumption basis, had about a 30% market share in total consumption in 2008. Developments in the US bottled water market have a leveraging effect by driving the sector's growth on a global basis. While the European continent itself is not the sector's biggest market overall, four of the industry's ten biggest national markets are located there.

For the water sector as a whole, 2008 was a year of contraction. Italy reached fifth position in the European market with total consumption amounting to 3.1 billion gallons. Germany, which ranked seventh at 2.9 billion gallons, was followed by France, where consumption was down by 2.9% in 2008.

Looking at the types of packaging in use throughout the sector, plastic containers are used more than glass in nearly every country other than Germany. But even in countries that have traditionally strong glass industries like Germany and the UK, PET containers constituted the fastest growing segment.

On a global basis, water supplied in polycarbon containers accounts for about a third of all consumption. In some countries such as Mexico, it is the biggest and liveliest market segment. Polycarbon-supplied water is apt to become a scene of increasingly stiffer competition as it becomes more and more popular in the years ahead.

**In a world whose usable water resources are steadily disappearing, it is thought that water will replace oil as one of the most valuable natural assets within three to four decades.**

## Ranking third in the world in terms of the availability of water resources, Turkey has a great potential in the bottled water sector.

### The Bottled Water Sector in Turkey 2003-2009

	2003	2004	2005	2006	2007	2008	2009
Production (billion lt)	5.7	6.2	7.0	7.8	8.1	8.7	9.0
Market value (TL billion)	0.6	0.8	1.0	1.2	2.1	2.1	3.0
Per capita consumption (lt)	81	83	93	105	96	114	122

#### The bottled water sector in Turkey

Although the economic recession that prevailed in 2009 adversely affected most sectors, bottled water was one that grew.

The demand for bottled water in Turkey has been increasing steadily over the years. There are several factors contributing to this growth. One of the most important is Turkey's expanding population: more people simply need and consume more water. However there are widely-held perceptions that population increase leads to rapid and uncontrolled urbanization and to unreliable municipal water supplies. This in turn creates growth opportunities for the bottled water industry.

A second contributing factor is public education. As people's educational levels rise, they become more thoughtful about their eating habits. This leads to the emergence of a group of consumers for whom the healthfulness and quality of

what they eat and drink become matters of concern. One outcome of this is a growing demand for water that is "more hygienic and healthy". Another is reduced consumption of carbonated beverages in favor of water. There is also a third group of consumers for whom taste and trustworthiness are important criteria and these people tend to prefer bottled water.

Turkey's proximity to both Middle Eastern and European markets represents an important advantage as a contributor to growth in the bottled water industry. The country's geographical location gives it a competitive edge in terms of logistics and that in turn facilitates exports.

In 2009:

- Total water production in Turkey is put at 9 billion liters, whose market value is estimated to be TL 3.1 billion.
- Per capita water consumption in Turkey reached 122 liters.

- An overwhelming 76% of the bottled water consumed in Turkey last year was delivered in polycarbon containers, with only 24% being sold in PET containers.
- There were 266 firms supplying water in both types of container last year.
- The polycarbon-container water market is shared by 140 licensed firms.
- In the PET-container segment, the ten biggest suppliers control 63% of the market.

In terms of the availability of water resources, Turkey ranks third after France and Spain. This natural abundance is what gives our country such great potential in the bottled water sector.

### Water: Indispensable to life

One of the most important aspects of the highly debated and contentious issue of global warming in recent years is the question of the reliability and adequacy of the world's reserves of naturally occurring water. Water is indispensable for life as we know it and one thing that virtually everyone is in agreement on is that we need to be more careful about how we use it. Global climate changes are seen as having a significant impact on water resources while population growth exerts increasingly greater pressure on them in the form of demand.

Although water is essentially a renewable resource at the global level, at the regional level it is subject to widely varying degrees of renewability. Population growth and economic development both increase water consumption. It is estimated that an average of 4,000 km<sup>3</sup> of water are consumed worldwide every year and that 6,400 km<sup>3</sup> of water falls to earth directly as precipitation.

In absolute terms, the countries consuming the greatest amounts of water are India, China, USA, Pakistan, Japan, Thailand, Indonesia, Bangladesh, Mexico, and Russia in that order. Country-based comparisons can be highly misleading and for that reason per capita consumption is thought to be a better indication for purposes of determining water resources and their availability. However even this can vary wildly: in Uganda for example the average is 20 m<sup>3</sup> a person whereas in Turkmenistan it works out to 5,000 m<sup>3</sup>. When considered on a global basis, worldwide consumption of water appears to be on the order of 600 m<sup>3</sup> a year.

Groundwater is the source of only about 20% of the water consumed throughout the world. The aquifers from which it is derived are being steadily depleted in the world's more arid regions.

### Water resources in Turkey

Average precipitation in Turkey is put at 643 mm a year, which corresponds to about 501 billion m<sup>3</sup> of water. Rather more than half (274 billion m<sup>3</sup>) of that returns to the atmosphere as a result of land and water surface evaporation and plant transpiration. About 69 billion m<sup>3</sup> enters aquifers while 158 billion m<sup>3</sup> is discharged in various ways either into the sea or into lakes in the country's geological basins.

About 28 billion m<sup>3</sup> of the 69 billion m<sup>3</sup> of water that enters aquifers returns to the surface through springs. About 7 billion m<sup>3</sup> of water also enters Turkey from neighboring countries every year on average. Taking everything into account, the surface water that is available for the country's immediate use amounts to about 193 billion m<sup>3</sup> a year.

Furthermore with the addition of the 41 billion m<sup>3</sup> that replenishes aquifers, Turkey's total renewable water potential works out to about 234 billion m<sup>3</sup>. Given current technical and economic constraints however, surface water potential is actually less than half of that and it amounts to only 98 billion m<sup>3</sup> of which 95 billion m<sup>3</sup> is from the country's own rivers and streams and 3 billion m<sup>3</sup> is inflow from neighboring countries. That, together with about 14 billion m<sup>3</sup> of groundwater potential means that Turkey has about 112 billion m<sup>3</sup> of water available for use every year on average.

When considered in these terms, Turkey is not really a "water-rich" country. On the contrary and unless essentially important measures are taken, it could easily become a "water-poor" country in a surprisingly short time. Indeed when the average annual amount of usable water is compared with other countries and the world average on a per-capita basis, Turkey is already in the latter group. Current projections put Turkey's population at the 100 million level by 2023, on which basis the per-capita amount of usable water works out to 1,125 m<sup>3</sup> a year. If Turkey wants to ensure that its future generations have an adequate supply of usable, healthy water, it needs to start protecting what it has and using it more rationally now.

(Source: State Hydraulic Works, [www.dsi.gov.tr](http://www.dsi.gov.tr))



## Assessment of 2009 Activities

# healthy and natural exactly as it comes from its source

Pınar Su's bottled water products are marketed under the "Pınar Yaşam Pınarım" ("Pınar: My Life Source") label. All of them consist of mineral water which is healthy and natural in taste, whose mineral content is balanced, and—most important of all—which is bottled exactly as it comes from its source without it being subjected to any intervention whatsoever.







**At Pinar Su, 2009 was a year of controlled downscaling in which profitability was increased.**

In addition to the ongoing effects of the global economic crisis, a rise in the number of local firms that obtained licenses and commenced operations in 2009 exacerbated price competition in the bottled water sector while also exerting pressure on profitability.

Pinar Su's overall strategy for dealing with this was a controlled downscaling that focused on profitability. The company continued to take action to optimize its production costs without sacrificing quality while abstaining from engaging in price competition, which was in any case expected to cease once the crisis was past.

Pinar Su's production and sales volumes in the PET-container segment last year were at their 2008 levels while there were

declines in both categories in the polycarbon-container segment. Pinar Su's total turnover amounted to TL 93 million in 2009, which corresponds to a year-on decline of 8%.

**The importance of risk and liquidity management**

In view of the market conditions that prevailed in 2009, risk and liquidity management became issues of the utmost concern for Pinar Su, which kept a closer watch on both than ever.

In a year in which its costs were prudently managed and lower oil prices had a favorable impact on both production and logistics costs, Pinar Su increased its profitability. Particular care was given to the matter of deploying the company's net working capital in 2009, with such use being kept to the absolute minimum.

Pinar Su booked a gross profit of TL 17.5 million in 2009 while its profit-per-share figure of TL 0.4733 was 6% higher year-on.

**Why Pinar Su?**

Healthy water is water whose mineral content does not exceed regulatory-prescribed limits, which contains no microorganisms that pose health risks, and whose physical and chemical properties make it potable. All the springs that Pinar Su operates are remote from places of habitation, have chemical properties that remain constant year-round, and rank among the sources of the highest-quality water available in Turkey today.



# The most advanced technology

Pinar Su is the first brand of bottled water in Turkey that is accredited by NSF International.



## Pinar Yaşam Pınarım

Pinar Su's bottled water products are marketed under the "Pinar Yaşam Pınarım" ("Pinar: My Life Source") label. All of them consist of mineral water which is healthy and natural in taste, whose mineral content is balanced, and—most important of all—which is bottled exactly as it comes from its source without it being subjected to any intervention whatsoever.

## Pinar Yaşam Pınarım-Madran

With a hardness rating of 1.65 Fr, Pinar Yaşam Pınarım-Madran bottled water ranks among the softest and most palatable natural mineral waters that are commercially available in the world today. Pinar Yaşam Pınarım-Madran bottled water is supplied in 0.33, 0.5, 1.5, 2.5, 3.25, 5, 8, and 10 liter PET containers, in 0.33 and 0.75 liter non-returnable glass bottles, and 19 liter polycarbon containers.

### Specifications

Mg++	2.2 mg/l
Ca++	6.0 mg/l
Na+	6.3 mg/l
F-	0.14 mg/l
Cl-	3.9 mg/l
NO2-	None

## Pinar Yaşam Pınarım-Çamlıca

Pinar Yaşam Pınarım-Çamlıca comes from springs which are located in the Hendek region of Sakarya and whose natural and balanced mineral composition makes it particularly fine. It is supplied to consumers in 0.33, 0.5, 1, 1.5 and 5 liter PET containers and in 19 liter polycarbon containers. Bottled under conditions of absolute hygiene in a fully automated process involving no manual intervention whatsoever, Pinar Yaşam Pınarım-Çamlıca water's outstanding features make it an indispensable element of healthy living.

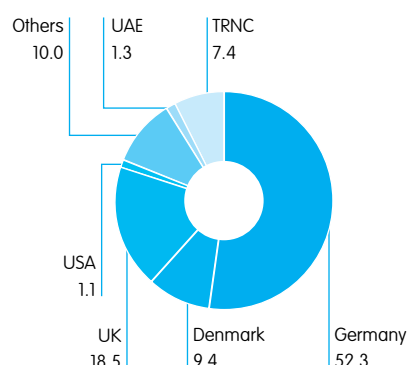
Mg++	1.24 mg/l
Ca++	14.9 mg/l
Na+	3.86 mg/l
Cl-	1.2 mg/l
NO2-	None

## Pinar Yaşam Pınarım-Toros

This excellent water comes from springs known as Dikilitaş in the Eğirdir region of Isparta. Pinar Yaşam Pınarım-Toros has a uniquely rich mineral composition which not only appeals to the palate but which can also help meet the nutritional needs of the body. With its low sodium content but high proportions of magnesium and calcium ions, Pinar Yaşam Pınarım-Toros contains minerals which are especially required by pregnant women and by growing children but which generally contribute to overall good health.

Advanced technology is employed to bottle this natural spring water under conditions of the strictest hygiene with the Pinar assurance of quality. Pinar Yaşam Pınarım-Toros water is supplied in 0.5, 1.5, and 5 liter PET containers and in 19 liter polycarbon containers.

Mg++	10.6 mg/l
Ca++	54.3 mg/l
Na+	2.7 mg/l
F-	0.04 mg/l
Cl-	3.15 mg/l
NO2-	None

**2009 - Exports by Destination (%)****Pinar Su exported goods worth a total of USD 2.5 million in 2009.**

One of the leading names in the Turkish bottled water sector, Pinar Su is also the country's leading exporter of packaged natural mineral water. Pinar Su by itself accounts for 20% of all of Turkey's water exports.

Ever since it began exporting in 1985, Pinar Su's international sales have been increasing steadily and consistently over the years. Pinar Su brand water is shipped primarily to Germany and also to many other countries such as Turkish Republic of Northern Cyprus, UK, Azerbaijan, Denmark, Sweden, USA, Bahrain, Singapore, Kosovo, Ireland, Iraq, Malta, Kuwait, Australia, Poland, and United Arab Emirates.

Pinar Su's exported goods worth a total of USD 2.5 million in 2009. This extraordinary performance achieved under conditions of global economic crisis, has further strengthened the company's name and reputation in the international market. The

**What is "cleanroom" technology?**

Pinar Su employs cleanroom technology. Regarded as the most advanced technology available in the world's bottled water industry today, this technology creates "clean rooms" whose hygienic environments conform to internationally prescribed standards. Under the cleanroom system, bottling takes place inside facilities with positive air pressure. The air entering the cleanroom is filtered to remove contaminants while the air inside is constantly recirculated and refiltered to keep it clean. Cleanroom technology is what makes it possible for Pinar Su to bottle its water under ultra-hygienic conditions and to minimize any risks of contamination from ambient sources.

**"Class 100" rating system**

Pinar Su maintains a Class 100 rating at all of its plant filling machine environments. "Class 100" means that in every cubic foot of air that passes through the filtration system, no more than 100 particles measuring 0.5 microns or larger may be counted. Such a hygienic environment corresponds to a Good Manufacturing Practices (GMP) "Class A" rating, which is the highest such rating recognized in the foods and pharmaceuticals industries. To put it another way, Pinar Su bottles its water under ambient conditions that are fully as hygienic as an operating room.

biggest (52%) share of Pinar Su's exports go to Germany.

Pinar Su's near and medium-term objectives:

- Boost efforts towards becoming an international trademark as a member of the Turquality program.
- Increase share of exports in total sales.
- Pursue growth in existing markets.
- Find and enter new markets.

**Pinar Su uses the most advanced bottling technologies available to completely eliminate all hygiene-related risks in its products.**

Pinar Su is the first brand of bottled water in Turkey that is accredited by NSF International, a not-for-profit, non-governmental organization that provides standards development, product certification, auditing, education, and risk management for public health and safety.

All of Pinar Su's plants have been awarded Turkish Standards Institute (TSE) accreditation. The utmost attention that the

company gives to quality at every stage from production to distribution has been repeatedly recognized and endorsed over the years.

All of Pinar Su's activities and operations are conducted subject to the following certifications:

- ISO 9000 Quality Management System
- ISO 22000 Food Safety Management System
- ISO 14000 Environmental Management System

All of the practices required by these certifications have been fully integrated into all of Pinar Su's production processes.

Pinar Su Bozdoğan-Aydın plant holds the following accreditations:

- TS EN ISO 9001:2008 Quality Management System
- TS EN ISO 22000 Food Safety Management System
- TS EN ISO 14001:2004 Environmental Management System

Pinar Su, gives the utmost attention to quality at every stage from production to distribution.



The Pinar Su Hendek-Sakarya and the Pinar Su Eđirdir-Isparta plants have both been awarded quality management system and food safety management system certifications. These management systems are regularly inspected and reviewed by TSE.

Pinar Su's products and production processes have been examined by NSF International and by the company's international customers and they have been found to be in compliance with EU and US standards.

#### Strategic investment plan

During 2009 Pinar Su once again continued its ongoing efforts to carry out projects in line with its strategic investment plan and with the aim of increasing total output and quality in all matters pertaining to production, environmental protection, and people.

In 2009 Pinar Su spent a total of TL 678,000 on all of its investments, which are broken down as follows:

- Fixtures TL 426,000
- Machinery & equipment TL 180,000
- Infrastructure & grounds TL 72,000

#### Pinar Communication Center

The Pinar Communication Center receives, records, and initiates action on complaints, suggestions, proffered information, expressions of thanks, and other feedback that it receives from consumers by telephone, email, fax, letter, etc.

The Pinar Communication Center was reorganized in late 2009 in order to reach consumers faster, address their problems more efficiently, and enhance their satisfaction.

As a result of this reorganization, consumers' calls are now being responded to 24 hours a day 7 days a week. Thanks to its new system, the Pinar Communication Center is accessible on 444 7627 via fixed and mobile lines from anywhere in Turkey without the need for dialing an area code. Work has begun on a project to assess the customer feedback that is received by the Pinar Communication Center in such surveys and to ensure that the results are used effectively in improving and streamlining the company's business processes.

#### Human resources at Pinar Su

Nourished by the participatory management principles of the Yaşar Group, Pinar Su is committed to making its employees an integral part of its management processes. Pinar Su is a company that supports its employees' individual and professional development at all times.



Pinar Su's human resources policies are informed first and foremost by the company's "high-performing team strategy". In line with this approach, Pinar Su evaluates its employees' performance and it makes them aware of the results.

Pinar Su adheres to a Strategic Human Resources Management Policy whose aim is to include its employees, who are also supported by the company's Operational Cost Improvement and Performance Evaluation System, in its strategic planning processes.

Pinar Su began developing policies and systems to evaluate and manage its employees' performance in 2005. For this purpose, the company designed and introduced its Balanced Scorecard Management System. Every six months, performance meetings are held in which both employees and management take part and during which discussions focus on the degree to which previously set

targets have been achieved. These performance meetings also provide opportunities to assess both the company's and employees' results during the most recent half-year. The last step of each performance meeting involves setting targets for the period ahead and laying out a roadmap for achieving them.

**Pinar Su regards employee satisfaction as a component of its business success that is every bit as important as customer satisfaction.**

One of Pinar Su's corporate objectives is to be an employer that people are willing and eager to work for. In line with this, the company conducts Employee Satisfaction Surveys and it uses the results to make improvements.

