Pınar Su
Annual Report 2010

PINAR

Yaşar
for a better life

Content

The sector's pioneering firm

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Today, the natural spring water that Pınar Su harvests from the Madran, Gökçeağaç, and Toros springs is offered to an appreciative group of customers in Turkey and the countries the company exports to under the "Pınar Yaşam Pınarım"* name.

* Pınar: My Life Source

Pınar Su in Brief

Pınar Su has made itself an important part of water consumers' everyday lives.
Pınar Su is a member of 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.

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Today, the natural spring water that Pınar Su harvests from the Madran, Gökçeağaç, and Toros springs is offered to an appreciative group of customers in Turkey and the countries the company exports to under the "Pınar Yaşam Pınarım" name, which means "Pınar: My Life Source".

Pınar Su produces water under ultra-hygienic conditions in Turkey.
Producing wholesome water for healthier people, Pınar Su was both the first bottled water brand in Turkey to receive Turkish Standards Institute (TSE) certification and the first beverage produced in Turkey whose quality was 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.

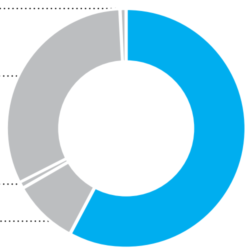
Pınar Su makes use of the most advanced technology currently available in the world while also deploying its strong infrastructure to keep continuous track of technological developments. Pınar Su's operations are carried out in bottling plants where water is bottled exactly as it was harvested at source, without any changes in its natural state or balanced mineral content, and all under ultra-hygienic conditions that are far superior to industry standards.

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

Pınar Su will continue to strengthen its market position by means of new investments in the future as well.
Having become thoroughly identified with consumer confidence over the years and regarding customer satisfaction above all, Pınar Su has defined its top-priority goal as that of constantly improving its production quality. Pınar Su is committed to keeping a close watch on innovations and technological developments taking place in the sector in which it is engaged, to undertaking investments appropriate to such developments, and to pursuing its mission of being the sector's pioneering firm.

Healthful water for healthier people

Pınar Su Shareholder Structure



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

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

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

Highlights from Pınar Su's History

1984
Pınar Su introduces consumers in Turkey to bottled water products for the first time under the "Şaşal" label.

1985
Pınar Su ships its first exports to Germany.

1985
PVC packaging is used for the first time.

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

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

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

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

1999
Pınar Su receives ISO 9002 Quality Management System certification.

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

2002
Pınar Madran is marketed in 19 liter polycarbonate bottles.

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

Pınar Su is awarded TS ISO 9001:2000 certification.

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

Additional investments at the Pınar Madran plant occupying 64,000 m² of land in Aydın-Bozdoğan increase the facility's enclosed space from 14,000 m² to 17,000 m².

2009
Work begins on the Pınar Su Order Hotline on 444 99 00.

2010
The Pınar Su Order Hotline on 444 99 00 goes into service and is made accessible from everywhere in Turkey.

Pınar Su by Numbers

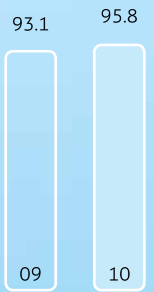
Financial Indicators

(TL million)	2010	2009
Total assets	95.8	93.1
Shareholders' equity	72.7	70.2
Financial liabilities	3.3	5.3
Sales revenues	69.0	75.3
Profit before taxation on income	4.4	7.5
Net period profit	3.8	6.1
Earnings per share (TL)	0.2963	0.4803

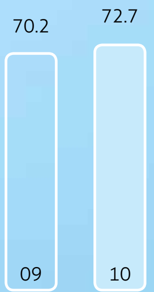
Financial Ratios

	2010	2009
Total liabilities/Total assets (%)	24.11	24.52
Total liabilities/Total assets (%)	31.77	32.48
Current assets/Current liabilities	1.41	1.53
Equity turnover ratio	0.97	1.14
Net financing costs/Net sales (%)	0.86	0.92
Net financing costs/Shareholders' equity (%)	0.82	0.98

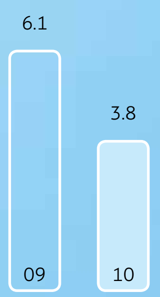
Total Assets (TL million)



Shareholders' Equity (TL million)



Net Period Profit (TL million)



strong balance sheet and liquidity management, sound financial structure

Chairperson's Message

İdil Yiğitbaşı
Chairperson of the Board of Directors

high quality standards and a sense of social and environmental responsibility

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.