After being reviewed by management and shared with company employees, the results of these surveys are used as input for the development of projects aimed at increasing employee satisfaction.

Pinar Su provides its high-quality human resources with opportunities to continuously improve and advance themselves through professional training. Training programs and projects are organized within the framework of Personnel Progression Plans to help employees to improve their skills and specialties. During 2009, three different training programs were conducted in which 256 employees took part. All of the objectives set forth for these programs were achieved and in some cases surpassed.



## Environment & Sustainability

Pinar Su knows that its most important mission is to use water resources properly and to make the public at large aware of the crucial need to do this.



### Pinar Su: Working for a better environment

Calling upon its consumers to take urgent measures to combat global warming with its "There's Life Inside!" campaign, Pinar Su knows that its most important mission is to use water resources properly and to make the public at large aware of the crucial need to do this.

As part of this campaign, Pinar Su fosters public awareness of the need to take action with brochures pointing out the things that people can do to help prevent global warming.

For World Environment Day (June 5th), the company prepared a special issue of its Su Pinarım magazine in which it informed readers how they can help foster environmental awareness.

Every year Pinar Su cooperates with a number of schools in the conduct of festivals during which schoolchildren plant trees. These events are designed to encourage a love of nature among young people and to inculcate environmental awareness at an early age.

As a member of the Packaged Water Manufacturers Association (SUDER), Pinar Su took part in the 5th World Water Forum when it was held in Istanbul in 2009. During the course of the forum, the company voiced its own concerns on the subject of water resources.

### Energy conservation

Constantly seeking ways to use less energy in its production processes, Pinar Su reduced its average electricity consumption figure from 37 kWh/ton to 36 kWh/ton in 2009. Wherever possible, Pinar Su also schedules energy-intensive production activities to take place at times when they

will impose less of a burden on the grid. Reducing peak-hour use in this way also allows the company to take advantage of more economical rates.

In 2009 Pinar Su overhauled its boilers and fitted them with proportional-flame burners that are fired by liquefied natural gas rather than diesel fuel. This has not only resulted in lower hot water costs but has also enabled the company to further improve its environmental performance by achieving minimum emission values.

### Steady improvements in production line efficiencies

Consolidated production line efficiency rates at all of Pinar Su's plants were 72.96% in 2007, 78.34% in 2008, and 81.10% in 2009. What this improvement means is that Pinar Su is successfully producing more goods with the same amount of energy.



### Recycled Packaging Materials

kg	2008		2009	
	Supplied to market	Recovered	Supplied to market	Recovered
PET	4,484,455	1,569,559	4,316,242	1,553,847
PE	1,088,814	381,090	989,981	356,393
Cardboard	560,409	196,143	1,218,397	438,623
Glass	337,022	117,960	505,220	181,879
		35%		36%

### Gains in shipping management

Effective shipping management is an issue to which Pinar Su has been giving increasingly greater attention since 2008.

- In 2008 a web-based system was introduced which makes it possible to approach the management of the company's shipping processes in a fully integrated manner. One outcome of this system is that the company's vehicles are now being used more effectively and efficiently.
- By means of scales that have been installed at factories, it is possible to maximize vehicle use by ensuring that vehicles are loaded to their optimum carrying capacity.
- Wherever appropriate, sales are made at locations as close to factories as possible. This reduces the distance that the company has to transport its goods.

### Pinar Su-ÇEVKO collaboration

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

Pinar Su only works with firms that are licensed by the ministry to collect and recycle all packaging waste materials. According to the company's waste management plan, which has been drawn up on the basis of contractual agreements and submitted to the ministry, activities such as at-source waste sorting and

### Shipping performance and motor vehicle emissions at Pinar Su

In 2008 Pinar Su achieved a shipping performance of 23.52 km/ton, which was 4.43% lower than the previous year's figure of 24.61 km/ton. To put it another way, the company's vehicles traveled 467,000 kms less distance in 2008 than they did in 2007 and they used approximately 164,000 liters less diesel fuel.

In 2009 Pinar Su reduced that 23.52 km/ton performance indicator another 6.85% to 21.91 km/ton. In other words the company's vehicles traveled 669,000 kms less in 2009 than they did in 2008 and they used 234,000 liters less diesel fuel. Between 2007 and 2009, Pinar Su reduced its fuel consumption by a total of 398,000 liters and consequently cut its vehicle exhaust emissions by a corresponding amount.

segregation, recovery, and recycling are carried out by ÇEVKO, which also engages in public education activities that are aimed at both individuals and municipalities.

The packaging of Pinar Su products is specifically designed and executed with the issues of reusability and recoverability in mind. From the initial concept stage to final production and post-use, attention is given to ways in which to minimize waste and to create packaging materials that will cause as little harm to the environment as possible.

Since the day it was founded, Pinar Su has sought to contribute towards the physical, mental, and cultural development of its consumers and to ensure the wellbeing of future generations.



#### Social responsibility

Since the day it was founded, Pinar Su has sought to contribute towards the physical, mental, and cultural development of its consumers and to ensure the wellbeing of future generations through the products that it makes and through the services that it provides. In line with this goal, Pinar Su contributes towards numerous projects in the areas of education, sport, culture, and art and it continued to do so in 2009 as well.

#### Pinar Kido Children's Theater

Since 1987, the Pinar Kido Children's Theater has been employing a professional team of performers, directors, designers, and backstage crews that visits schools in İstanbul, İzmir, Bursa, and Eskişehir throughout each year's theater season and mounts dozens of programs that are specially designed to appeal to children.

During the summer months, the Pinar Kido Children's Theater goes on tour and captures the hearts of thousands of children in other parts of the country. The theater has also been instrumental in launching the careers of many of today's well-known performers such as Bülent İnal, Vahide Gördüm, and Özgür Ozan.

#### Pinar Kido Art Competition

The Pinar Kido Art Competition has been held for 28 years with the aims of increasing primary school children's interest in art and of contributing towards the development of the artists of the future.

Children from all over Turkey take part in the Pinar Kido Art Competition, which has been focusing on a different theme each year since it was inaugurated in 1981. A record-breaking number of youngsters took part in the competition held in 2009.

From among 799,182 entries submitted from every part of Turkey, the works of twenty-two children were selected by a jury of educators and professional artists and the winners were rewarded with a chance to take part in a one-week art camp in İstanbul under the direction of the well-known artist Hüsameddin Koçan. The talented young artists taking part in the 29th Pinar Kido Art Competition held last year received netbooks and certificates at an award ceremony that was held at the conclusion of the camp.

In 2009 Pinar Su also organized an in-house art competition for the children of its own employees. The young artists whose works placed in the top three positions received netbook computers as prizes.

**Pınar KSK**

Pınar has been an advertising sponsor of Pınar Karşıyaka, a basketball team that has been contending in the Turkish Premier Basketball League since 1998. Pınar also finances the Çiğli Selçuk Yaşar sports facilities, which are used by close to a thousand children every year.

**"Listen to Me" project**

Pınar is the prime sponsor for the "Listen to Me" project conducted by the İzmir branch of the State Theater, Opera and Ballet Employees Foundation (TOBAV) in which training is to be provided to seventy musically talented children and youths.

Under this project, seventy students will be given musical training in line with their individual abilities and skills while also preparing them for the admission examinations in order to attend fine arts lycees, state conservatories, university music departments, and other music schools and to take the first steps towards a career in music.

**ESTİ**

Pınar Su is a prime sponsor of Aegean Water Sports and Water Polo Club (ESTİ), which was founded in İzmir in 1993. Since 2008, ESTİ has been successfully representing İzmir in the Turkish Water Polo Premier League since 2008.

Pınar Su also acts as a water sponsor for the Sports Club.

**Fairs, congresses, and sponsorships**

- Pınar Su exhibited its goods at the Yaşar Group Food & Beverages Division's stand at the 78th İzmir International Fair in 2009. Pınar also acted as a sponsor for the "In Search Of Perfection" symposium conducted by the İzmir Quality Association.
- Pınar was a prime sponsor of the Forum İstanbul 2009 conference when it was held in İstanbul in May. The theme of this year's conference was Turkey's emergence from the current global financial and economic crisis and where Turkey was likely to be going between now and 2023.
- Pınar provides sponsorship support for the congresses, seminars, and exploratory conferences organized by the Federation of Food and Drink Industry Associations of Turkey.
- Pınar was on hand as a prime sponsor for the 2nd International Golden Cap Chefs Competition organized by the Turkish Federation of Cooks and by the Antalya Chefs Association when it took place at the Antalya Expo Fair and Congress Center.
- Pınar was a prime sponsor of the United Nations World Food Day Congress organized in İstanbul by the Turkish Food Industry Employers' Association (TÜGİS).
- Pınar supported the Ege University "50th Year Pediatrics Day" conference held in İzmir in April.

**Pınar is a consumer-focused company which listens to its consumers and which is adept at coming up with solutions to address their wishes and needs.**

**Awards and recognitions**

Pınar Su was again the recipient of numerous awards from respected organizations in recognition both of the company's high production standards and advanced technology and of its innovative and principled business approaches.

- According to the "Brands" survey conducted every year by the independent research firm of Nielsen, Pınar ranked fifth among all the brands (both national and international) in all sectors in Turkey that consumers felt the closest to in 2009.

In 2009 the İzmir Chamber of Commerce awarded Pınar Su a gold medal by in recognition of its contributions to the national economy based on reported pretax earnings and also a silver medal for its superior export performance. The company was also cited by the Aegean Chamber of Industry for its success in the "Highest and Most Consistent Export Performance In The Last Ten Years" category.

Pınar Su achieved successful results in its budget targets thanks to the effective management, production, marketing, and sales activities that it carried out. The financial and operational results that it registered enabled the company to successfully manage the economic crisis process and the ensuing recession.

## Corporate Governance Practices and Financial Information

31	<a href="#">Agenda of the Annual General Meeting on 14 May 2010</a>
32	<a href="#">Corporate Governance Principles Compliance Report</a>
41	<a href="#">Statutory Auditors' Report</a>
42	<a href="#">Independent Auditors' Report</a>
104	<a href="#">Information for Investors</a>

## Pınar Su Sanayi ve Ticaret A.Ş.

### Agenda of the General Assembly Meeting on 14 May 2010

1. Electing the Presiding Committee.
2. Authorizing the Presiding Committee to sign the minutes of the meeting.
3. Reading the Board of Directors' annual report, the statutory auditors' report, and the independent auditor's report.
4. Approving the balance sheet and profit & loss statement for 2009 that was sent to the Capital Markets Board and to the İstanbul Stock Exchange; acquitting the company's directors and statutory auditors of their fiduciary responsibilities.
5. Approving the independent auditors chosen by the Board of Directors and their term of duty.
6. Approving the director chosen to fill the vacancy on the Board of Directors and determining his term of office.
7. Deliberating and voting on the salaries to be paid to members of the Board of Directors.
8. Electing statutory auditors to replace those whose terms of office have expired pursuant to article 15 of the company's articles of incorporation
9. Deliberating and voting on the salaries to be paid to the statutory auditors.
10. Informing shareholders about charitable donations made during the year.
11. Deliberating and voting on matters pertaining to the year's profits.
12. Informing shareholders, pursuant to Capital Markets Board ruling 28/780 dated 9 September 2009, about guarantees, pledges, or mortgages that have been granted by the company in favor of outside parties as well as about any income and benefits that may have been acquired on account of such guarantees, pledges, or mortgages.
13. Deliberating and voting on authorizing the Board of Directors, within the framework of Capital Markets Law article 15 and CMB Communique IV:27 article 9, on the matter of paying shareholders advances on dividends which are to be set off against their 2010 dividends with the proviso that, pursuant to the same article of law, should there not be sufficient profit or should there be a loss during the fiscal year concerned, the advances so paid shall be set off against any extraordinary reserves shown in the previous year's balance sheet and, if the amounts of such extraordinary reserves are insufficient to cover losses, bonds received as cover for dividend advances shall, pursuant to article 10 of the same communique, shall be encashed and booked as income from which offsets will be made.
14. Authorizing the Board of Directors pursuant to articles 334 and 335 of the Turkish Commercial Code.
15. Wishes.



## Pınar Su Sanayi ve Ticaret A.Ş.

### Corporate Governance Principles Compliance Report

#### 1. Statement of compliance with corporate governance principles

During the reporting period ending 31 December 2009, Pınar Su Sanayi ve Ticaret A.Ş. ("the company") complied with and implemented the corporate governance principles published by the by Capital Markets Board ("CMB") except for the matters indicated immediately below:

- a) Cumulative voting method
- b) Independent directors
- c) Representation of minority shareholding interests on the Board of Directors

The details of and justifications for such partial or total non-compliance are indicated in the appropriate sections of this report.

Assessments and studies are being conducted as necessary in areas in which the company is not in full compliance with CMB corporate governance principles. As matters currently stand, the company is of the opinion that such non-compliance does not lead to any material conflicts of interest.

#### Part I: Shareholders

#### 2. Investor Relations Department

An Investor Relations Department has been set up. Senem Demirkan has been appointed as the head of this unit.

#### Contact information

Telephone: (232) 482 22 00  
Fax: (232) 489 15 62  
Email: yatirimci@pinarsu.com.tr

The duties of the Investor Relations Department are listed below.

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

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

Within the framework of these duties, the unit responded to more than 200 questions received from shareholders by telephone or email. The company's website and investor presentations were regularly updated to keep investors informed about current developments. Maximum attention was given to complying with the requirements of laws and regulations in the fulfillment of investors' requests.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Corporate Governance Principles Compliance Report

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

The fundamental principle in shareholders exercising their right to obtain information is that there should be no discrimination among shareholders. All information and documents that shareholders may need to exercise their shareholders' rights in a sound manner are made equally available to all shareholders on the company's corporate website. During 2009 every possible effort was made, under the supervision of the Investor Relations Department, to respond to requests for information received from shareholders within the framework of the requirements of capital market laws and regulations and without delay.

Such requests for information are generally about such issues as General Assembly meeting dates, publicly disclosed financial statements, and dividend payments. All requests for information, except in the case of information that was in the nature of a trade secret and information that it was deemed to be in the company's interest to keep confidential, were responded to without making any distinctions among shareholders and in line with any statements that may previously have been made within the framework of capital market laws and regulations. Developments that might affect the exercise of shareholder rights dictated by the Turkish Commercial Code and by CMB regulations were publicly disclosed through material disclosures, newspaper advertisements, and mailings. A request to have a special auditor appointed is not an individual right provided for under the company's articles of incorporation. No request for the appointment of a special auditor was received during 2009.

#### 4. Information about General Assembly meetings

The 2008 annual General Assembly meeting took place during 2009 on 13 May 2009. An extraordinary General Assembly meeting was also held on 28 January 2010. At the latter meeting, shareholders approved the company's merger with the firm of Birmaş Tüketim Malları Ticaret A.Ş. and also voted to amend article 3 ("Object and scope"), article 6 ("Registered capital"), article 27 (Apportioning profits"), and the "Provisional article" of the company articles of incorporation. Meeting quora at both ordinary and extraordinary General Assembly meetings are subject to the provisions of the Turkish Commercial Code. At the 2008 annual General Assembly meeting, 67.55% of the company's capital was represented and voted. At the extraordinary General Assembly meeting, 67.55% of the company's capital was represented. During these meetings, no attending shareholders or their proxies advanced any motions and all questions that were raised were responded to by the Presiding Committee during the meeting.

Announcements pertaining to company General Assembly meeting invitations were published at least two weeks (not including the announcement and meeting dates) in advance in Türkiye Ticaret Sicili Gazetesi in accordance with article 23 ("Announcements") of the articles of incorporation and within the framework of the provisions of the Turkish Commercial Code and Capital Markets Board's regulations. The announcements were also published on the corporate website and in local newspapers. Shareholders whose addresses were on record with the company were sent letters in which they were informed about the meeting date, location, and agenda. Profit distribution proposals that the Board of Directors intends to submit to General Assembly meetings as well as the identity of independent auditors selected by the Board of Directors are publicly disclosed in material disclosures.

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

The company's articles of incorporation contain no provisions requiring that decisions concerning such matters as demergers or acquiring, selling, or leasing significant assets be taken at a General Assembly meeting. Such decisions are made by the Board of Directors in the board's ordinary conduct of the company's business and taking into account CMB regulations and the requirements of commercial and tax law. Such decisions are publicly disclosed as material disclosures.

In addition to the effective use of the communication channels referred to above in order to facilitate shareholders' participation in General

## Pinar Su Sanayi ve Ticaret A.Ş.

### Corporate Governance Principles Compliance Report

Assembly meetings, a variety of conveniences are provided to make it possible for shareholders to reach the places where General Assembly meetings are held. General Assembly meeting minutes are always kept available for shareholders' inspection at the company's headquarters. In addition, the minutes of General Assembly meetings held during the most recent four years are accessible from the "Investor Relations" section of the company's corporate website located at [www.pinar.com.tr](http://www.pinar.com.tr).

#### 5. Voting rights and minority rights

There are no special voting rights. The company's articles of incorporation contain no provisions pertaining to the exercise of voting rights that would prevent an individual who is not a shareholder from voting as the representative of one who is. Without prejudice to the special provisions of the relevant legislation and articles of incorporation, voting is conducted through open ballot and by raising hands during the General Assembly meeting. Upon request by shareholders, the voting procedure will be determined by the General Assembly meeting. There are no other companies in which the company has a cross ownership. There are no independent directors. (Refer to article 18 concerning board of directors membership.)

Minority rights are not represented on the Board of Directors. Minority rights and their exercise within the company are subject to the governance of article 11 of the Capital Markets Law, as is the case with all publicly-held companies.

The company's articles of incorporation currently contain no provisions allowing the use of the cumulative voting method.

#### 6. Dividend payment policy and timing

The company's general policy with respect to dividends is to distribute its net profit having taken into account the company's financial position, investments that are to be made and other funding requirements, the sector's current circumstances, the economic environment, and the requirements of capital market and tax laws and regulations. However the actual amounts of profit to be distributed are determined every year taking all of the issues cited above into consideration. The company has formulated a Dividend Policy in line with the CMB's resolution of 27 January 2006 and it has publicly disclosed this policy by announcing it at a General Assembly meeting. Our dividend payment policy is also publicly disclosed via our corporate website. Distribution of the company's 2008 profits was completed within the legally prescribed period of time.

According to the company's articles of incorporation, advances on dividends may be paid provided that they are authorized by the Board of Directors and a general assembly of shareholders and on condition that they comply with article 15 of the Capital Markets Law and pertinent CMB regulations.

The authority to pay advances on dividends is exercised by the Board of Directors in light of current laws and regulations and of economic circumstances. The methods and processes whereby profits are distributed are governed by Capital Markets Board regulations and by the relevant provisions of the company's articles of incorporation. In line with the dividend policy determined for each business year, a Board of Directors resolution is passed and then publicly disclosed by means of a material disclosure.

Decisions that the Board of Directors makes concerning profit distributions are presented to the general assembly of shareholders for approval. The amounts of dividends so approved are paid out to shareholders within the period of time determined at the General Assembly meeting subject to the provisions of CMB communique IV:27.

Although it is not a special right with respect to participation in the company's profits by shares representing the company's issued capital, article 27 ("Apportioning profits") says that after the first dividend has been set aside as stipulated by the Capital Markets Board, up to 5% of the remainder may be set aside as a provision which is to be allocated to members of the Board of Directors and similarly that up to 10% of it may be allocated to holders of the founders' shares which are governed by article 8 of the company's articles of incorporation.

## Pinar Su Sanayi ve Ticaret A.Ş.

### Corporate Governance Principles Compliance Report

#### 7. Transfer of shares

The company's articles of incorporation contain no provisions restricting the transfer of shares.

#### Section II: Public disclosures and transparency

#### 8. Company disclosure policy

In all matters pertaining to its public disclosures the company complies with the requirements of the Capital Markets Law and of İstanbul Stock Exchange regulations.

The "Disclosure Policy" prepared for the purpose of keeping the public informed and presented to the information of the General Assembly meeting following the approval of the Board of Directors is publicly disclosed on the company's corporate website located at [www.pinar.com.tr](http://www.pinar.com.tr). The Board of Directors has both the authority and the responsibility for formulating, supervising, reviewing, and developing the company's disclosure policy. The Corporate Governance Committee and the Investor Relations Department provide information and make recommendations to the Board of Directors concerning the company's disclosure policy.

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

Principles governing the disclosure of forward looking information are defined in the company's disclosure policy.

#### 9. Material disclosures

Twenty-one material disclosures were made during 2009. No requests were received either from CMB or from ISE for any additional information about any of these disclosures. The company was not involved in any violations of public disclosure requirements. The company's material disclosures are prepared by the Investor Relations Department and are publicly disclosed after having been signed by those who are authorized to do so in the company's disclosure policy. The company's shares are not listed on any foreign exchange and for that reason the company is not encumbered by any other additional public disclosure obligations.

#### 10. The company's corporate website and its content

The company's corporate website is located at the address of [www.pinar.com.tr](http://www.pinar.com.tr). It is structured in the format and content as required in the section titled "Principles and Means of Public Disclosure" article 1.11.5 of the Corporate Governance Principles. The company's website is available in both Turkish and English and it is actively used. The company continuously improves and upgrades the services provided by its website.

#### 11. Disclosure of ultimate controlling shareholder(s)

The company's shareholder structure as of 31 December 2009 is shown below.

Shareholder	% share	Amount (TL)
Yaşar Holding A.Ş.	57.93	7,376,045.42
Pinar Süt Mamülleri San. A.Ş.	8.81	1,122,150.07
Others	33.26	4,234,558.01
<b>Total</b>	<b>100.00</b>	<b>12,732,753.50</b>

The shares in the company which belong to Yaşar Holding A.Ş. and to Pinar Süt Mamülleri San. A.Ş. and which correspond to 66.74% of the company's capital are controlled by Yaşar Group companies, which are owned by members of the Yaşar family.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Corporate Governance Principles Compliance Report

#### 12. People in Access to Insider Information

The individuals who were in a position to have access to insider information as of the date of this report are indicated below. Such individuals are publicly disclosed in every annual report and on the company's corporate website.

- All company board members and statutory auditors
- Ahmet Atay (General Manager)
- Gökhan Serdar (Director of Financial Affairs and Finance)
- Nevzat Gazioğlu (Accounting Manager)
- Adnan Akan (Chief Independent Auditor (Responsible Partner))
- Independent auditing firm personnel

#### Section III: Stakeholders

#### 13. Disclosure to Stakeholders

Stakeholders are kept informed about all matters concerning the company other than those which are in the nature of a trade secret through material disclosures within the framework of CMB regulations, commercial law, competition law, tax law, and contract law.

#### 14. Stakeholder participation in management

Stakeholder participation in management is achieved by ensuring that suggestions and recommendations (details of which are provided in article 16 below) which will lead to progress in any issue that is of concern to the company's activities and which are voiced at General Assembly meetings or received through various other communication channels are taken into consideration by appropriate company units.

#### 15. Human resources policy

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

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

#### Basic human resources policies

- a) Staffing at the company is determined according to the criteria of business economics. All employees agree that honorable employment is only possible through productive work.
- b) The company conducts intramural and extramural training programs within the framework of plans that are devised for each level in order to ensure the progression of its employees.
- c) The company is mindful of equality of opportunity in all promotions and appointments throughout its organization. As a matter of principle, appointments are made from among the company's own personnel.
- d) By means of a career planning system in which progression plans are implemented, employees who have potential are provided with the broadest possible opportunities for advancement.
- e) Employees' performance is evaluated on the basis of their fulfillment of targets and their competencies.
- f) Job descriptions and performance standards are documented for positions at every level from the highest to the lowest and these serve as the basis for employee evaluations.
- g) Employee opinion surveys are conducted regularly every year, at which time employees are asked for their views about such issues as working conditions, management, social activities, compensation, training, performance evaluation, career planning, participatory



## Pınar Su Sanayi ve Ticaret A.Ş.

### Corporate Governance Principles Compliance Report

management, and company satisfaction. Improvements are made in line with the feedback that is received in this way.

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

i) Our style of management is "to maintain our existence as a company which behaves in compliance with laws and with the rules of ethics and which adheres to a total quality philosophy and to a participatory form of management."

j) An essential principle at the company is that all employees will be treated equally and without making any distinctions among them with respect to language, race, color, sex, political beliefs, philosophy, religion, sect, or similar reasons. Due measures have been taken to protect these basic employee rights.

There are no employee representatives at the company. However plans were made during 2009 to conduct an election to determine one. All employees are kept informed about company procedures, organizational changes, changes in rights and benefits, and other practices and decisions that may affect them means of regulations and announcements prepared within the framework of the company's prescribed announcement regulations as well as via the company intranet and bulletin boards.

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

#### 16. Information about relations with customers and suppliers

Job descriptions have been written up for all of the company's employees to ensure that the services provided by the company achieve customer satisfaction. Instructions concerning these have been prepared and presented for the information of company personnel. Customers may submit any requests or complaints that they may have about hotel services to any level of the company's management and also send them to the company via the internet. In order to ensure customer satisfaction, feedback that is received via the Pınar Online telephone hotline, through our dealers, through consumer satisfaction surveys, and in other ways is assessed by the company's marketing, total quality, and production departments and used as input to make continuous improvements in all areas. Similarly the company's dealers, who are its immediate customers, are polled every year and if any problems are turned up they are assessed by the marketing, total quality, and production departments so that improvements may be made.

The company's suppliers are evaluated within the framework of ISO 9000 Quality Management System certification criteria and they are assigned points on the basis of their monthly price, quality, and delivery performances. Visits are also made to such firms during which information is exchanged and efforts are made to achieve quality and cost improvements.

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

#### 17. Social responsibility

The company has been awarded ISO 14000 Environmental Management System certification. Ongoing efforts are made to keep the environmental impact of the company's operations remain within prescribed standards and that wastes are disposed of without causing environmental harm. Noise, fume, and other emission-related parameters are measured at regular intervals. PET, glass, cardboard, and other packaging waste is recycled as per environment ministry regulatory requirements. No environmental impact reports have been issued for the company as it does not qualify as a "non-sanitary enterprise".

## Pınar Su Sanayi ve Ticaret A.Ş.

### Corporate Governance Principles Compliance Report

#### Part IV: Board of Directors

##### 18. Structure and formation of the Board of Directors; independent directors

Under articles 9 and 10 of the company's articles of incorporation, the company's business and affairs are administered by a board of directors consisting of three to seven members who are elected by shareholders at a General Assembly meeting within the framework of the requirements of the Turkish Commercial Code. The board must be reelected at least once every three years. A member whose term of office expires may be reelected. A General Assembly meeting has the power to replace the board any time it is deemed to be necessary. The Board of Directors represents the company and exercises such authorities and fulfills such responsibilities as have been given to it by shareholders assembled in a General Assembly meeting.

##### The Board of Directors:

İdil Yiğitbaşı	Chairperson
Yılmaz Gökoğlu	Deputy Chairperson
Mehmet Aktaş	Director
Hakkı Hikmet Altan	Director
Ahmet Atay	Director
Suat Özyiğit	Director
Ali Sözen	Director

- The company's general manager is Ahmet Atay.
- There are no independent members of the Board of Directors.
- The ability of company directors to engage in the activities set forth in articles 334 and 335 of the Turkish Commercial Code are subject to the approval of the general assembly of shareholders. With the exception of those activities, there are no other limitations imposed on what board members may do.

##### 19. Qualifications of company directors

In the selection of company directors, attention is given to structuring the board in such a way as to maximize its influence and effectiveness. Although no general principles are set forth in the company's articles of incorporation, attention is given to electing directors who satisfy the criteria spelled out in articles 3.1.1, 3.1.2, and 3.1.3 in section IV of Corporate Governance Principles published by the Capital Markets Board. A Corporate Governance Committee that was formed at a meeting of the company's board held on 13 March 2006 is responsible for providing board members with guidance and compliance review in line with changes and developments that take place.

##### 20. Mission, vision, and strategic goals of the company

The company's mission is "to be a company which concentrates on customer and consumer satisfaction with its consumer-focused production philosophy and on human resources with its approach to participatory management, which keeps abreast of advanced technology around the world, and which is a pioneer of its sector by virtue of its innovativeness." The activities and results pertaining to the basic strategies that make it possible to achieve this mission are regularly monitored and assessed by the Board of Directors.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Corporate Governance Principles Compliance Report

#### 21. Risk management and internal control mechanisms

The Board of Directors essentially supervises activities related to risk management through the committee that is responsible for audit. In its fulfillment of these functions, this committee makes use of the findings of the financial affairs and accounting department and of the organizations that are responsible for independent auditing and for certified accountancy.

#### 22. Authorities and responsibilities of company directors and executives

Although the company's articles of incorporation contain no specific clause pertaining to the authorities and responsibilities of company directors and executives, the company's directors and executives perform their duties in a manner that is equitable, transparent, accountable, and responsible in accordance with the Turkish Commercial Code.

#### 23. Operating principles of the Board of Directors

The operating principles of the Board of Directors are spelled out as follows in article 9 of the company's articles of incorporation:

"The Board of Directors shall convene as the company's business and transactions may necessitate. However it must meet at least once a month."

Details about the Board of Directors' operating principles and its activities during the 2009 reporting period are given below.

Board of Directors meeting agendas are determined by the chairperson after having discussed the matter with other board members and with the general manager.

During the reporting period, the Board of Directors convened thirty-nine times. The board may be called to meeting by its chairperson or by any of its members in writing. Meeting agendas must be sent out to members by registered mail at least two weeks before the meeting date. All members are usually present at meetings. There were no unresolved disputes over issues during the 2009 reporting period. Board members were actually present at board meetings during which matters governed by the rules of Corporate Governance Principles section IV.2.17.4 were discussed. Questions raised during meetings are not entered into the record. No board members have preferential voting or veto rights.

#### 24. Prohibition on doing business or competing with the company

At the company's annual General Assembly meeting for 2008 held during 2009, members of the Board of Directors were granted authority with respect to the issues governed by articles 334 and 335 of the Turkish Commercial Code; however during the reporting period, none of the executive board members were involved in any business transaction falling within the company's object and scope either directly or indirectly on his own behalf or on behalf of someone else.

#### 25. Rules of ethics

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

## Pınar Su Sanayi ve Ticaret A.Ş.

### Corporate Governance Principles Compliance Report

#### 26. Number, structure, and independence of committees established by the Board of Directors

Two committees, consisting of a committee responsible for audit and a committee responsible for corporate governance, have been formed within the company. The Audit Committee convened four times during 2009 in meetings at which it was informed by company managers about the company's activities and internal control systems and also about the findings of the independent auditors during the most recent quarter. The Audit Committee is responsible for the company's bookkeeping system, for the public disclosure of financial information, and for supervising the operation and effectiveness of independent auditing and of the internal control system; for selecting the independent auditors, initiating the independent auditing process, and supervising the independent auditors' activities; for reporting to the Board of Directors about the authenticity and veracity of publicly disclosed yearly and intermediary financial statements. The members of the Audit Committee are Mehmet Aktaş and Hakkı Hikmet Altan. As there are no independent directors on the company's board, the Audit Committee comprises of non-executive directors. No company director is a member of more than one committee.

The company's Corporate Governance Committee was created under a Board of Directors resolution dated 13 March 2006. The Corporate Governance Committee is headed by Yılmaz Gökoğlu and its other member is Suat Özyiğit.

The Corporate Governance Committee is responsible for identifying whether or not corporate governance principles are being complied with at the company as well as for identifying any problems arising from less than full compliance with those principles; for making recommendations to the Board of Directors on taking measures to achieve improvements; for coordinating activities pertaining to relations with shareholders; for undertaking activities related to creating a transparent system to deal with the matters of identifying, evaluating, training, and rewarding candidates suitable for board membership and to identifying policies and strategies applicable to that system; for developing recommendations concerning the number of company directors and executives.

#### 27. Financial benefits provided to the Board of Directors

As is stipulated in article 14 of the company's articles of incorporation, members of the company's board receive remuneration whose amount is determined by a general assembly of shareholders. The remuneration so determined for 2009 was TL 1,000 a month. The rights that are provided to members of the Board of Directors are determined at General Assembly meetings of the company and they are publicly disclosed through the minutes of such meetings. The company has no separate performance-based remuneration policy for its directors. The company does not make lendings or extend credit to any of its directors or executives directly or indirectly.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Statutory Auditors' Report

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

Company name	: Pınar Su Sanayi ve Ticaret A.Ş.
Head office	: Şehit Fethi Bey Caddesi No: 120 İZMİR
Capital	: TL 12,789,345.27
Field of activity	: Spring Water Bottling and Bottle Production
Statutory auditors' names, surnames, terms of office and whether they have a shareholding interest in the company	: Kamil Deveci (13.05.2009 - one year) not a shareholder Turgut Sarioğlu (13.05.2009 - one year) not a shareholder
Number of Board of Directors meetings participated in and of Board of Auditors meetings held	: Board of Directors meetings 39 Board of Auditors meetings 12
Scope, dates and conclusions of the examination made on the accounts, books and documents of the company	: At the end of each month, cash, cheques, bonds and receipts were counted, and the records and documents were screened on the basis of sampling method and no irregularities were found.
Number and results of the cash counts performed in the company's cashier's office pursuant to Article 353, paragraph 1, subparagraph 3 of the Turkish Commercial Code	: The cashier's office of the company was checked and counted 12 times and no irregularities were found.
Dates and results of the examinations made pursuant to Article 353 paragraph 1, subparagraph 4 of the Turkish Commercial Code	: Examination was performed at the end of each month, comments were provided for matters of uncertainty, and no irregularities were established.
Complaints and charges of fraud of which the company was advised and actions taken against them	: None


We have examined the accounts and transactions of Pınar Su Sanayi ve Ticaret Anonim Şirketi for the period 01 January 2009 - 31 December 2009 with respect to their compliance with the Turkish Commercial Code, the company's articles of incorporation, and other applicable legislation, as well as generally accepted accounting principles and standards.

In our opinion, the attached balance sheet prepared on 31 December 2009, the contents of which we acknowledge, fairly and accurately presents the company's financial status on the date, and the income statement for the period 01 January 2009 - 31 December 2009 fairly and accurately presents the operating results for the period.

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



Statutory Auditor  
Kamil Deveci



Statutory Auditor  
Turgut Sarioğlu



## Pınar Su Sanayi ve Ticaret A.Ş.

### Independent Auditor's Report

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

1. We have audited the accompanying financial statements of Pınar Su Sanayi ve Ticaret A.Ş. (the "Company") which comprise the balance sheet as of 31 December 2009 and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

4. In our opinion, the accompanying financial statements give a true and fair view of the financial position of Pınar Su Sanayi ve Ticaret A.Ş. as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards accepted by Turkish Capital Market Board (Note 2.1).

#### Emphasis of matters

5. As explained in Notes 1 and 37 to the financial statements, the Company sells all of its products in the domestic market to its related party and associate, Birmaş Tüketim Malları Ticaret A.Ş. ("Birmaş"), which is the sole distributor of the Company in the domestic market. As explained in Note 40 to the financial statements, the Company legally merged with Birmaş based on the decision of the General Assembly on 28 January 2010.