In 2010 Pınar Su continued to successfully apply its strategies and to maintain its consistent performance. Carrying out effective production, marketing, and sales activities, the company posted successful results last year.

Competition in our sector was made more severe in 2010 by economic uncertainties and by more players entering the market. It was a year therefore in which competition tended to focus rather more on price. Nevertheless even in the face of aggressive price competition caused mostly by cheaply-priced, small-scale local brands that sprang up particularly during the economic crisis period, Pınar Su succeeded in conducting its own activities profitably.

Seeking to strengthen its presence in national and international markets by making the best possible use of its competencies in 2010, our company increased its assets by 3% to TL 95.8 million, booked sales revenues amounting to TL 69 million, and posted a net profit of TL 3.8 million for the year.

We earned a total of USD 2.3 million on the goods that we exported to about twenty countries.

In the PET segment, growth was particularly strong in the 5-liter and above bottle groups.
As consumers become increasingly more health-conscious, the demand for natural spring water also grows steadily and this causes additional growth and development in our industry. In addition, improvements in income levels and increases in population as well as changes in consumption preferences are also important contributing factors to rises in bottled water consumption.

The strong growth momentum that had been characteristic of the bottled water industry for the most recent five years continued in 2010. The Turkish water market reached a total volume of about 9.3 billion liters in 2010, of which 6.25 billion liters was supplied in 19 liter polycarbonate bottles and 3.05 billion liters in PET bottles. Last year the sector's total turnover amounted to about TL 3.3 billion in value.

The fastest-growing category in 2010 was the PET market, which showed year-on rises of 11% and 31% on a tonnage and a turnover basis respectively. In this category, the greatest growth took place in the 10-liter group.

The strength of the Pınar name reinforces consumer confidence.
In the annually-conducted Nielsen survey on brand names, Pınar ranked among the top five brands in the fast-moving consumer goods category that people in Turkey said they had the greatest affinity for. An achievement such as this is an unequivocal outcome of the corporate values which our company has defended and developed with such great care since the day it was founded as well as of the Yaşar Group's business model to which we also subscribe.

The high-quality and healthful sources of water that we control in the natural spring water sector and our plant investments to package that water using the most advanced technology are the two most important factors contributing to the strength of our brand, to which consumers have such confidence in and give such value to.

The ability to produce marketable water from three separate sources each close to its target market creates logistical and operational cost advantages for us. The other feature that gives us an edge over our competitors is the know-how created by our years of experience as the first national-scale bottled water producer in Turkey.

The Pınar Su Order Hotline on 444 99 00 that was launched at the beginning of 2010 makes it possible for consumers anywhere in Turkey to access the Pınar Communication Center by both fixed and mobile lines without having to dial an area code. The system has been designed to increase customers' use of the Pınar call center by providing them with a single and easily remembered telephone number. This not only allows customers to place orders quickly and easily but also facilitates the company's dealership and customer management processes

Pınar Su ensures full compliance with all quality standards.
Recognizing that being a sector's leader entails responsibilities as well as strengths, our company conducts its activities in line with the growing trend on the part of consumers who, in their greater awareness, prefer producers whose operations take place under more hygienic conditions.

Filling operations at all three of our plants take place under Class 100 conditions making use of the world's most advanced technology. In the cleanroom system, which ensures compliance with internationally-recognized standards of hygiene, bottling takes place in facilities that maintain an interior air pressure which is greater than that outside. The air entering the cleanroom is filtered to remove contaminants while the air inside is constantly recirculated and refiltered to keep it clean.

Numerous projects were launched to ensure sustainability in quality standards.
Under the heading of operational cost improvements at all three plants, a variety of enhancements were made in shrink wrapping, stretch wrapping, and palleting machinery that reduced the quantities of materials needing to be used. Projects were also initiated at all three plants to employ short-neck preforms and caps in order to achieve savings and cost advantages in preform use. These projects are scheduled for completion by June 2011.

It was decided to make changes in the designs of the company's 0.5- and 1.5-liter bottles. Along with these new bottles, work was also begun on designing new labels for the entire product line. These changes were due to come on stream at the beginning of 2011.