6. As explained in Note 42 to the financial statements, the accounting principles described in Note 2 to the financial statements differ from International Financial Reporting Standards ("IFRS") with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.

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

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Adnan Akan, SMMM  
Partner

İstanbul, 8 April 2010

## Pınar Su Sanayi ve Ticaret A.Ş.

### Financial Statements at 31 December 2009 and 2008

CONTENTS	PAGE
BALANCE SHEETS	44
STATEMENTS OF COMPREHENSIVE INCOME	46
STATEMENTS OF CHANGES IN EQUITY	47
STATEMENTS OF CASH FLOWS	48
NOTES TO THE FINANCIAL STATEMENTS	
NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS	49
NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS	49
NOTE 3 - BUSINESS COMBINATIONS	61
NOTE 4 - JOINT VENTURES	61
NOTE 5 - SEGMENT REPORTING	61
NOTE 6 - CASH AND CASH EQUIVALENTS	61
NOTE 7 - FINANCIAL ASSETS	62
NOTE 8 - FINANCIAL LIABILITIES	63
NOTE 9 - OTHER FINANCIAL LIABILITIES	65
NOTE 10 - TRADE RECEIVABLES AND PAYABLES	65
NOTE 11 - OTHER RECEIVABLES AND PAYABLES	66
NOTE 12 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS	66
NOTE 13 - INVENTORIES	67
NOTE 14 - BIOLOGICAL ASSETS	67
NOTE 15 - CONSTRUCTION CONTRACT RECEIVABLES	67
NOTE 16 - INVESTMENT IN ASSOCIATE ACCOUNTED BY EQUITY ACCOUNTING	68
NOTE 17 - INVESTMENT PROPERTY	68
NOTE 18 - PROPERTY, PLANT AND EQUIPMENT	69
NOTE 19 - INTANGIBLE ASSETS	72
NOTE 20 - GOODWILL	72
NOTE 21 - GOVERNMENT GRANTS	72
NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES	73
NOTE 23 - COMMITMENTS	74
NOTE 24 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS	75
NOTE 25 - PENSION PLANS	76
NOTE 26 - OTHER ASSETS AND LIABILITIES	76
NOTE 27 - EQUITY	76
NOTE 28 - SALES AND COST OF SALES	79
NOTE 29 - MARKETING, SELLING AND DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATIVE EXPENSE	80
NOTE 30 - EXPENSES BY NATURE	81
NOTE 31 - OTHER OPERATING INCOME/(EXPENSE)	81
NOTE 32 - FINANCE INCOME	82
NOTE 33 - FINANCE EXPENSE	82
NOTE 34 - NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS	82
NOTE 35 - TAX ASSETS AND LIABILITIES	83
NOTE 36 - EARNINGS PER SHARE	87
NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES	87
NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT	93
NOTE 39 - FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)	102
NOTE 40 - SUBSEQUENT EVENTS	103
NOTE 41 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON, OR BE EXPLAINED FOR THE CLEAR UNDERSTANDING OF THE FINANCIAL STATEMENTS	103
NOTE 42 - EXPLANATION FOR CONVENIENCE TRANSLATION INTO ENGLISH	103

## Pınar Su Sanayi ve Ticaret A.Ş.

### Balance Sheets at 31 December 2009 and 2008

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

	Notes	31 December 2009	31 December 2008
<b>ASSETS</b>			
<b>Current Assets</b>		<b>18,232,919</b>	<b>14,293,320</b>
Cash and cash equivalents	6	644,932	42,445
Trade receivables		6,098,774	8,073,094
- Due from related parties	37	5,623,121	6,322,623
- Other trade receivables	10	475,653	1,750,471
Other receivables		7,748,959	524,635
- Other receivables from related parties	37	7,717,327	498,369
- Other receivables	11	31,632	26,266
Inventories	13	2,804,412	2,872,049
Other current assets	26	935,842	2,781,097
<b>Non - Current Assets</b>		<b>70,447,439</b>	<b>69,707,004</b>
Other receivables	11	1,800	1,800
Available-for-sale investments	7	17,685,967	13,010,226
Investments in associates	16	5,963	27,634
Property, plant and equipment	18	52,641,228	56,611,084
Intangible assets	19	13,406	15,896
Other non-current assets	26	99,075	40,364
<b>TOTAL ASSETS</b>		<b>88,680,358</b>	<b>84,000,324</b>

These financial statements prepared at 31 December 2009 and for the year then ended have been approved for issue by the Board of Directors on 8 April 2010.

The accompanying notes on pages 6 to 62 are an integral part of these financial statements.

## Pinar Su Sanayi ve Ticaret A.Ş.

## Balance Sheets at 31 December 2009 and 2008

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

	Notes	2009	2008
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>		<b>9,628,926</b>	<b>12,110,330</b>
Financial liabilities	8	1,883,145	1,902,273
Trade payables		4,740,168	5,744,789
- Due to related parties	37	253,051	47,614
- Other trade payables	10	4,487,117	5,697,175
Other payables		61,166	739,020
- Other payables to related parties	37	7,813	540,273
- Other payables	11	53,353	198,747
Current income tax liabilities	35	144,450	761,651
Provisions	22	2,625,000	2,612,837
Other current liabilities	26	174,997	349,760
<b>Non-Current Liabilities:</b>		<b>8,830,790</b>	<b>10,563,715</b>
Financial liabilities	8	3,384,157	5,055,576
Provision for employment termination benefits	24	434,055	329,238
Deferred income tax liabilities	35	5,012,578	5,178,901
<b>TOTAL LIABILITIES</b>		<b>18,459,716</b>	<b>22,674,045</b>
<b>EQUITY</b>		<b>70,220,642</b>	<b>61,326,279</b>
Share capital	27	12,732,754	12,732,754
Adjustment to share capital	27	11,713,515	11,713,515
Revaluation reserve		28,057,062	25,096,968
- Revaluation reserves	18	15,908,845	17,351,076
- Fair value reserves of available-for-sale investments	7	12,208,737	7,745,892
- Fair value reserves of investments-in-associates	16	(60,520)	-
Restricted reserves	27	2,647,909	2,181,402
Accumulated profits	27	9,043,116	3,921,884
Net profit for the year		6,026,286	5,679,756
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>88,680,358</b>	<b>84,000,324</b>

The accompanying notes on pages 6 to 62 are an integral part of these financial statements.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Statements of Comprehensive Income at 31 December 2009 and 2008

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

	Notes	2009	2008
Revenue	28	54,701,397	61,167,192
Cost of sales (-)	28	(37,217,559)	(40,891,459)
<b>GROSS PROFIT</b>	<b>28</b>	<b>17,483,838</b>	<b>20,275,733</b>
Marketing, selling and distribution expenses (-)	29	(5,651,172)	(7,224,181)
General administrative expenses (-)	29	(6,296,051)	(6,550,329)
Other operating income	31	463,864	581,584
Other operating expenses (-)	31	(643,333)	(261,121)
<b>OPERATING PROFIT</b>		<b>5,357,146</b>	<b>6,821,686</b>
Share of results of investment-in-associates- net	16	38,849	(158,014)
Finance income	32	3,179,314	3,250,527
Finance expense (-)	33	(1,131,607)	(2,377,480)
<b>PROFIT BEFORE TAXATION ON INCOME</b>		<b>7,443,702</b>	<b>7,536,719</b>
Income tax expense		(1,417,416)	(1,856,963)
- Taxes on income	35	(1,796,635)	(1,705,995)
- Deferred tax income	35	379,219	(150,968)
<b>NET PROFIT FOR THE YEAR</b>		<b>6,026,286</b>	<b>5,679,756</b>
<b>Other comprehensive income:</b>			
Increase in fair value reserve of available-for-sale investments- net		4,462,845	758,324
Increase in revaluation reserve - net		-	4,986,393
Decrease in fair value reserve of investment-in-associates- net	16	(60,520)	-
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX</b>		<b>4,402,325</b>	<b>5,744,717</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>10,428,611</b>	<b>11,424,473</b>
<b>EARNINGS PER SHARE</b>	<b>36</b>	<b>0.4733</b>	<b>0.4461</b>

The accompanying notes on pages 6 to 62 are an integral part of these financial statements.



## Pinar Su Sanayi ve Ticaret A.Ş.

## Statements of Changes in Equity at 31 December 2009 and 2008

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

	Share capital	Adjustment to share capital	Revaluation reserves	Fair value reserves of available-for sale investments	Fair value reserves of investments in-associates	Restricted reserves	Retained earnings	Net profit for the year	Total equity
<b>1 January 2008</b>	<b>12,732,754</b>	<b>11,713,515</b>	<b>13,570,292</b>	<b>6,987,568</b>	<b>-</b>	<b>928,755</b>	<b>2,156,392</b>	<b>8,336,924</b>	<b>56,426,200</b>
Transfer of net profit for prior year to retained earnings	-	-	-	-	-	-	8,336,924	(8,336,924)	-
Legal and extraordinary reserves	-	-	-	-	-	1,252,647	(1,252,647)	-	-
Dividends paid (Notes 27 and 37.ii.k)	-	-	-	-	-	-	(6,524,394)	-	(6,524,394)
Depreciation transfer (Note 18)	-	-	(1,205,609)	-	-	-	1,205,609	-	-
Total comprehensive income	-	-	4,986,393	758,324	-	-	-	5,679,756	11,424,473
<b>31 December 2008</b>	<b>12,732,754</b>	<b>11,713,515</b>	<b>17,351,076</b>	<b>7,745,892</b>	<b>-</b>	<b>2,181,402</b>	<b>3,921,884</b>	<b>5,679,756</b>	<b>61,326,279</b>
Transfer of net profit for prior year to retained earnings	-	-	-	-	-	-	5,679,756	(5,679,756)	-
Legal and extraordinary reserves	-	-	-	-	-	466,507	(466,507)	-	-
Dividends paid (Notes 27 ve 37.ii.k)	-	-	-	-	-	-	(1,534,248)	-	(1,534,248)
Depreciation transfer - net (Note 18)	-	-	(1,442,231)	-	-	-	1,442,231	-	-
Total comprehensive income	-	-	-	4,462,845	(60,520)	-	-	6,026,286	10,428,611
<b>31 December 2009</b>	<b>12,732,754</b>	<b>11,713,515</b>	<b>15,908,845</b>	<b>12,208,737</b>	<b>(60,520)</b>	<b>2,647,909</b>	<b>9,043,116</b>	<b>6,026,286</b>	<b>70,220,642</b>

The accompanying notes on pages 6 to 62 are an integral part of these financial statements.

## Pinar Su Sanayi ve Ticaret A.Ş.

### Statements of Cash Flows at 31 December 2009 and 2008

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

	Notes	1 January - 31 December 2009	1 January - 31 December 2008
<b>Operating activities:</b>			
Profit before taxation on income		7,443,702	7,536,719
<b>Adjustments to reconcile net cash generated from operating activities to income before taxation on income:</b>			
Depreciation and amortisation	18-19	4,364,391	3,830,925
Loss on sales of property, plant and equipment	31	96,813	43,586
Interest income	32	(307,766)	(179,284)
Interest expense	33	230,054	308,508
Provision for employment termination benefits	24	261,832	117,794
Reversal of impairment on property, plant and equipment	18-31	-	(259,818)
Management bonus provision	29	220,000	420,000
Reversal of management bonus provision	31	(30,000)	-
Provision for water and rent expenses	22	171,806	176,331
Share of results of investments in associates- net	16	(38,849)	158,014
		12,411,983	12,152,775
<b>Changes in operating assets and liabilities:</b>			
Decrease/(increase) in other trade receivables	10	1,274,818	(1,137,360)
Decrease in inventories	13	67,637	1,568,514
Decrease/(increase) in due from related parties	37	691,777	(587,994)
Increase in other receivables	11	(5,366)	(5,019)
Decrease/(increase) in other current assets	26	1,845,255	(186,939)
(Increase)/decrease in other non-current assets	26	(58,711)	619,985
(Decrease)/increase in other trade payables	10	(1,210,058)	1,416,038
Increase/(decrease) in due to related parties	37	205,437	(16,130)
(Decrease)/increase in other liabilities	11-22-26	(288,494)	255,518
Employment termination benefits paid	24	(157,015)	(35,141)
Management bonus paid	11-22-29	(381,306)	(611,586)
Taxes paid	35	(2,413,836)	(3,987,376)
Foreign exchange gain of cash and cash equivalents		(2,203)	(1,162)
<b>Net cash generated from operating activities</b>		<b>11,979,918</b>	<b>9,444,123</b>
<b>Investing activities:</b>			
Interest received		307,766	197,596
Increase in due from related parties	37	(7,211,233)	(305,282)
Increase/(decrease) in due to related parties	37	7,540	(724,727)
Interest paid		(299,647)	(243,065)
Capital increase in available-for-sale investments	7	-	(485,714)
Purchase of property, plant and equipment and intangible assets	18-19	(677,735)	(7,694,744)
Proceeds from sales of property, plant and equipment and intangible assets	18-19-31	188,877	289,484
<b>Net cash used in investing activities</b>		<b>(7,684,432)</b>	<b>(8,966,452)</b>
<b>Financing activities:</b>			
(Redemption of)/proceeds from bank borrowings		(1,620,954)	3,605,019
Dividends received	16	-	79,211
Dividends paid	37.i.d-37.ii.k	(1,534,248)	(5,984,394)
Founders redeemed share allocation paid	27-37.i.d	(540,000)	-
<b>Net cash used in financing activities</b>		<b>(3,695,202)</b>	<b>(2,300,164)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>600,284</b>	<b>(1,822,493)</b>
Cash and cash equivalents at the beginning of the period	6	30,445	1,851,776
Effect of foreign exchange losses on cash and cash equivalents		2,203	1,162
<b>Cash and cash equivalents at the end of the period</b>	<b>6</b>	<b>632,932</b>	<b>30,445</b>

The accompanying notes on pages 6 to 62 are an integral part of these financial statements.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

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

Sales and distribution of the Company's products in the domestic market are performed by its associate, Birmaş Tüketim Malları ve Ticaret A.Ş. ("Birmaş"), and its exports are performed by Yaşar Dış Ticaret A.Ş. ("Yataş"), which are both Yaşar Group companies (Note 37).

The Company is subject to the regulations of the Capital Markets Board ("CMB") and 32.46% (2008: 32.46%) of its shares are quoted on the Istanbul Stock Exchange ("ISE") as at 31 December 2009. The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 57.93% of shares of the Company (2008: 57.93%) (Note 27).

As explained in Note 40 to the financial statements, the Company legally merged with Birmaş based on the decision of the General Assembly on 28 January 2010. The relevant decision was approved by the CMB on 17 February 2010.

The average number of the employees of the Company is 121 between 1 January - 31 December 2009 (2008: 122).

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

Şehit Fethibey Caddesi No: 120  
Alsancak/İzmir

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

##### 2.1 Basis of Presentation of Financial Statements

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

The CMB regulated the principles and procedures of preparation, presentation and announcement of financial statements prepared by the entities with the Communiqué XI, No: 29, "Principles of Financial Reporting in Capital Markets" ("the Communiqué"). The Communiqué is effective for the annual periods starting from 1 January 2008 and supersedes Communiqué XI, No: 25, "The Accounting Standards in the Capital Markets".

According to the Communiqué, entities shall prepare their financial statements in accordance with International Financial Reporting Standards ("IAS/IFRS") endorsed by the European Union. Until the differences of the IAS/IFRS as endorsed by the European Union from the ones issued by the International Accounting Standards Board ("IASB") are announced by Turkish Accounting Standards Board ("TASB"), IAS/IFRS issued by the IASB shall be applied. Accordingly, Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") issued by the TASB, which do not contradict with the aforementioned standards shall be applied.

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

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcements in weekly newsletters numbered 2008/16, 2008/18, 2009/02, 2009/04 and 2009/40, including the mandatory disclosures. Within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, enterprises are obliged to present hedging rate of their total foreign exchange liability and total export and import amounts in the notes to the financial statements (Note 38.c).

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

#### 2.2 Amendments in International Financial Reporting Standards

##### a) New and amended standards adopted by the Company:

The Company has adopted the following new and amended IFRSs as of 1 January 2009:

-IFRS 7 'Financial instruments - Disclosures' (amendment) effective from 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

-IAS 1 (Revised), "Presentation of financial statements", (effective from 1 January 2009). Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Company has chosen the option to present one performance statement as the statement of comprehensive income.

-IAS 23 (Amendment), "Borrowing Costs", (Relevant to the qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. This change in accounting policy was due to the adoption of IAS 23, 'Borrowing costs' (2007) in accordance with the transition provisions of the standard; comparative figures have not been restated. Since the Company does not have any significant qualifying assets and financial costs corresponding to these assets, the amendment does not have a material effect on the financial statements of the Company.

-IAS 16 (Amendment), "Property, Plant and Equipment", (effective for periods beginning on or after 1 January 2009). The amendment does not have an impact on the Company's financial statements.

-IFRS 8 (Revised), "Operating Segments", (effective for period beginning on or after 1 January 2009). Since the Company has a single reportable segment, the standard does not have an effect on the financial statements of the Company.

-IAS 36 (Amendment), "Impairment of Assets", (effective for periods beginning on or after 1 January 2009). Amendment is only related with the disclosure of estimates used to determine recoverable amount.

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

b) Amendments and new standards and interpretations issued and effective other than those mentioned above in Note 2.2.a. are not relevant to the operations of the Company and are not presented.

#### **c) Standards, amendments and interpretations to existing standards that are not yet effective in 2009 and have not been early adopted by the Company:**

The following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2010 or later periods, but the Company has not early adopted them:

-IFRS 3 (Revised), "Business Combinations", (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.