We are committed to meticulous compliance with our strategies for the future.
We believe that there will be rapid growth in water consumption in the years ahead paralleling our country's rapid growth and development and that the demand for bottled water will increase even faster. Some of the strategies that we intend to follow in order to achieve our goals in line with this expectation are these:

- We will increase our overall market share by pursuing above-market growth in both our PET and 19 liter polycarbonate bottle lines.
- We will maximize our profitability throughout the value creation chain without sacrificing quality.
- We will improve communication with consumers and increase customer loyalty by maintaining the highest levels of service quality.
- We will adhere to an optimum-priced, source-location-based distribution model.
- We will pay full attention to human resources in order to ensure the sustainability of our success.

Another crucially important path of our company's medium-term growth lies in the direction of supplying the needs of other national markets near our own by making the best possible use of our strong resources and logistical advantages.

In closing I extend my thanks to our customers and business partners for their unstinting support as we strive to realize our corporate objectives, to all of our employees for their boundless efforts and contributions, and to our esteemed shareholders for their valued backing.

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

Hüseyin Karamehmetoğlu *
General Manager

* Appointed to replace Ahmet Atay, who resigned his position as general manager as of 15 December 2010.

Gökhan Serdar
Financial Affairs and Finance Director

Terms of Office of the Company's Directors

Name	Title	Appointment Dates and Terms of Office
İdil Yiğitbaşı	Chairperson	15.05.2008 – 15.05.2011
Yılmaz Gökoğlu	Deputy Chairperson	15.05.2008 – 15.05.2011
Mehmet Aktaş	Director	13.05.2009 – 15.05.2011
Hakkı Hikmet Altan	Director	13.05.2009 – 15.05.2011
Ahmet Atay	Director	13.05.2009 – 15.05.2011
Suat Özyiğit	Director	13.05.2009 – 15.05.2011
Ali Sözen	Director	24.09.2009 – 15.05.2011

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.

Terms of Office of the Company's Statutory Auditors

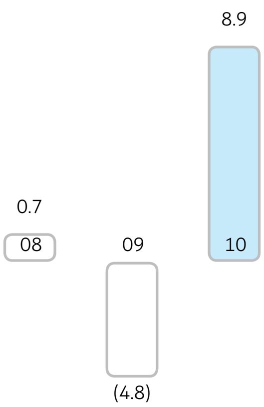
Name	Appointment Dates and Terms of Office
Kamil Deveci	14.05.2010 – 14.05.2011
Turgut Sarıoğlu	14.05.2010 – 14.05.2011

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.

Macroeconomic and Sectoral Overview

strong growth performance in the economy

GDP Growth Rates – Fixed Prices (%)



In 2010, the Turkish economy grew by 8.9% which made it the best-performing economy among all European countries.

The economic growth in 2010 was the fastest rate of economic growth witnessed in Turkey since 2004.

With its relatively (compared with other countries) strong financial structure, healthy banking system, and the potential of a youthful population, Turkey promises to be a strong growth performer in 2011 as well.

International and national economic review

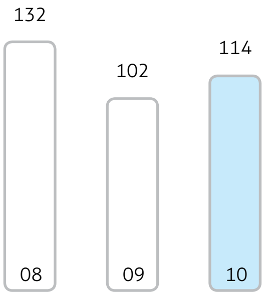
The global economy began to recover in 2010, with both the world and the Turkish economies growing and performing more strongly than expected.
Global growth, which is thought to have been on the order of 5% in 2010, is expected to slow down somewhat in 2011 but still be around 4.4%. Although economic growth remained slow in the USA and most European countries last year, overall economic activity was lively in Germany, in Asian countries other than Japan, and in developing market economies such as Turkey.

In 2010 the developed countries continued to inject liquidity into their markets through economic support programs while simultaneously seeking to keep their policy interest rates at low levels.

The Turkish economy grew by 8.9% in 2010.
Having registered year-on rates of growth averaging 6% in 2002-2008, the Turkish economy shrank by some 4.8% in 2009 as a result of the sharp contraction experienced in domestic and foreign demand brought on by the global crisis of 2009. The recovery that got under way in the last quarter of that year however reversed the growth trend to positive and this situation continued into 2010.

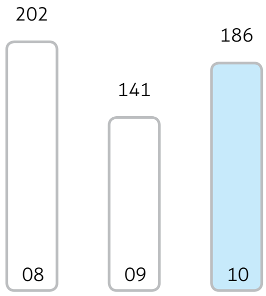
Due both to strong economic recovery and to base year effects, the Turkish economy registered quarter-to-quarter growth rates of 12% in the first quarter of 2010 and of 10.3% and 5.2% respectively in the second and third. A hefty 9.2% rate in the last quarter brought the overall performance for the year to 8.9%, which made Turkey's economy the best-performing among all European countries in 2010. This was also the fastest rate of economic growth witnessed in Turkey since 2004.

Total Exports (USD billion)



Turkey's total exports increased by 11.6% in 2010 and reached USD 114 billion.

Total Imports (USD billion)



The rise in total imports that reached USD 186 billion in 2010 was 31.7%.

With its relatively (compared with other countries) strong financial structure, healthy banking system, and the potential of a youthful population, Turkey promises to be a strong growth performer in 2011 as well.

CPI performance was within targets.

Due to the effects of tax increases and continuing high food prices, one-month inflation rates surged in the first two months of 2010. Thereafter they tended to subside for the rest of the year with the 12-month rise in consumer prices ending up at the 6.4% level. The 12-month rate of inflation in the first quarter of 2011 was 4%. For the second half of the year, it is expected that the inflationary outlook will begin to worsen, especially as base effects are eliminated in April, and that it will start to rise again due to the effects of loose monetary and fiscal policies. By the end of the year, it is likely that the 12-month rise in inflation will be around 5.5% or so.

CBT: Using interest rate and other market tools to achieve stability

In November 2010 the Turkish Central Bank (CBT) lowered its overnight borrowing rate to 1.75% while still holding the line on its policy interest rate. Taking this action to stem a tide of capital inflows, the bank lowered the overnight rate another 25 basis points to 1.50% on 23 March 2011. These tweakings had the effect of driving short-term lending rates down as well with the result that the Turkish lira lost a great deal of its attractiveness for the many international investors who were taking a short-term view.

In the last quarter of 2010, CBT launched another round of policy interest rate cuts while simultaneously speeding up its hikes in the banks' reserve requirement rates in order to impose some order on the expansion in credit that was resulting from lower interest rates.

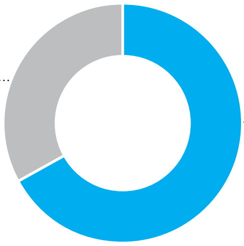
Short-term capital inflows into Turkey nevertheless remained strong in 2010, with a total of USD 10.7 billion worth of foreign liquidity entering the bond & bill market during the 12 months to year-end. Nevertheless, CBT's loose-money policy worked to keep the interest rates on such instruments low. Indeed the benchmark interest rate on bonds, which was around 9% at the beginning of the year, slipped almost two whole points to 7.1% in December.

Turning now to currency markets, the USD/TL exchange rate, which was around 1.45 at the beginning of 2010, rose as high as 1.60 in parallel with a weakened global appetite for risk brought on by concerns about Eurozone countries' problems with debt. The rate began to fall again when Greece and Ireland were included in the IMF and EU rescue packages. By November, the rate fell below the 1.40 level, only to rebound to 1.55 or so by year-end in response to CBT's relaxation of its monetary policy.

Strong economic growth in 2010 nourished strong demand for imported goods, which pushed the ratio of the current account deficit to GDP up from 2.3% in 2009 to 6.4% in 2010. It is expected that the current account deficit will continue to widen in 2010 and that it will approach the 7% of GDP level.

a business with high growth potential

Bottled Water Sector in Turkey - Sales Breakdown



Source: SUDER

Per capita consumption of bottled water, which was 126 liters in 2009, rose to 128 liters in 2010, of which 42 liters was in PET bottles and 86 liters was in 19 liter polycarbonate bottles.

30% natural spring water utilization rate

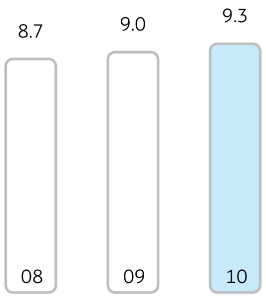
The bottled water sector in Turkey

The bottled water sector experienced a 3% rate of year-on growth in 2010.
The bottled water sector's turnover in Turkey grew by 3% year-on in 2010 and reached TL 3.3 billion in value with a total production volumes amounting to 9.3 billion liters. 67% or 6.25 billion liters of this market consisted of water supplied in 19 liter polycarbonate bottles while the remaining 33% or 3.05 billion liters consisted of PET-bottle sales. The sector generates employment for a total of 80 thousand people, 10 thousand of them directly and 70 thousand of them indirectly.

Per capita consumption of bottled water, which was 126 liters in 2009, rose to 128 liters in 2010, of which 42 liters was in PET bottles and 86 liters was in 19 liter polycarbonate bottles.