-IAS 38 (Amendment), 'Intangible Assets'. The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. It is not expected to have an impact on the Company's financial statements and the Company's management will apply IAS 38 (Amendment) from the date which IFRS 3 (Revised) is adopted.

-IAS 38 (Amendment), "Intangible Assets", (effective for periods beginning on or after 1 January 2010). Amendments to paragraphs 40 and 41 of IAS 38 to clarify the description of valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination that are not traded in active markets. It is not expected to have an impact on the Company's financial statements.

-IAS 36 (Revised), "Impairment of Assets", (effective for periods beginning on or after 1 January 2010). Amendment to clarify that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment. It is not expected to have an impact on the Company's financial statements.

-IAS 7 (Revised), "Statement of Cash Flows", (effective for periods beginning on or after 1 January 2010). Amendment to require that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. The amendment will not result in a material impact on the Company's statements of cash flows.

-IFRS 8 (Revised), "Operating Segments", (effective for periods beginning on or after 1 January 2010). It is not expected to have an impact on the Company's financial statements, as there are not any operating segments reportable in accordance with IFRS 8 (Note 2.3.15 and 5).

-IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement"- Eligible Hedged Items, (effective with retrospective application for annual periods beginning on or after 1 July 2009). As the Company does not have any hedging transaction, it is not expected to have an impact on the Company's financial statements.



## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

-IAS 32 (Amendment), "Financial Instruments: Presentation", (effective for annual periods beginning on or after 1 February 2010). It is not expected to have an impact on the Company's financial statements.

-IAS 24 (Amendment), "Related Party Disclosures", (effective for annual periods beginning on or after 1 January 2011). As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

-IFRS 9, "Financial Instruments" (issued in November 2009, effective for annual periods beginning on or after 1 January 2013, with earlier application permitted). It is not expected to have an impact on the Company's financial statements.

-Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). Although these standards are not expected to have a material impact on the Company's financial statements, the Company management is still assessing their impact.

#### d) Standards, amendments and interpretations to existing standards that are not yet effective in 2009 and not relevant for the Company's operations:

-IFRS 5 (Revised), "Measurement of Non-Current Assets (or disposal groups) classified as held-for-sale". The amendment is part of the International Accounting Standards Board's ("IASB") annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1. The Company will apply IFRS 5 (Amendment) from 1 January 2010. It is not expected to have an impact on the Company's financial statements.

-IAS 1 (Amendment), "Presentation of Financial Statements". The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Company will apply IAS 1 (Amendment) from 1 January 2010. It is not expected to have an impact on the Company's financial statements.

-IFRS 2 (Amendment), "Group cash-settled share-based payment transactions" (effective from 1 January 2010). In addition to incorporating IFRIC 8, "Scope of IFRS 2", and IFRIC 11, "IFRS 2 - Group and treasury share transactions", the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by the interpretation. Impact of the amendment on the Company's financial statements has been evaluated and any impact does not expected. The Company management is still assessing their impact.

-IFRS 2 (Revised), "Share Based Payments", (effective for periods beginning on or after 1 July 2009). Amendment to confirm that, in addition to business combinations as defined by IFRS 3 (Revised), "Business Combinations", contributions of a business on formation of a joint venture and common control transactions are excluded from the scope of IFRS 2, "Share-Based Payments". Impact of the amendment on the Company's financial statements has been evaluated and any impact does not expected. The Company management is still assessing their impact.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

-IFRIC 17 "Distribution of Non-Cash Assets to Owners", (effective for the annual periods beginning on or after 1 July 2009). The interpretation is part of the IASB's annual improvements project published in April 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Company will apply IFRIC 17 from 1 January 2010. It is not expected to have an impact on the Company's financial statements.

-IFRIC 9 (Revised), "Reassessment of Embedded Derivatives", (effective for periods ending on or after 30 June 2009). It is not expected to have an impact on the Company's financial statements, as the Company does not have any embedded derivatives.

-IFRIC 9 and IFRS 3 (Revised), (effective for periods beginning on or after 1 July 2009). The IASB amended the scope paragraph of IFRIC 9 to clarify that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture. Impact of the amendment on the Company's financial statements has been evaluated and any impact does not expected. The Company management is still assessing their impact.

-IFRIC 18, "Transfers of Assets from Customers", (effective for periods beginning on or after 1 July 2009). It is not expected to have an impact on the Company's financial statements.

-IAS 17 (Revised), "Leases", (effective for periods beginning on or after 1 January 2010). It is not expected to have an impact on the Company's financial statements, as the Company does not have any material leasing transactions

-IAS 39 (Revised), "Financial Instruments: Recognition and Measurement", (effective for periods beginning on or after 1 January 2010). Amendments regarding scope exemption for business combination contracts and cash flow hedge accounting. It is not expected to have an impact on the Group's financial statements as there are no business combination contracts or cash flow hedges.

-IFRIC 16, "Hedges of a Net Investment in a Foreign Operation", (effective for periods beginning on or after 1 July 2009). The change does not have any effect 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 and are initially recognised at cost. 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. The unrealised gains on transactions between the Company and its associated undertakings are eliminated to the extent of the Company's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

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 recognise 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.

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

The table below sets out the associates and the proportion of ownership interest as of 31 December 2009 and 2008 (Note 16):

	Shareholding (%)	
	2009	2008
<b>Investment-in-associate</b>		
Birmaş	25.00	25.00

#### 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 revenue described in the section "Revenue recognition" are presented as net if the nature of the transaction or the event qualify for offsetting.

#### 2.5 Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of the financial statements are summarised below:

##### 2.6.1 Revenue recognition

Revenues are recognised on an accrual basis at the time deliveries are made, services are given and significant risks and rewards are transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped less sales returns, sales discounts and commissions given (Note 28). Interest income is recognised on a time-proportion basis using the effective interest method. The amount of the provision for 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 and recognized as interest income. Interest income on loans is recognised using the effective interest rate. Dividend income is recognised when the Company's right to receive the payment is established.

##### 2.6.2 Inventories

Inventories are valued at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Cost elements included in inventories comprise all costs of purchase of material and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the monthly weighted average basis (Note 13).

##### 2.6.3 Property, plant and equipment

The Company's land and land improvements, buildings, machinery and equipment are stated at their fair values based on the valuations performed by the external independent valuers, Elit Gayrimenkul Değerleme A.Ş. and Vakıf Gayrimenkul Ekspertiz ve Değerleme A.Ş. at 31 December 2008 less depreciation in the subsequent period considering the carrying amounts of these assets at 31 December 2009 do not significantly differ from their fair values as of the same date. All other items of property, plant and equipment acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less the subsequent depreciation and impairment loss, if any (Note 18).

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Increases in the carrying amount arising on the revaluation of property, plant and equipment are credited to the revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to the statements of comprehensive income.

Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statements of comprehensive income) and the depreciation based on the asset's original cost is transferred from retained earnings to the revaluation reserves.

Property, plant and equipments are capitalised and depreciated when they are fully commissioned and in a physical state to meet their designed production capacity. Residual values of property, plant and equipment are deemed as negligible. The advances given for the property, plant and equipment purchases are classified under the other non-current assets until the related asset is capitalised (Note 26.b).

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

	Years
Buildings and land improvements	2-4
Machinery and equipments	5-10
Motor vehicles	20
Furniture and fixtures	10

Where the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount (Notes 2.6.5 and 18). If the property, plant and equipments 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 recognised 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 31). 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 income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The Company derecognises 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 recognised as separate asset, are depreciated based on their useful lives.

#### 2.6.4 Intangible assets

Intangible assets comprise information systems, software and acquired rights. 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. Intangible assets are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition. 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 (Notes 2.6.5 and 19).

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.6.5 Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset other than deferred tax asset (Note 35) and property, plant and equipment stated at revalued amounts as of reporting date (Note 18) may be impaired. Goodwill accounted for as part of investment-in-associate is tested annually for impairment. If there is an indication of impairment with regards to goodwill, the recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. 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. Impairment losses are accounted for in the statement of comprehensive income.

Impairment losses can be reversed to the extent of previously recorded impairment losses, in cases where increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded (Note 31).

##### 2.6.6 Borrowings and borrowings costs

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

##### 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 reevaluates 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 are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, loans are stated at amortised cost using the effective yield method.

##### 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 recognised 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

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

unworkable, available-for-sale investments acquired before 1 January 2005 are carried at cost expressed in purchasing power of TL as at 31 December 2004 and available-for-sale investments acquired after 1 January 2005 are carried at cost, less impairment losses, if any (Note 7). Unrealized gains and losses arising from changes in fair value of securities classified as available-for-sale are recognised in the equity, rather than statement of comprehensive income until the related financial asset is derecognised. 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 recognised in the statement of comprehensive income as part of other income when the Company's right to receive payments is established.

When securities classified as available-for-sale are derecognised, the accumulated fair value adjustments in equity are recognised 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 recognised in profit or loss-is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on investments are not reversed through the statement of comprehensive income.

#### 2.6.8 Foreign currency transactions and balances

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

#### 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 36).

Companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings 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 authorised for issue (Note 40).

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



## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.6.11 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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 realisation date, the increase in the provision due to passage of time is recognised 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 recognise contingent assets and liabilities (Note 22). Provisions are not recognised for future operating losses.

##### 2.6.12 Accounting policies, errors and changes in accounting estimates

Material changes in accounting policies and accounting errors are applied on a retrospective basis as if a prior period error had never occurred or the policy had always been applied. The effect of change in accounting estimate shall be recognised 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 the 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, together with companies controlled, jointly controlled or significantly influenced by them are considered as and referred to as related parties (Note 37).

##### 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 takes strategic decisions on allocating resources and assessing performance of the operating segments, has been identified as the key management.

The chief operating decision makers regularly monitor and review the operational results based on the main products' performances in domestic and foreign markets. However, as the nature of the products, production processes, type of customers, distribution methods and regulatory environment for the operations of the Company are identical, and the operations performed in foreign markets is not significant, there is a single reportable segment, and segment reporting is not applicable.

##### 2.6.15 Taxation on income

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

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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

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

#### 2.6.16 Provision for employment termination benefits

In accordance with the Turkish Labor Law, the Company is required to make lump-sum termination indemnities to each employee whose employment is terminated due to retirement or for reasons other than resignation or misconduct and who has completed at least one year of service. Provision is made for the present value of the defined benefit obligation calculated using the projected unit credit method. All actuarial gains and losses are recognised in the statement of comprehensive income (Note 24).

#### 2.6.17 Statement of cash flows

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

#### 2.6.18 Trade receivables and provision for impairment of receivables

Trade receivables that are realised by the Company by way of providing goods or services directly to a debtor are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, if any. Short-term trade receivables with no stated interest rate are measured at original invoice amount unless the effect of imputing interest is significant.

A credit risk provision for trade receivables is established if there is objective evidence that the Company will not be able to collect the amounts due. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income in the statement of comprehensive income (Note 31).

#### 2.6.19 Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on shares are recognised 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.

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

##### 2.7. Critical accounting estimates and judgements

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

##### 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 recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

##### 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 7).

##### c) Revaluation of land, buildings and land improvements, machinery and equipments

Land and buildings and machinery and equipments, that are used in the Company's operations, are stated at their fair values based on the valuations performed by the external independent valuers, at 31 December 2008, less the subsequent depreciation and these carrying values are assumed to approximate their fair values at 31 December 2009.

Land and buildings and land improvements were revaluated by the external independent valuers based on some techniques and assumptions as of 31 December 2008.

-As there were not any 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 utilised, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m<sup>2</sup> sale value was determined for lands subject to the valuation. The similar lands identified 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 utilised.

-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, as being one of the components. Regarding the valuation of the machinery and equipment, technologic conditions, actual depreciation, commercial attributes and industrial positions as well as dismantling and assembling costs were taken into account.

-Since a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment. Such machinery and equipment were reviewed and assessed by their line.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 3 - BUSINESS COMBINATIONS

None (2008: None).

#### NOTE 4 - JOINT VENTURES

None (2008: None).

#### NOTE 5 - SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who takes strategic decisions on allocating resources and assessing performance of the operating segments, has been identified as the key management.

The chief operating decision makers regularly monitor and review the operational results based on the main products' performances in domestic and foreign markets. However, as the nature of the products, production processes, type of customers, distribution methods and regulatory environment for the operations of the Company are identical, and the operations performed in foreign markets is not significant, there is a single reportable segment.

#### NOTE 6 - CASH AND CASH EQUIVALENTS

	31 December 2009	31 December 2008
Cash in hand	3,062	449
Banks		
- Demand deposits	92,756	41,996
- Local currency	46,386	41,996
- Foreign currency	46,370	-
- Time deposits	549,114	-
- Local currency	305,000	-
- Foreign currency	244,114	-
	<b>644,932</b>	<b>42,445</b>

Time deposits are denominated in TL and EUR, all mature in less than one month with the effective weighted average interest rates of 7.35% and 0.50% per annum ("p.a."), respectively (2008: The Company does not have time deposits).

There are blocked deposits, amounting to TL12,000 at 31 December 2009 (2008: TL12,000). Cash and cash equivalents for purposes of the statement of cash flow are as follows:

	31 December 2009	31 December 2008
Cash and cash equivalents	644,932	42,445
Blocked deposits	(12,000)	(12,000)
<b>Cash and cash equivalents</b>	<b>632,932</b>	<b>30,445</b>

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 7 - FINANCIAL ASSETS

##### Available-for-sale investments

	31 December 2009		31 December 2008	
	TL	%	TL	%
Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP")	16,532,266	4.79	11,717,251	4.79
Yataş	369,318	1.76	767,599	1.96
Desa Enerji Elektrik Üretimi Otoprodüktör Grubu A.Ş. ("Desa Enerji")	784,383	6.07	525,376	6.07
	<b>17,685,967</b>		<b>13,010,226</b>	

Available for sale investments were stated at their fair values which were determined based on the discounted cash flows.

The discount and growth rates used in the calculation of fair values of available for sales investments as at 31 December 2009 are as follows:

	Discount rate	Growth rate
YBP	12.50%	1%
Yataş	11.37%	0%
Desa Enerji	13.50%	0%

Movements of available for sale investments during the year are as follows:

	2009	2008
<b>1 January</b>	<b>13,010,226</b>	<b>11,724,807</b>
Increase in fair value	5,074,022	830,061
Impairment losses	(398,281)	(30,356)
Capital increase	-	485,714
<b>31 December</b>	<b>17,685,967</b>	<b>13,010,226</b>

## Pinar Su Sanayi ve Ticaret A.Ş.

## Notes to the Financial Statements at 31 December 2009 and 2008

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

## NOTE 7 - FINANCIAL ASSETS (Continued)

Movements of fair value reserves of available for sale investments were as follows:

	2009	2008
<b>1 January</b>	<b>7,745,892</b>	<b>6,987,568</b>
Increase in fair value	5,074,022	830,061
Impairment losses	(398,281)	(30,356)
Deferred income tax on available for sale investments (Note 35)	(212,896)	(41,381)
<b>31 December</b>	<b>12,208,737</b>	<b>7,745,892</b>

## NOTE 8 - FINANCIAL LIABILITIES

	Effective weighted average interest rate %		Original Foreign Currency		TL equivalent	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008	31 December 2009	31 December 2008
<b>Short-term financial liabilities:</b>						
TL bank borrowings (*)	0.00	0.00	119,524	98,215	119,524	98,215
<b>Short-term portion of long-term financial liabilities:</b>						
EUR bank borrowings (**)	3.29	5.31	816,378	842,703	1,763,621	1,804,058
<b>Total short-term financial liabilities</b>					<b>1,883,145</b>	<b>1,902,273</b>
<b>Long-term financial liabilities:</b>						
EUR bank borrowings (**)	2.87	5.39	1,566,522	2,361,536	3,384,157	5,055,576
<b>Total long-term financial liabilities</b>					<b>3,384,157</b>	<b>5,055,576</b>

(\*) TL denominated short-term bank borrowings are comprised of revolving credits without interest charge as of 31 December 2009 (2008: revolving credits without interest charge).

(\*\*) EUR denominated bank borrowings consist of borrowing with semi-annually floating interest rates according to Euribor+0.50% p.a. and borrowing with 4.86% p.a. fixed interest rate. (2008: bank borrowings consist of borrowing with semi-annually floating interest rates according to Euribor+0.50% p.a. and borrowing with 4.86% p.a. fixed interest rate).



## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 8 - FINANCIAL LIABILITIES (Continued)

The redemption schedule of long-term financial liabilities at 31 December 2009 and 2008 were as follows:

	31 December 2009	31 December 2008
2010	-	1,701,967
2011	1,717,470	1,701,967
2012 - 2013 years	1,666,687	1,651,642
	<b>3,384,157</b>	<b>5,055,576</b>

As of 31 December 2009 and 31 December 2008, the carrying amounts of the borrowings with floating and fixed interest rates which were classified in terms of periods remaining to contractual repricing dates are as follows:

	Up to 3 months	3 months to 1 year	Total
<b>31 December 2009:</b>			
Borrowings with floating interest rates	-	2,838,683	2,838,683
Borrowings with fixed interest rates	-	-	2,428,619
<b>Total</b>			<b>5,267,302</b>

	Up to 3 months	3 months to 1 year	Total
<b>31 December 2008:</b>			
Borrowings with floating interest rates	-	3,656,508	3,656,508
Borrowings with fixed interest rates	-	-	3,301,341
<b>Total</b>			<b>6,957,849</b>

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

	Carrying Amounts		Fair Values	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008

#### Bank borrowings

The fair value of EUR denominated bank borrowings is based on cash flows discounted using the rates of 0.89% p.a. (2008: 2.85%).

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 9 - OTHER FINANCIAL LIABILITIES

None (2008: None).