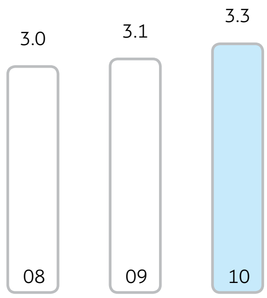
Average per capita bottled water consumption in Turkey is commensurate with the consumption levels found in the European Union, which range from 189 liters (Italy) and 165 liters (Germany) at one end of the scale to 123 liters (Spain) and 120 liters (Belgium) at the other.

Bottled Water Sector in Turkey - Volume (billion liters)



Total production of the bottled water sector is 9.3 billion liters. 67% of this market consisted of water supplied in 19 liter polycarbonate bottles while the remaining 33% consisted of PET-bottle sales.

Bottled Water Sector in Turkey - Sales (TL billion)



The bottled water sector's turnover in Turkey grew by 3% year-on in 2010 and reached TL 3.3 billion in value.

The sector's growth potential is high.

- Consumption of carbonated beverages is declining as consumers become more aware of and conscious about healthful lifestyles.
- In large cities, there is a widespread perception among consumers that tap water is not drinkable. This attitude increases the demand for bottled, branded water.
- Turkey is advantageously positioned from the standpoint of sources of natural spring water. Indeed it is estimated that only 30% of its available resources are actually being utilized.

On current projections, the water market in Turkey is likely to grow by about 5% and to reach 9.8 billion liters in 2011 while the sector's total turnover is expected to be on the order of TL 3.45 billion in value. Because the Turkish bottled water sector is currently operating at around only 40% of its installed capacity, there is clearly a huge amount of room available for it to meet just about any foreseeable rises in consumption and demand.

Turkish per capita consumption in 2011 is expected to be on the order of 135 liters, of which 46 liters will be in PET bottles and 89 liters will be in 19 liter polycarbonate bottles.

Assessment of 2010 Activities

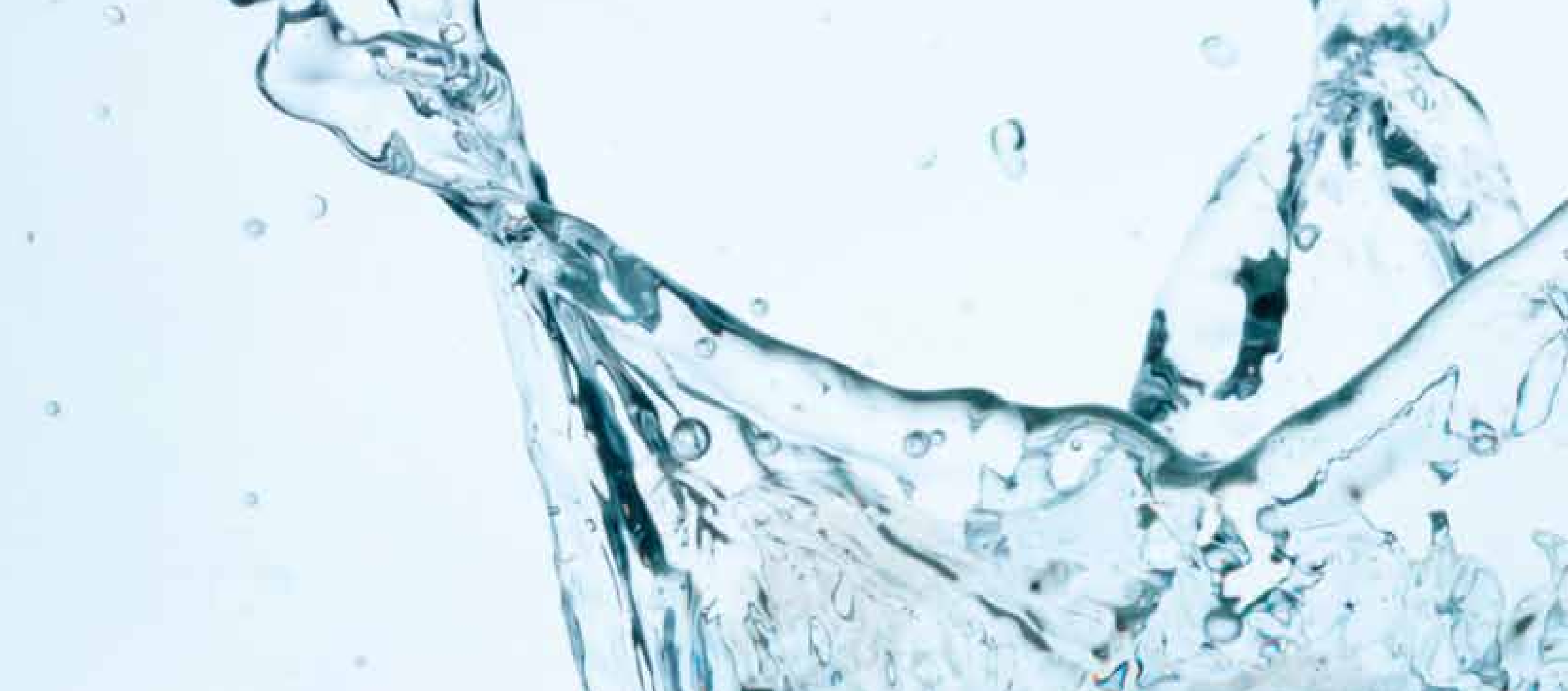
Quality and hygiene at every stage of production