#### NOTE 10 - TRADE RECEIVABLES AND PAYABLES

	31 December 2009	31 December 2008
<b>a) Other trade receivables</b>		
Customer current accounts	114,965	118,875
Cheques and notes receivables	458,955	1,747,791
	573,920	1,866,666
Less: Provision for impairment of receivables	(87,857)	(87,857)
Unearned finance income	(10,410)	(28,338)
	<b>475,653</b>	<b>1,750,471</b>

At 31 December 2009, the effective weighted average interest rate applied to trade receivables is 7.03% p.a. (2008: 16.49% p.a.) and average collection terms of trade receivables are within 2 months (2008: 2 months).

The aging of cheques and notes receivables are as follows:

0-30 days	66,258	865,243
31-60 days	257,697	589,771
61-90 days	40,000	83,277
91 days and over	95,000	209,500
	<b>458,955</b>	<b>1,747,791</b>

#### Aging analysis for trade receivables

The aging analysis of trade receivables as of 31 December 2009 and 2008 are as follows:

Overdue receivables	27,109	-
0-30 days	66,052	882,232
31-60 days	254,863	580,209
61-90 days	38,013	81,927
91 days and over	89,616	206,103
	<b>475,653</b>	<b>1,750,471</b>

The aging and credit risk analysis of overdue receivables as of 31 December 2009 are disclosed in Note 38.a. As of 31 December 2008, there are no overdue trade receivables.

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 10 - TRADE RECEIVABLES AND PAYABLES (Continued)

There is no movement in doubtful receivable allowances during the year (2008: No movement).

	31 December 2009	31 December 2008
<b>b) Other trade payables:</b>		
Supplier current accounts	4,526,122	5,755,951
Less: Unincurred finance cost	(39,005)	(58,776)
	<b>4,487,117</b>	<b>5,697,175</b>

At 31 December 2009, the effective weighted average interest rate applied to short-term trade payables is 7.02% p.a. (2008: 16.49% p.a.) and short term trade payables mature within 2 months (2008: 2 months).

#### NOTE 11 - OTHER RECEIVABLES AND PAYABLES

	31 December 2009	31 December 2008
<b>a) Other short-term receivables:</b>		
Deposits and guarantees given	19,102	19,102
Personnel advances	11,009	7,164
Other	1,521	-
	<b>31,632</b>	<b>26,266</b>
<b>b) Other long-term receivables:</b>		
Deposits and guarantees given	1,800	1,800
	<b>1,800</b>	<b>1,800</b>
<b>c) Other short-term payables:</b>		
Payables to personnel	50,314	195,708
Deposits and guarantees received	3,039	3,039
	<b>53,353</b>	<b>198,747</b>

Dividends and bonus payable to key management and personnel at 31 December 2008 amounting to TL161,306 is paid in 2009.

#### NOTE 12 - RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2008: None).

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 13 - INVENTORIES

	31 December 2009	31 December 2008
Raw materials		
- Valued at cost	597,167	309,531
- Valued at net realisable value	340,506	343,712
Finished goods		
- Valued at cost	499,918	565,503
- Valued at net realisable value	67,558	43,303
Demijohn stocks		
- Valued at cost	323,820	449,856
Pallet stocks		
- Valued at cost	398,226	530,524
Spare parts		
- Valued at cost	567,727	591,520
Other	9,490	38,100
	<b>2,804,412</b>	<b>2,872,049</b>

Cost of inventories recognized as expense and included in cost of sales amounted to TL21,634,661 (2008: TL24,379,197) (Note 30).

Movements of obsolescence provision in 2009 and 2008 were as follows:

	2009	2008
<b>1 January</b>	<b>95,572</b>	<b>70,900</b>
Obsolescence provision (Note 31.b)	95,043	24,672
Reversal of impairment on inventory	(41,835)	-
<b>31 December</b>	<b>148,780</b>	<b>95,572</b>

#### NOTE 14 - BIOLOGICAL ASSETS

None (2008: None).

#### NOTE 15 - CONSTRUCTION CONTRACT RECEIVABLES

None (2008: None).

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 16 - INVESTMENT IN ASSOCIATE ACCOUNTED BY EQUITY ACCOUNTING

Investment in associate:	31 December 2009		31 December 2008	
	TL	Shareholding (%)	TL	Shareholding (%)
Birmaş	5,963	25	27,634	25
	<b>5,963</b>		<b>27,634</b>	

Movements of associate balance during the period are as follows:

	2009	2008
<b>1 January</b>	<b>27,634</b>	<b>264,859</b>
Share of results of investment in associate	20,458	(163,497)
Dividend income from investment in associate (Note 37.ii.i)	-	(79,211)
Decrease in fair value reserves of associates - net	(60,520)	-
Share of income taxes of investment in associate	18,391	5,483
<b>31 December</b>	<b>5,963</b>	<b>27,634</b>

Financial information of Birmaş that is accounted in financial statements using equity method is summarized below:

	31 December 2009	31 December 2008
Total assets	9,345,898	10,433,323
Total liabilities	9,322,046	10,322,788
<b>Net profit/(loss) for the year</b>	<b>155,394</b>	<b>(632,055)</b>

#### NOTE 17 - INVESTMENT PROPERTY

None (2008: None).

## Pinar Su Sanayi ve Ticaret A.Ş.

## Notes to the Financial Statements at 31 December 2009 and 2008

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

**NOTE 18 - PROPERTY, PLANT AND EQUIPMENT**

Movements of property, plant and equipment between 1 January and 31 December 2009 were as follows:

	1 January 2009	Additions	Disposals	Transfers	Revaluation	31 December 2009
<b>Cost/valuation:</b>						
Land	5,945,000	-	-	-	-	5,945,000
Buildings, and land improvements	17,176,150	72,250	-	-	-	17,248,400
Machinery and equipment	63,391,353	179,897	(133,484)	-	-	63,437,766
Motor vehicles	292,600	-	-	-	-	292,600
Furniture and fixtures	9,979,214	425,588	(373,805)	-	-	10,030,997
	<b>96,784,317</b>	<b>677,735</b>	<b>(507,289)</b>	<b>-</b>	<b>-</b>	<b>96,954,763</b>
<b>Accumulated depreciation:</b>						
Buildings, and land improvements	(3,526,150)	(705,394)	-	-	-	(4,231,544)
Machinery and equipment	(30,559,093)	(2,956,176)	133,484	-	-	(33,381,785)
Motor vehicles	(282,040)	(10,560)	-	-	-	(292,600)
Furniture and fixtures	(5,805,950)	(689,771)	88,115	-	-	(6,407,606)
	<b>(40,173,233)</b>	<b>(4,361,901)</b>	<b>221,599</b>	<b>-</b>	<b>-</b>	<b>(44,313,535)</b>
<b>Net book value</b>	<b>56,611,084</b>					<b>52,641,228</b>



## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements of property, plant and equipment between 1 January and 31 December 2008 were as follows:

	1 January 2008	Additions	Disposals	Transfers	Revaluation	Reverse of impairment (Note 31.a)	31 December 2008
<b>Cost/valuation:</b>							
Land	4,845,537	-	-	-	1,071,668	27,795	5,945,000
Buildings, and land improvements	15,412,761	13,353	-	-	1,750,036	-	17,176,150
Machinery and equipment	54,315,293	1,186,134	-	4,748,957	2,908,946	232,023	63,391,353
Motor vehicles	325,012	88	(32,500)	-	-	-	292,600
Furniture and fixtures	8,601,992	1,750,410	(373,188)	-	-	-	9,979,214
Construction in progress	8,698	4,740,259	-	(4,748,957) (*)	-	-	-
	<b>83,509,293</b>	<b>7,690,244</b>	<b>(405,688)</b>	<b>-</b>	<b>5,730,650</b>	<b>259,818</b>	<b>96,784,317</b>
<b>Accumulated depreciation:</b>							
Buildings, and land improvements	(2,957,761)	(568,389)	-	-	-	-	(3,526,150)
Machinery and equipment	(28,017,293)	(2,541,800)	-	-	-	-	(30,559,093)
Motor vehicles	(266,237)	(40,968)	25,165	-	-	-	(282,040)
Furniture and fixtures	(5,189,635)	(663,768)	47,453	-	-	-	(5,805,950)
	<b>(36,430,926)</b>	<b>(3,814,925)</b>	<b>72,618</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40,173,233)</b>
<b>Net book value</b>	<b>47,078,367</b>						<b>56,611,084</b>

(\*) The transfers classified under the construction in progress account and capitalised in the current period are related to the additional machinery and equipment investments for the production of bottled water in Sakarya plant.

Current year's depreciation and amortisation charges were allocated to cost of production by TL3,064,677 (2008: TL2,593,531), to selling and marketing expenses by TL674,100 (2008: TL648,935) and to general and administrative expenses by TL625,614 (2008: TL588,459) (Note 29).

#### Market Valuation

Land and buildings and machinery and equipments, that are used in the Company's operations, are stated at their fair values based on the valuations performed by the external independent valuers, at 31 December 2008, less the subsequent depreciation and these carrying values are assumed to approximate their fair values at 31 December 2009. Revaluations of land were based on market reference comparison method. However, since there were not any recent similar buying/selling transactions nearby, revaluations of land improvements and buildings were derived from cost approach method considering recent re-construction costs and related depreciation. The valuation of the machinery and equipment is based on all the active and functioning assets in the integrated plant. Such machinery and equipment were reviewed and assessed by their lines

## Pinar Su Sanayi ve Ticaret A.Ş.

## Notes to the Financial Statements at 31 December 2009 and 2008

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

## NOTE 18 - PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2009 and 2008 were as follows:

	2009	2008
<b>1 January</b>	<b>17,351,076</b>	<b>13,570,292</b>
Depreciation transferred from retained earnings	(1,442,231)	(1,205,609)
Increase in fair values arising from revaluation of land, buildings and land improvements	-	2,821,704
Increase in fair values arising from revaluation of machinery and equipment	-	2,908,946
Deferred income tax on depreciation transfer	-	241,122
Deferred income tax arising from revaluation	-	(985,379)
<b>31 December</b>	<b>15,908,845</b>	<b>17,351,076</b>

The carrying amounts of each class of property, plant and equipments that would have been recognised if the assets have been carried under the cost model at 31 December 2009 and 2008, are as follows:

	Land	Land improvements and buildings	Machinery and equipment
<b>31 December 2009:</b>			
Cost	573,256	6,524,517	43,272,331
Less: Accumulated depreciation	-	(2,133,899)	(31,137,296)
<b>Net book value</b>	<b>573,256</b>	<b>4,390,618</b>	<b>12,135,035</b>
<b>31 December 2008:</b>			
Cost	573,256	6,452,267	43,225,918
Less: Accumulated depreciation	-	(1,839,208)	(29,706,689)
<b>Net book value</b>	<b>573,256</b>	<b>4,613,059</b>	<b>13,519,229</b>

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 19 - INTANGIBLE ASSETS

The movements of intangible assets and related accumulated amortisation for the years ended 31 December 2009 and 2008 were as follows:

	1 January 2009	Additions	31 December 2009
<b>Costs:</b>			
Rights	1,037,149	-	1,037,149
Accumulated amortisation	(1,021,253)	(2,490)	(1,023,743)
<b>Net book value</b>	<b>15,896</b>		<b>13,406</b>
	1 January 2008	Additions	31 December 2008
<b>Costs:</b>			
Rights	1,032,649	4,500	1,037,149
Accumulated amortisation	(1,005,253)	(16,000)	(1,021,253)
<b>Net book value</b>	<b>27,396</b>		<b>15,896</b>

#### NOTE 20 - GOODWILL

None (2008: None).

#### NOTE 21 - GOVERNMENT GRANTS

None (2008: None).

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

	31 December 2009	31 December 2008
<b>a) Short-term provisions:</b>		
Provision for expense accruals (*)	2,405,000	2,233,194
Management bonus accruals	220,000	250,000
Other	-	129,643
	<b>2,625,000</b>	<b>2,612,837</b>

(\*) The provision is related to the water and the rent charges in the scope of the law suit filed by the Special Provincial Administration against the Company and movement for provision for expense accruals is as follows:

	2009	2008
<b>1 January</b>	<b>2,233,194</b>	<b>2,056,863</b>
Increase in the current period (Note 31.b)	171,806	176,331
<b>31 December</b>	<b>2,405,000</b>	<b>2,233,194</b>

	31 December 2009	31 December 2008
<b>b) Guarantees given:</b>		
Bails	618,470,127	682,915,200
Guarantee letters	444,497	366,157
	<b>618,914,624</b>	<b>683,281,357</b>

As of 31 December 2009, guarantees given are mainly related with joint guarantees provided by the Company along with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Pınar Süt Mamülleri Sanayii A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş. and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. for repayment of borrowings obtained by Yaşar Group companies from international capital markets amounting to EUR286,289,000 equivalent of TL618,470,127 (2008: EUR319 million equivalent of TL682,915,200).

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended at 31 December 2009 and 2008 were as follows:

	31 December 2009	31 December 2008
<b>CPM provided by the Company:</b>		
A Total amount of CPM given on behalf of the Company	444,497	366,157
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	618,470,127	682,915,200
i. Total amount of CPM given on behalf of the main shareholder	391,638,627	441,004,800
ii. Total amount of CPM given to on behalf of other group companies which are not in scope of B and C.	226,831,500	241,910,400
iii. Total amount of CPM given on behalf of third parties which are not in scope of C.	-	-
	<b>618,914,624</b>	<b>683,281,357</b>
Total amount of other CPM/Equity	880.8%	1,113.6%
<b>c) Guarantees received:</b>		
Mortgages	1,601,100	1,721,102
Guarantee letters	107,000	100,000
Cheques received as guarantee	92,605	6,000
Guarantee notes	91,002	153,000
	<b>1,891,707</b>	<b>1,980,102</b>

#### NOTE 23 - COMMITMENTS

Total amount of raw material purchase commitments as of 31 December 2009 is amounted to TL1,100,320 (2008: TL1,035,520).

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 24 - PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

	31 December 2009	31 December 2008
Provision for employment termination benefits	434,055	329,238
	<b>434,055</b>	<b>329,238</b>

Under the Turkish Labour 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 TL2,365.16 for each year of service as of 31 December 2009 (31 December 2008: TL2,173.18).

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 TL2,427.04 which is effective from 1 January 2010 (1 January 2009: TL2,260.05) 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 2009	31 December 2008
Discount rate (%)	5.92	6.26
Probability of retirement (%)	96.53	96.53

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

	2009	2008
<b>1 January</b>	<b>329,238</b>	<b>246,585</b>
Interest cost	19,491	15,436
Actuarial loss	148,835	14,336
Annual charge	93,506	88,022
Paid during the year	(157,015)	(35,141)
<b>31 December</b>	<b>434,055</b>	<b>329,238</b>

The total of interest cost, actuarial losses and annual charge for the year amounting to TL261,832(2008: TL117,794) were allocated to general administrative expenses by TL242,051 (2008: TL75,083) (Note 29) and to cost of sales by TL19,781 (2008: TL42,711).



## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 25 - PENSION PLANS

None (2008: None).

#### NOTE 26 - OTHER ASSETS AND LIABILITIES

	31 December 2009	31 December 2008
<b>a) Other current assets:</b>		
VAT receivable	871,763	2,636,198
Order advances given	31,698	39,034
Prepaid taxes	30,527	105,587
Other	1,854	278
	<b>935,842</b>	<b>2,781,097</b>
<b>b) Other non-current assets:</b>		
Order advances given	68,992	-
Prepaid expenses	30,083	40,364
	<b>99,075</b>	<b>40,364</b>
<b>c) Other current liabilities:</b>		
Withholding taxes and funds payable	161,985	321,329
Advances Received	13,012	28,431
	<b>174,997</b>	<b>349,760</b>

#### NOTE 27 - EQUITY

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of TL1. The Company's historical authorized registered share capital as at 31 December 2009 and 2008 are as follows:

	31 December 2009	31 December 2008
Registered share capital (with historical values)	50,000,000	50,000,000
Paid-in share capital with nominal value	12,732,754	12,732,754

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 27 - EQUITY (Continued)

The compositions of the Company's share capital at 31 December 2009 and 2008 were as follows:

Shareholders	31 December 2009		31 December 2008	
	Share (%)	Amount	Share (%)	Amount
Yaşar Holding	57.93	7,376,045	57.93	7,376,045
Public Quotation	32.46	4,132,567	32.46	4,132,567
Pınar Süt Mamülleri Sanayii A.Ş. ("Pınar Süt")	8.81	1,122,150	8.81	1,122,150
YBP	0.80	101,992	0.80	101,992
	<b>100</b>	<b>12,732,754</b>	<b>100</b>	<b>12,732,754</b>
Inflation adjustment to share capital		11,713,515		11,713,515
<b>Total paid-in capital</b>		<b>24,446,269</b>		<b>24,446,269</b>

Inflation adjustment to share capital amounting to TL11,713,515 (2008: TL11,713,515) represents the remaining amount after netting-off the accumulated losses of the year 2003 from the difference between restated share capital and historical cost of share capital.

The Company has 12,732,754 (2008: 12,732,754) units of shares with a face value of TL1 each as of 31 December 2009.

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

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

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 27 - EQUITY (Continued)

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits, after statutory carry forward tax losses deducted, at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital and at the rate of 9% p.a. of all cash distribution in excess of 5% of the paid-in share capital in case of full distribution of respective profit as dividend. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

The aforementioned reserves were accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The restricted reserves of the Company amount to TL2,647,909(2008: TL2,181,402) as of 31 December 2009. The unrestricted extraordinary reserves the Company amount to TL8,990,902 (2008: TL4,116,726), and classified in the retained earnings.