Having single-handedly established the nationally-branded bottled water sector in Turkey, Pınar Su seeks to provide consumers with this vitally essential product on which all life is based under the most natural and hygienic conditions possible.

The utmost care is given to quality and hygiene at every stage of production.
The first company to supply nationally-branded, natural spring water to the Turkish market, Pınar Su today harvests water from its Madran, Gökçeağaç, and Toros springs and offers it to an appreciative group of customers in Turkey and the countries which the company exports to under the "Pınar Yaşam Pınarım" name, which means "Pınar: My Life Source".

Pınar Su bottles in modern production plants the water that it harvests from natural springs in three different areas. These three plants, located in Aydın-Bozdoğan, Isparta-Eğirdir, and Sakarya-Hendek are situated well away from places of habitation and sources of industrial pollution.

Pınar Su bottles the water that it harvests from natural springs in three areas in modern production plants located in Aydın-Bozdoğan, Isparta-Eğirdir, and Sakarya-Hendek.



Pınar Yaşam Pınarım-Madran

Located 1,000 meters above the nearest places of habitation, the Pınar Madran spring is the source of some of the best-quality and most palatable spring water available in Turkey. Its average hardness rating is a mere 1.65 Fr. Water from the Pınar Madran plant is supplied in 0.33 liter, 0.5 liter handy-cap, 1.5 liter, 2.5 liter, 5 liter, and 8 liter PET bottles; in 0.33 liter and 0.75 liter glass bottles; and in 19 liter polycarbonate bottles.

Magnesium	2.2 mg/lt
Calcium	6.0 mg/lt
Sodium	6.3 mg/lt
Flouride	0.14 mg/lt
Chloride	3.9 mg/lt
Nitrite	None

Pınar Yaşam Pınarım-Toros

Pınar Yaşam Pınarım-Toros water comes from a spring located in the Eğirdir region of Isparta among the western reaches of the Toros mountains, which are especially rich in natural springs. This water can help meet a significant part of the human body's mineral requirements. Equipped with advanced technology, the Pınar Yaşam Pınarım-Toros plant supplies Pınar-quality-assured natural spring water in 0.5 liter, 1.5 liter, and 5 liter PET bottles and in 19 liter polycarbonate bottles.

Magnesium	10.6 mg/lt
Calcium	54.3 mg/lt
Sodium	2.7 mg/lt
Chloride	3.15 mg/lt
Nitrite	None

Pınar Yaşam Pınarım-Gökçeağaç

The Pınar Yaşam Pınarım-Gökçeağaç spring and plant are located in Sakarya-Hendek. Water from the plant is supplied in 0.33 liter, 0.5 liter, 0.5 liter handy-cap, 1 liter, 1 liter handy-cap, 1.5 liter, 2.5 liter, and 5 liter PET bottles and in 19 liter polycarbonate bottles.

Magnesium	1.2 mg/lt
Calcium	14.9 mg/lt
Sodium	5.5 mg/lt
Chloride	1.1 mg/lt
Nitrite	2.2 mg/lt

Making use of the world's most advanced technology in all of its bottling plants and keeping a close and continuous watch on technological developments in the sector, Pınar Su's bottling operations take place in a completely hygienic environment in which sterile air is maintained at a positive pressure inside to prevent contamination from outside. The interior air is constantly recirculated and refiltered to keep it clean. Bottling takes place without any manual intervention whatsoever. Pınar Su water is subjected to a battery of physical, chemical, and microbiological tests at every stage of production.

In 2010 Pınar Su controlled a 6% share of the retail market for PET-bottle products, successfully defending its position as one of the sector's leading players.

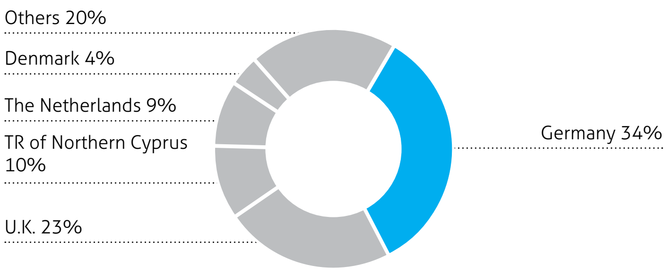
12% share of Turkey's water exports in 2010

6% share of the PET bottle products market in 2010

Gökçeağaç (Hendek)

In 2010 changes were made in packaging starting with the products of the company's Hendek plant. In the new labels on the goods leaving this plant, the spring's name was identified as "Gökçeağaç" for the first time. A new product consisting of a 10-liter bottle was also added to the portfolio.

2010 - Breakdown of Exports by Destination



In 2010 Pınar Su continued to maintain liquidity and a strong balance sheet structure.
Aggressive price competition despite higher production and shipping costs and even more players entering the market in 2010 adversely affected profitability. In the face of such conditions however, Pınar Su nevertheless succeeded in conducting its operations profitably.

Adhering to a policy of controlled downsizing during the year, Pınar Su continued to maintain liquidity and a strong balance sheet structure as it contended with adverse economic conditions. In 2010 the company booked sales revenues of TL 69 million while total assets reached TL 95.8 million in value.

In a market characterized by a highly fragmented structure consisting of many small-scale enterprises, there was growth in the PET segment (particularly in 5 liter and above bottles) while the demijohn segment shrank.

In 2010 Pınar Su controlled a 6% share of the retail market for PET-bottle products, successfully defending its position as one of the sector's leading players.

Accelerated efforts were made to increase sales.

Pınar Su is one of the first brands that comes to consumers' minds in Turkey in response to the phrase "bottled water". The company is careful to highlight a specific constellation of values such as "trust", "naturalness", and "family ties" when communicating with consumers. Through the sales campaigns and promotional activities that it conducting during 2010, Pınar Su sought to reward consumers' confidence and maintain their loyalty.

In order to help consumers better identify with the "Pınar: My Life Source" concept, in 2010 changes were made in packaging starting with the products of the company's Hendek plant. In the new labels on the goods leaving this plant, the spring's name was identified as "Gökçeağaç" for the first time. A new product consisting of a 10-liter bottle was also added to the portfolio.

At the beginning of 2010, the Pınar Su Order Hotline on 444 99 00 was launched to make it possible for orders to be placed quickly and easily. The objectives of this important investment are to facilitate the company's dealer and customer tracking and to initiate customer relationship management processes by making the call center easier to use.

After the launching of the order hotline, a new link was added to the Pınar Su order management chain with the installation of a new system that will allow delivery personnel making their rounds to send in orders via mobile phones and for order deliveries to be tracked online.

The distribution network in target markets was reviewed with consideration being given to ways in which dealership numbers and territories might increase the company's distribution strengths and service quality. In 2010, 50 new dealerships were added to the system, bringing the total number to 531. The dealership corporate identity was revamped in light of the "Yaşam Pınarım" brand strategy, with changes being made in dealers' vehicles, stores, and signage to bring them into line with a standardized brand framework.

The Yaşar Group subsidiary Birmaş Tüketim Malları Ticaret AŞ, which carries out the sale and distribution of Pınar Su products, was incorporated into Pınar Su as of 1 February 2010. The objectives of this merger were to create a model for a more effective sales and distribution network, to increase competitive strength in domestic markets, to make optimum use of existing tax positions, and to achieve cost economies.

Pınar Su exports to about 20 countries.

The sector's leading company in the exportation of bottled natural spring water, Pınar Su's export performance has been increasing steadily for many years.

Pınar Su on its own accounts for about a 12% share of all the water exported from Turkey. In 2010 the company booked export sales worth USD 2.3 million. Its biggest export customer was Germany, which accounted for a 34% share. Last year Pınar Su also shipped its goods to UK, Denmark, Switzerland, Holland, Belgium, USA, Singapore, Australia, Turkish Republic of Northern Cyprus, Malta, Kosovo, Azerbaijan, Aegean Free Zone, Kuwait, Qatar, Bahrain, and United Arab Emirates.