In accordance with the Communiqué No: XI-29 and related announcements of CMB "Share capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences (e.g. the differences raising from inflation adjustments) shall be classified as follows:

-the difference arising from the "Paid-in Capital" shall be classified as the "Inflation Adjustment to Share Capital" if it is not transferred to capital yet;

-the difference due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and shall be classified as "Retained earnings" if the amount has not been utilised in dividend distribution or capital increase yet. Other equity items shall be carried at the amounts calculated based on CMB Financial Reporting Standards.

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

Based on the decision of General Assembly meeting on 13 May 2009, dividend payment was made to owners of redeemed shares by the amount not exceeding the 10% of dividend to shareholders in accordance with the articles of the association of the Company. The Company has distributed 20% of the net income for the year 2008 amounting to TL1,144,248 as first dividend and TL390,000 as redeemed share, total of which amounted to TL1,534,248.

Based on CMB Decree No. 2/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange for profits arising from operations in 2009. Regarding the dividend distribution for the current and following years, the entities are to distribute their profits for the current and following years under the scope of CMB Communiqué IV, No: 27, their articles of association and their previously publicly declared profit distribution policies.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 27 - EQUITY (Continued)

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

	31 December 2009	31 December 2008
Extraordinary reserves	8,990,902	4,116,727
Net profit for the year	7,603,243	7,027,191
	<b>16,594,145</b>	<b>11,143,918</b>

#### NOTE 28 - SALES AND COST OF SALES

	2009	2008
Domestic sales	89,092,910	97,197,731
Exports	3,874,472	3,852,151
<b>Gross sales</b>	<b>92,967,382</b>	<b>101,049,882</b>
Less: Discounts	(38,119,087)	(39,764,728)
Returns	(146,898)	(117,962)
<b>Net sales</b>	<b>54,701,397</b>	<b>61,167,192</b>
<b>Cost of sales (-)</b>	<b>(37,217,559)</b>	<b>(40,891,459)</b>
<b>Gross Profit</b>	<b>17,483,838</b>	<b>20,275,733</b>

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

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

	2009	2008
<b>a) Marketing, selling and distribution expenses:</b>		
Advertisement	2,586,750	2,952,202
Transportation and export expenses	1,274,320	1,671,961
Depreciation and amortisation (Note 18)	674,100	648,935
Staff costs	298,346	293,248
Repair and maintenance	201,757	102,082
Rent	125,592	1,154,148
Energy costs	73,761	52,034
Other	416,546	349,571
	<b>5,651,172</b>	<b>7,224,181</b>
<b>b) General administrative expenses:</b>		
Staff costs	2,473,664	2,304,411
Consultancy	1,047,778	1,230,091
Outsourced services	630,574	429,530
Depreciation and amortisation (Note 18)	625,614	588,459
Employment termination benefits (Note 24)	242,051	75,083
Management bonus	220,000	420,000
Energy costs	196,074	217,612
Tax (excluding corporate tax)	165,232	74,438
Rent expense	150,174	160,314
Communication and IT expenses	132,470	264,183
Representation and hosting	82,931	109,042
Other	329,489	677,166
	<b>6,296,051</b>	<b>6,550,329</b>
<b>Total operating expenses</b>	<b>11,947,223</b>	<b>13,774,510</b>

**Pınar Su Sanayi ve Ticaret A.Ş.****Notes to the Financial Statements at 31 December 2009 and 2008**

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

**NOTE 30 - EXPENSES BY NATURE**

	<b>2009</b>	<b>2008</b>
Direct and indirect material and finished goods costs (Note 13)	21,634,661	24,379,197
Depreciation and amortisation (Notes 18 and 19)	4,383,291	3,931,313
Staff costs	4,226,556	3,978,182
Palette and polycarbon costs	4,214,881	5,577,301
Outsourced services	3,237,480	3,205,752
Utilities	2,710,448	2,566,962
Advertisement	2,586,750	2,952,202
Repair and maintenance	1,734,318	1,403,737
Transportation	1,274,320	1,671,961
Consultancy	1,047,778	1,230,091
Rent	676,863	1,653,552
Employment termination benefits (Note 24)	261,832	117,794
Management bonus	220,000	420,000
Other	955,604	1,577,925
	<b>49,164,782</b>	<b>54,665,969</b>

**NOTE 31 - OTHER OPERATING INCOME/(EXPENSE)**

	<b>2009</b>	<b>2008</b>
<b>a) Other operating income:</b>		
Revenue from sales of scrap and packing materials	267,444	281,987
Reversal of litigation expense provision	79,757	-
Reversal of management bonus provision	30,000	-
Reversal of impairment on property, plant, and equipment (Note 18)	-	259,818
Other	86,663	39,779
	<b>463,864</b>	<b>581,584</b>



## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 31 - OTHER OPERATING INCOME/(EXPENSE) (Continued)

##### b) Other operating expenses:

	2009	2008
Donations	(279,629)	-
Provision for rent and water expense (Note 22.a)	(171,806)	(176,331)
Loss on sales of property, plant and equipment	(96,813)	(43,586)
Impairment on inventories (Note 13)	(95,043)	(24,672)
Other	(42)	(16,532)
	<b>(643,333)</b>	<b>(261,121)</b>

The Company donated to TL210,530 to its related parties in 2009 (Note 37.ii.)).

#### NOTE 32 - FINANCE INCOME

	2009	2008
Bail charge to related parties (Note 37.ii.i)	1,447,766	1,346,858
Foreign exchange gain	685,406	1,133,700
Dividend income (Note 37.ii.j)	647,239	590,685
Interest income	398,903	179,284
	<b>3,179,314</b>	<b>3,250,527</b>

#### NOTE 33 - FINANCE EXPENSE

	2009	2008
Foreign exchange loss	789,233	1,862,821
Interest expense	230,054	308,508
Bank commission expenses	109,136	186,461
Other	3,184	19,690
	<b>1,131,607</b>	<b>2,377,480</b>

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

None (2008: None).

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 35 - TAX ASSETS AND LIABILITIES

As of 31 December 2009 and 2008, prepaid income taxes and deferred tax liabilities are as follows:

	31 December 2009	31 December 2008
Provision for income taxes	1,864,374	1,705,995
Less: Prepaid corporate tax	(1,719,924)	(944,344)
<b>Current income tax liabilities</b>	<b>144,450</b>	<b>761,651</b>

In Turkey, the corporation tax rate of the fiscal year 2009 is 20% (2008: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (such as research and development expenditure allowances). No other tax liabilities arise other than the event of dividend distribution.

According to Turkish Corporate Income Tax Law numbered 5520, effective from 21 June 2006, a 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property, which has remained in assets for more than two full years, are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in the liabilities and it must not be withdrawn from the entity for a period of five years. The sales consideration has to be collected up until the end of the second calendar year following the year the sale was realised.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2008: 15%). An increase in capital via issuing bonus shares is not considered profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2008: 20%) on their corporate income. Advance tax is declared by 14th and payable by the 17th (2008: 17) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to be set off against other liabilities to the government.

In Turkey, there is no procedure for final and definitive agreement on tax assessment. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings. Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

There are many exemptions in Corporate Tax Law regarding corporations. Those related to the Group are explained below:

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

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 35 - TAX ASSETS AND LIABILITIES (Continued)

Profits from sale of preferential right certificates and share premiums generated from sale of shares at a price exceeding face values of those shares during incorporations or capital increases of joint stock companies are exempt from corporate tax.

Accordingly, the aforementioned gains/(losses) which have been included in trade profit/(loss) have been taken into consideration in calculation of Company's corporate tax.

Apart from the exemptions mentioned in the preceding paragraphs, the deductions granted in 14th and recurring 8th articles of Corporate Tax Law and 40th article of the Income Tax Law together with the 10th article of Corporate Tax Law have been taken into consideration in calculation of the Company's corporate tax.

#### Transfer Pricing

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

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

Taxes on income for the years ended 31 December are summarised as follows:

	2009	2008
Current corporation income tax expense	(1,864,374)	(1,705,995)
Correction of previous year's Corporate Tax (*)	67,739	-
Deferred income tax income/(expense)	379,219	(150,968)
<b>Taxation on income</b>	<b>(1,417,416)</b>	<b>(1,856,963)</b>
Tax expense on other comprehensive income	(212,896)	(41,381)
<b>Tax expense on total comprehensive income</b>	<b>(1,630,312)</b>	<b>(1,898,344)</b>

(\*) The effect of change in corporation income tax expense of 2008 is included in the statement of comprehensive income for the year ended at 31 December 2009.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 35 - TAX ASSETS AND LIABILITIES (Continued)

Reconciliation of taxation on income for the years ended 31 December 2009 and 2008 are as follows:

	2009	2008
<b>Profit before tax</b>	<b>7,443,702</b>	<b>7,536,719</b>
Tax calculated at tax rates applicable to the profit	(1,488,740)	(1,507,344)
Non-deductible expenses	(13,805)	(145,553)
Income not subject to tax	32,261	52,212
Correction of prior year's Corporate Tax	67,739	-
Effect of depreciation transfer (Note 18)	-	(241,122)
Other	(14,871)	(15,156)
<b>Taxation on income</b>	<b>(1,417,416)</b>	<b>(1,856,963)</b>

#### Deferred taxes

The Company recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the statutory tax financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (2008: 20%).

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 35 - TAX ASSETS AND LIABILITIES (Continued)

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2009 and 2008 were as follows:

	Taxable temporary differences		Deferred income tax assets/(liabilities)	
	2009	2008	2009	2008
Useful life differences	7,959,062	7,016,680	(1,591,812)	(1,403,336)
Revaluation on buildings and land improvements	7,203,482	7,614,186	(1,440,696)	(1,522,837)
Revaluation on machinery and equipments	7,022,553	8,414,638	(1,404,511)	(1,682,927)
Restatement differences on tangible and intangible assets	2,327,123	3,293,132	(465,425)	(658,626)
Fair value reserve of available for sale investments	12,536,241	7,721,226	(626,814)	(386,063)
Revaluation on land	5,020,437	5,020,437	(251,022)	(251,022)
Impairment on available for sale investments	(2,878,822)	(2,739,548)	575,765	547,910
Provision for employment termination benefits	(434,055)	(329,238)	86,811	65,848
Management bonus	(220,000)	(250,000)	44,000	50,000
Other	(305,625)	(310,759)	61,126	62,152
Deferred income tax assets			767,702	725,910
Deferred income tax liabilities			(5,780,280)	(5,904,811)
<b>Deferred income tax liability - net</b>			<b>(5,012,578)</b>	<b>(5,178,901)</b>

The movement of deferred income taxes was as follows:

	2009	2008
<b>1 January</b>	<b>(5,178,901)</b>	<b>(4,242,295)</b>
Charged to statement of comprehensive income	379,219	(150,968)
Charged to fair value reserve of available for sale investments (Note 7)	(212,896)	(41,381)
Charged to revaluation reserve (*)	-	(744,257)
<b>31 December</b>	<b>(5,012,578)</b>	<b>(5,178,901)</b>

(\*) The Company recognised the deferred income tax amounting to TL360,558 as of 31 December 2009 (2008: TL148,849) (Note 18) calculated from the depreciation transfer in the statement of comprehensive income in 2009, which was recognised in the retained earnings in the financial statements, prepared before 1 January 2009. Prior year financial statements were not restated within the context of materiality.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 36 - EARNINGS PER SHARE

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

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

Earning per share is calculated by dividing net profit for the period to weighted average number of shares during that period.

		1 January - 31 December 2009	1 January - 31 December 2008
Net profit for the period	A	6,026,286	5,679,756
Weighted average number of shares (Note 27)	B	12,732,754	12,732,754
<b>Earnings per share with a TL1 face value</b>	<b>A/B</b>	<b>0.4733</b>	<b>0.4461</b>

There are no differences between basic and diluted earnings per share.

#### NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

##### i) Balances with related parties:

	31 December 2009	31 December 2008
<b>a) Trade receivables from related parties:</b>		
Birmaş	4,823,753	5,440,023
Yataş	754,925	576,431
Pınar Süt	57,664	109,786
Pınar Entegre Et ve Un Sanayii A.Ş. ("Pınar Et")	146	218,833
	5,636,488	6,345,073
Less: Unearned finance income	(13,367)	(22,450)
	<b>5,623,121</b>	<b>6,322,623</b>

As of 31 December 2009, the effective weighted average interest rate of short term due from related parties is 7.03% p.a. (2008: 16.46% p.a.) and due from related parties mature within one month (2008: one month).



## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

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

As of 31 December 2009, vendor and customer cheques obtained in return for the sales to Birmaş, amounting to TL 458,955 (2008: TL 1,747,791) are classified as trade receivables in the financial statements (Note 10.a).

Due from related party balances are mainly resulted from the sales of bottled water. The Company sells all of its products in the domestic market to its related party and associate, Birmaş, which is the sole distributor of the Company in domestic market as further explained in Note 1 to the financial statements. The Company's trade receivable from Yataş is attributable to exports. As of 31 December 2009 trade receivables from Pınar Et is mainly related to palette sales. As of 31 December 2009 trade receivables from Pınar Süt is related to Turquality incentive that has been collected by Pınar Süt from Undersecretariat of Foreign Trade on behalf of the Company.

As of 31 December 2009, due from related parties amounting to TL1,864,338 (2008: TL 2,165,765) were over due for a period of one month (2008: less than one month).

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

	31 December 2009	31 December 2008
Yaşar Holding (*)	7,391,426	-
DYO Boya Fabrikaları A.Ş. ("DYO Boya")	176,776	171,421
Çamlı Yem, Besicilik San. ve Tic. A.Ş. ("Çamlı Yem")	65,502	69,517
Viking Kağıt ve Selüloz A.Ş. ("Viking Kağıt")	60,087	198,496
Other	23,536	60,278
	7,717,327	499,712
Less: Unearned finance income	-	(1,343)
	<b>7,717,327</b>	<b>498,369</b>

(\*) During 2009, the Company has provided funds to Yaşar Holding amounting to TL7,080,000. The effective weighted average interest rate of the receivable is 11% p.a. and maturities are between 3 and 12 months based on the verbal agreement between two parties.

The other receivables from related parties consists of income from bail commission charges in relation to the bank borrowings obtained by the related parties from international capital markets and a financial institution under the guarantee of the Company (Note 22).

	31 December 2009	31 December 2008
<b>c) Trade payables to related parties:</b>		
Yadex Export-Import und Spedition GmbH ("Yadex")	195,516	-
Yaşar Holding	29,405	-
Bintur Turizm ve Catering Hizmetleri Tic. A.Ş. ("Bintur")	15,005	10,078
Other	13,125	38,074
	253,051	48,152
Less: Unincurred finance cost	-	(538)
	<b>253,051</b>	<b>47,614</b>

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

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

The effective weighted average interest rate applied to due to related parties is 7.02% p.a. as of 31 December 2009 (2008: 16.37% p.a.). Due to related parties mature mainly within three months (2008: one month).

	31 December 2009	31 December 2008
<b>d) Other payables to related parties:</b>		
Yaşar Holding	-	540,000
Other	7,813	7,574
	7,813	547,574
Less: Unincurred finance cost	-	(7,301)
	<b>7,813</b>	<b>540,273</b>

Founders Redeemed Share Allocation that was decided to be distributed from the profit of 2008 as decided by the General Assembly on 13 May 2009 was paid to Yaşar Holding in 2009. As of 31 December 2008, due to Yaşar Holding balance is arising from Founders Redeemed Share Allocation that was decided to be distributed from the profit of 2007 by the General Assembly of the Company on 15 May 2008.

#### ii) Transactions with related parties:

	1 January - 31 December 2009	1 January - 31 December 2008
<b>a) Product sales:</b>		
Birmaş	50,642,035	56,720,750
Yataş	3,865,646	4,446,442
	<b>54,507,681</b>	<b>61,167,192</b>

The Company's sales in the domestic market are made to its associate, Birmaş, and its exports are made to Yataş.

#### b) Service sales

Yaşar Holding	183,730	163,629
Other	20,449	-
	<b>204,179</b>	<b>163,629</b>

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

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

##### c) Sales of property, plant and equipment:

	1 January - 31 December 2009	1 January - 31 December 2008
Birmaş	165,527	327,520
Other	-	20,200
	<b>165,527</b>	<b>347,720</b>

##### d) Other income from related parties:

Pınar Et	69,549	359,970
Pınar Süt	57,828	165,688
	<b>127,377</b>	<b>525,658</b>

Other income from Pınar Et is related to palette sales.

##### e) Product purchases:

Birmaş	2,440,091	2,820,417
	<b>2,440,091</b>	<b>2,820,417</b>

The Company purchased palettes and demijohns from Birmaş.

	1 January- 31 December 2009	1 January - 31 December 2008
<b>f) Service purchases:</b>		
Yaşar Holding	1,067,197	1,278,805
Yataş	254,736	93,804
Yadex	195,516	102,790
YBP	101,242	246,944
Pınar Foods GmbH ("Pınar Foods")	-	4,987
Other	44,210	12,667
	<b>1,662,901</b>	<b>1,739,997</b>

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

**Pınar Su Sanayi ve Ticaret A.Ş.****Notes to the Financial Statements at 31 December 2009 and 2008**

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

**NOTE 37 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)****g) Other purchases:**

	<b>1 January- 31 December 2009</b>	<b>1 January – 31 December 2008</b>
Birmaş	28,842	16,682
YBP	10,860	2,682
Other	1,672	16,339
	<b>41,374</b>	<b>35,703</b>

**h) Finance expense:**

Yaşar Holding	-	29,622
Other	-	1,680
	<b>-</b>	<b>31,302</b>

**i) Finance income:**

Yaşar Holding	1,202,791	869,758
Dyo Boya	214,284	202,662
Viking Kağıt	102,457	92,887
YBP	74,514	67,554
Other	125,741	113,997
	<b>1,719,787</b>	<b>1,346,858</b>

As mentioned in Note 22, the finance income consists of income from bail commission charges in relation to the bank borrowings obtained by the related parties from international capital markets and a financial institution under the guarantee of the Company. The bail commission rate used in the intercompany charges is 0.75% p.a. (2008: 0.75% p.a.). The Company also charges finance commission by 0.75% (2008: 0.75%) in relation to the aforementioned bail.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

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

	1 January - 31 December 2009	1 January - 31 December 2008
<b>j) Dividends received:</b>		
YBP (Note 32)	647,239	590,685
Birmaş (Note 16)	-	79,211
	<b>647,239</b>	<b>669,896</b>
<b>k) Dividends paid:</b>		
Yaşar Holding	1,053,005	4,006,741
Public Quotation	371,192	1,942,306
Pınar Süt	100,881	527,411
Other	9,170	47,936
	<b>1,534,248</b>	<b>6,524,394</b>
<b>l) Donations:</b>		
Yaşar Üniversitesi	200,000	-
Yaşar Eğitim ve Kültür Vakfı	10,530	-
	<b>210,530</b>	<b>-</b>

#### m) Bails given:

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 Entegre Et ve Un Sanayi A.Ş., Pınar Süt Mamülleri Sanayii A.Ş. ve Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. for the repayment of loans obtained by Yaşar Group companies from international capital markets and a financial institution amounting to EUR286,289,000 equivalent of TL618,470,127 (2008: EUR319 million equivalent of TL682,915,200).

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

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

##### n) Key management compensation:

Key management includes Chief Executive Operations officer, general manager; director and members of Board of Directors. The compensation paid or payable to key management for employee service is shown below:

	2009	2008
Short-term benefits	620,787	750,714
Bonus and profit-sharing	369,183	419,400
Termination benefits	108,156	-
Benefits after employment	-	-
Other long term benefits	3,973	3,687
	<b>1,102,099</b>	<b>1,173,801</b>

In line with the past experiences of the Company management, the Company has provided bonus and profit sharing provision from the net income for 2009 in an amount of TL220,000 (2008: TL250,000) (Note 22.a).

#### NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

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

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. The Company sells all of its products in the domestic market to its related party and associate, Birmaş, which performs sales and distribution of the Company's products in the domestic market. In this respect, these risks are monitored by the Company through Birmaş with credit ratings, limiting the aggregate risk from any individual counterparty and receiving guarantees when required. Birmaş manages those risks arising from sales to dealers and direct customers by limiting the aggregate risk from any individual counterparty and receiving guarantees when required. The Company management, in line with the past experiences, there were never significant defaults or delays in payments, thus, believes that credit risk is well managed and monitored effectively and credit risk is limited to carrying amounts of the financial assets. Also the Company's exports are performed by another related party, Yataş, and those receivables are followed by the Company through Yataş.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

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

##### 31 December 2009

	Receivables					
	Trade Receivables (1)		Other Receivables		Bank	Total
	Related Parties	Third Parties	Related Parties	Third Parties	Deposits	
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)</b>	<b>5,623,121</b>	<b>475,653</b>	<b>7,717,327</b>	<b>31,632</b>	<b>641,870</b>	<b>14,489,603</b>
	-	-	-	-	-	-
A. Net book value of financial assets not due or not impaired	3,758,783	448,544	7,406,768	31,632	641,870	12,287,597
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)	1,864,338	27,109	310,559	-	-	2,202,006
- The part covered by guarantees etc	-	-	-	-	-	-
D Net book value of assets impaired						
- Past due (gross book value)	-	87,857	-	-	-	87,857
- Impairment amount (-)	-	(87,857)	-	-	-	(87,857)
- The part of net value covered with guarantees etc	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-



## Pınar Su Sanayi ve Ticaret A.Ş.

## Notes to the Financial Statements at 31 December 2009 and 2008

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

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

## 31 December 2008

	Receivables					Total
	Trade Receivables (1)		Other Receivables		Bank Deposits	
	Related Parties	Third Parties	Related Parties	Third Parties		
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)</b>	<b>6,322,623</b>	<b>1,750,471</b>	<b>498,369</b>	<b>26,266</b>	<b>41,996</b>	<b>8,639,725</b>
- The part of maximum credit risk covered with guarantees etc	-	-	-	-	-	-
A Net book value of financial assets not due or not impaired	4,156,858	1,750,471	20,411	26,266	41,996	5,996,002
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)	2,165,765	-	477,958	-	-	2,643,723
- The part covered by guarantees etc	-	-	-	-	-	-
D Net book value of assets impaired	-	-	-	-	-	-
- Past due (gross book value)	-	87,857	-	-	-	87,857
- Impairment amount (-)	-	(87,857)	-	-	-	(87,857)
- The part of net value covered with guarantees etc	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- The part of net value covered with guarantees etc	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-

(1) Receivable balances are mainly resulted from the sales of bottled and demijohn water.

(2) Factors increasing credit reliability such as guarantees received are not taken into consideration while determination of aforementioned amounts.

(3) None.

(4) Considering the past experiences, the Company management does not foresee any collection problem for the overdue receivables and the aging of these receivables is as follows:

31 December 2009	Receivables		Total
	Trade Receivables	Other Receivables	
1-30 days overdue	1,493,693	15,919	1,509,612
1-3 months overdue	205,548	229,138	434,686
3-12 months overdue	192,206	65,502	257,708
The part covered by guarantees	-	-	-
	<b>1,891,447</b>	<b>310,559</b>	<b>2,202,006 (*)</b>

(\*) TL1,793,856 of the receivables that were overdue but not impaired have been collected as of the approval date of the financial statements.

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

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

31 December 2008	Trade Receivables	Receivables Other Receivables	Total
1-30 days overdue	1,759,942	13,836	1,773,778
1-3 months overdue	405,823	265,626	671,449
3-12 months overdue	-	198,496	198,496
The part covered by guarantees	-	-	-
	<b>2,165,765</b>	<b>477,958</b>	<b>2,643,723</b>

#### b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders. The Company management closely monitors the timely collection of trade receivables, take actions to minimize the effect of delay in collections and arrange cash and non-cash credit lines from financial institutions in case of a requirement.

The Company's liquidity analysis in respect of categories of financial liabilities as of 31 December 2009 and 2008 are as follows:

#### 31 December 2009:

	Book value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
<b>Contract terms:</b>					
<b>Non-derivative financial liabilities:</b>					
Bank borrowings	5,267,302	5,350,548	991,257	881,911	3,477,380
Trade payables	4,740,168	4,779,173	4,779,173	-	-
Other payables	61,166	61,166	61,166	-	-
	<b>10,068,636</b>	<b>10,190,887</b>	<b>5,831,596 (*)</b>	<b>881,911</b>	<b>3,477,380</b>

(\*) The Company management does not foresee any difficulty in paying its non-derivative financial liabilities considering the operating cash flows and current assets of the Company.

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

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

##### 31 December 2008:

	Book value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
<b>Contract terms:</b>					
<b>Non-derivative financial liabilities:</b>					
Bank borrowings	6,957,849	7,698,022	655,096	1,290,125	5,752,801
Trade payables	5,744,789	5,804,103	5,804,103	-	-
Other payables	739,020	746,311	746,311	-	-
	<b>13,441,658</b>	<b>14,248,436</b>	<b>7,205,510</b>	<b>1,290,125</b>	<b>5,752,801</b>

#### c) Market Risk

##### i) Foreign exchange risk

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

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

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

	Foreign Currency Position							
	31 December 2009				31 December 2008			
	TL Equivalent	USD	EUR	TL Other	TL Equivalent	USD	EUR	Other
1. Trade Receivables	637,674	62,256	251,787	-	395,848	83,106	126,199	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	290,484	22,458	118,812	-	-	-	-	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
<b>4. Current Assets (1+2+3)</b>	<b>928,158</b>	<b>84,714</b>	<b>370,599</b>	<b>-</b>	<b>395,848</b>	<b>83,106</b>	<b>126,199</b>	<b>-</b>
5. Trade Receivables	-	-	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-	-	-
6b Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
7. Other	-	-	-	-	-	-	-	-
<b>8. Non-Current Assets (5+6+7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>9. Total Assets (4+8)</b>	<b>928,158</b>	<b>84,714</b>	<b>370,599</b>	<b>-</b>	<b>395,848</b>	<b>83,106</b>	<b>126,199</b>	<b>-</b>
10. Trade Payables	(217,901)	(9,860)	(93,994)	-	(72,970)	(7,821)	(28,560)	-
11. Financial Liabilities	(1,763,621)	-	(816,378)	-	(1,804,058)	-	(842,703)	-
12a. Monetary Other Liabilities	(17,606)	(11,693)	-	-	(17,683)	(11,693)	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short Term Liabilities (10+11+12)	(1,999,128)	(21,553)	(910,372)	-	(1,894,711)	(19,514)	(871,263)	-
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	(3,384,157)	-	(1,566,522)	-	(5,055,576)	-	(2,361,536)	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
<b>17. Long Term Liabilities (14+15+16)</b>	<b>(3,384,157)</b>	<b>-</b>	<b>(1,566,522)</b>	<b>-</b>	<b>(5,055,576)</b>	<b>-</b>	<b>(2,361,536)</b>	<b>-</b>
<b>18. Total Liabilities (13+17)</b>	<b>(5,383,285)</b>	<b>(21,553)</b>	<b>(2,476,894)</b>	<b>-</b>	<b>(6,950,287)</b>	<b>(19,514)</b>	<b>(3,232,799)</b>	<b>-</b>
<b>19. Net Asset/(Liability) Position of Off Balance Sheet Derivative Instruments (19a-19b)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19a. Amount of Asset Nature Off-Balance Sheet Derivative Instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>19b. Amount of Liability Nature Off-Balance Sheet Derivative Instruments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>20. Net Foreign Asset/(Liability) Position (9-18+19)</b>	<b>(4,455,127)</b>	<b>63,161</b>	<b>(2,106,295)</b>	<b>-</b>	<b>(6,554,439)</b>	<b>63,592</b>	<b>(3,106,600)</b>	<b>-</b>
<b>21. Net Foreign Currency Asset/(Liability) Position of Monetary Items (=1+2a+5+6a-10-11-12a-14-15-16a)</b>	<b>(4,455,127)</b>	<b>63,161</b>	<b>(2,106,295)</b>	<b>-</b>	<b>(6,554,439)</b>	<b>63,592</b>	<b>(3,106,600)</b>	<b>-</b>
<b>22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>23. Export</b>	<b>3,874,472</b>	<b>2,493,281</b>	<b>-</b>	<b>-</b>	<b>3,852,151</b>	<b>3,033,288</b>	<b>-</b>	<b>-</b>
<b>24. Import</b>	<b>305,263</b>	<b>199,310</b>	<b>-</b>	<b>-</b>	<b>4,795,536</b>	<b>3,739,923</b>	<b>-</b>	<b>-</b>

## Pinar Su Sanayi ve Ticaret A.Ş.

## Notes to the Financial Statements at 31 December 2009 and 2008

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

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

31 December 2009	Table of Sensitivity Analysis for Foreign Currency Risk			
	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of USD by 10% against TL:</b>				
1- Asset/Liability denominated in USD	9,510	(9,510)	-	-
2- The part of USD risk hedged (-)	-	-	-	-
<b>3- USD Effect - net (1+2)</b>	<b>9,510</b>	<b>(9,510)</b>	<b>-</b>	<b>-</b>
<b>Change of EUR by 10% against TL:</b>				
4- Asset/Liability denominated in EUR	(455,023)	455,023	-	-
5- The part of EUR risk hedged (-)	-	-	-	-
<b>6- EUR Effect (4+5)</b>	<b>(455,023)</b>	<b>455,023</b>	<b>-</b>	<b>-</b>
<b>Change of other currencies by 10% against TL:</b>				
7- Assets/Liabilities denominated in other foreign currencies	-	-	-	-
8- The part of other foreign currency risk hedged (-)	-	-	-	-
<b>9- Other Foreign Currency Effect (7+8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL (3+6+9)</b>	<b>(445,513)</b>	<b>445,513</b>	<b>-</b>	<b>-</b>

## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

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

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

#### 31 December 2008

#### Table of Sensitivity Analysis for Foreign Currency Risk

	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of USD by 20% against TL:</b>				
1- Asset/Liability denominated in USD	19,234	(19,234)	-	-
2- The part of USD risk hedged (-)	-	-	-	-
<b>3- USD Effect - net (1+2)</b>	<b>19,234</b>	<b>(19,234)</b>	<b>-</b>	<b>-</b>
<b>Change of EUR by 20% against TL:</b>				
4- Asset/Liability denominated in EUR	(1,330,122)	1,330,122	-	-
5- The part of EUR risk hedged (-)	-	-	-	-
<b>6- EUR Effect - net (4+5)</b>	<b>(1,330,122)</b>	<b>1,330,122</b>	<b>-</b>	<b>-</b>
<b>Change of other currencies by 20% against TL:</b>				
7- Assets/Liabilities denominated in other foreign currencies	-	-	-	-
8- The part of other foreign currency risk hedged (-)	-	-	-	-
<b>9 Other Foreign Currency Effect - net (7+8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL (3+6+9)</b>	<b>(1,310,888)</b>	<b>1,310,888</b>	<b>-</b>	<b>-</b>

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

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

##### ii) Interest Risk

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

	Interest Rate Position Schedule	
	31 December 2009	31 December 2008
<b>Financial instruments with fixed interest rate</b>		
Financial assets	580,746	26,266
Financial liabilities	2,428,619	3,500,088
<b>Financial instruments with floating interest rate</b>		
Financial assets	13,816,101	8,571,463
Financial liabilities	7,586,664	9,941,570

According to the interest rate sensitivity analysis performed as at 31 December 2009, if interest rates on bank borrowings had been 1% higher while all other variables being constant, net profit for the year would be TL62,294 higher (2008: net profit for the year would be TL59,429 lower) as a result of additional interest expense that would be incurred on bank borrowings with floating rates.

##### iii) Price risk

The operational profitability of the Company and the cash flows generated by these operations are affected by the changes in the raw material prices and market competition. These prices are closely followed up by the Company management to reduce the pressure of the costs on selling prices and necessary precautions for cost reductions are taken accordingly. Price risk is monitored by Board of Directors and Audit Committee via regular meetings.



## Pinar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

#### NOTE 38 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

##### d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as the total liability (including borrowings, trade, due to related parties and other payables, as shown in the balance sheet) less cash and cash equivalents.

	31 December 2009	31 December 2008
Total financial liabilities	10,243,633	13,791,418
Less: Cash and cash equivalents (Note 6)	(644,932)	(42,445)
Net debt	9,598,701	13,748,973
Total equity	70,220,642	61,326,279
<b>Debt/equity ratio</b>	<b>14%</b>	<b>22%</b>

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

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

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

## Pınar Su Sanayi ve Ticaret A.Ş.

### Notes to the Financial Statements at 31 December 2009 and 2008

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

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

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

##### Financial Assets

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

##### Financial Liabilities

Fair values of bank borrowings are disclosed in Note 8.

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

#### NOTE 40 - SUBSEQUENT EVENTS

Based on the decision of the General Assembly on 28 January 2010, the Company legally merged with Birmaş and paid-in capital was increased from TL12,732,754 to TL12,789,345.

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

None (2008: None).

#### NOTE 42 - EXPLANATION FOR CONVENIENCE TRANSLATION INTO ENGLISH

As of 31 December 2009, CMB Financial Reporting Standards differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.

## Pınar Su Sanayi ve Ticaret A.Ş.

### Information for Investors

#### Stock Exchange

Pınar Su Sanayi ve Ticaret A.Ş. shares are traded on the national market of the İstanbul Stock Exchange (ISE) under the symbol "PINSU".

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

#### Annual General Assembly Meeting

Pursuant to a resolution passed by the Board of Directors of Pınar Su Sanayi ve Ticaret A.Ş., the company's annual General Assembly meeting for 2009 will take place on 14 May 2010 at 10:30 hours at the following address: Kemalpaşa Asfaltı No.1 Pınarbaşı İzmir.

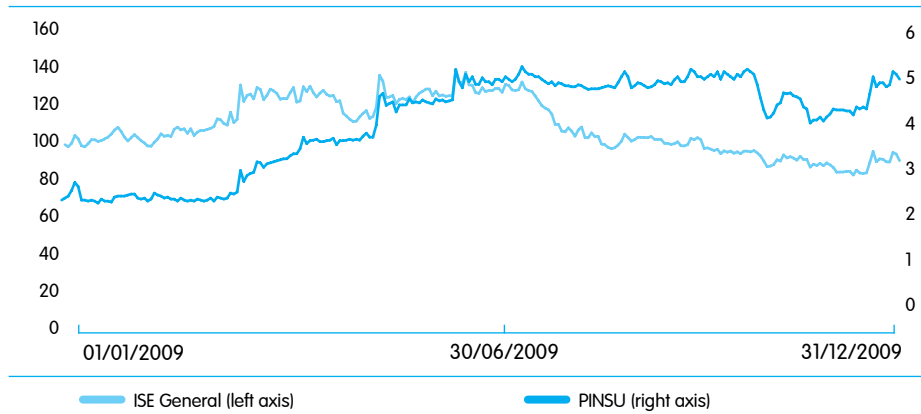
#### Dividend Policy

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

#### Investor Relations

Pınar Su Sanayi ve Ticaret A.Ş.  
Investor Relations Department  
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#### Pınar Su Share Performance in 2009 (in comparison with the ISE General Index)



\* Adjusted share prices



In the production of this report; Freelif paper,  
which is made of waste paper and has internationally  
acclaimed certificate of recycling, was used.