Pınar Su's goal is to continue increasing the share that exports contributes to its total sales by pursuing growth in existing markets while also entering new ones.

Pınar Su adheres to international standards in all of its production processes from harvesting to distribution. The company's quality is confirmed by a variety of certifications.

The highest standards of quality and hygiene are conformed to in all production processes.

Pınar Su adheres to international standards in all of its production processes from harvesting to distribution. The company's quality is confirmed by a variety of certifications.

ISO 9001 Quality Management System and ISO 22000 Food Safety Management System requirements are fully complied with at all Pınar Su facilities.

Work has begun to integrate the company's Isparta and Hendek plants into the ISO 14001 Environmental Management System currently deployed at the Madran plant as well and also to implement OHSAS 18001 Occupational Health & Safety Assessment Series standards at all locations. Both projects are due to be completed by midyear 2011.

Pınar Su's Madran, Hendek, and Isparta plants have been certified by USDOD from the standpoints of hygiene and cleanliness. The Madran plant has also been examined by NSF International and found to be in compliance with European and US standards.

A project is currently under way to replace the ISOFT software that is used to deploy all management systems over the corporate intranet with a newer and more effective BIMSER QDMS platform. This project is also due to be completed by midyear 2011.

The Pınar Su strategic investment plan was successfully followed in 2010 as well.

In 2010 Pınar Su again continued without letup to engage in investments focused on increasing total output and quality in all of its production, environment, and human resources processes in accordance with the company's strategic investment plan.

Pınar Su spent a total of TL 2,760 thousand in the conduct of all of its investment activities in 2010.

Of this total, TL 1,196 thousand was for fixtures, TL 1,385 thousand was for machinery and plant, TL 141 thousand was for land and buildings, and TL 38 thousand was for vehicles.

Pınar Communication Center

The Pınar Communication Center receives, records, tracks, and resolves all consumer feedback involving complaints, suggestions, information, and expressions of appreciation arriving by telephone, email, fax, letter, and other ways.

Through the communication center's management, it is possible to check and monitor all customer-related movements, profiles, and current standings (gained, lost, profitable, unprofitable, potential, etc). In this way, the company is able to conduct customer relationship management (CRM) activities that are effective from the standpoints of maintaining existing customers, gaining new customers, and enhancing customer satisfaction.

The Pınar Su Order Hotline on 444 99 00 that was launched at the beginning of 2010 makes it possible for consumers anywhere in Turkey to access the Pınar Communication Center by both fixed and mobile lines without having to dial an area code. The system has been designed to increase customers' use of the Pınar call center by providing them with a single and easily remembered telephone number. This not only allows customers to place orders quickly and easily but also facilitates the company's dealership and customer management processes.

All promotional materials were renewed prior to the call center's announcement and local campaigns were organized through regular communication media.

Pınar Su adheres to a strategic human resources management policy.

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

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

Pınar 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.

Pınar 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.

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

In order to be an employer that people most want to work for, Pınar Su conducts an annual Employee Opinion Survey. Through projects and activities that are continuously undertaken together with employees, the company seeks to achieve a higher level of employee satisfaction year after year.

Pınar Su gives its high-quality human resources opportunities to continuously improve and advance themselves through professional training. The company provides employees with training within the framework of progression plans that will increase their specializations and improve their skills. The Lean Six Sigma projects that Pınar Su conducts also contribute to the company's success in this area.

Environment & Sustainability

making optimum use of natural resources and minimizing environmental pollution

Pınar Su continues to work for a better environment.
In order to systematically minimize any harm that its activities cause or may cause to the environment and to eliminate such losses wherever possible, Pınar Su seeks to identify environmental factors and, by keeping such factors under control, to minimize the environmental harm which they cause while also continuously improving its own environmental performance.

Pınar Su is aware that people must use the natural resources they need to maintain a good way of life in a sustainable manner, which is to say with the needs of future generations taken into account as well.

Calling upon its consumers to take urgent measures to combat global warming with its "There's Life Inside!" campaign, Pınar Su itself engages in a variety of efforts to make optimum use of natural resources and to minimize environmental pollution.

Less energy was consumed in production activities.
Efforts to reduce the amount of electricity used in production activities continued in 2010. Under this heading:

- Economies of 25% were achieved in electrical power consumption by adding frequency inverters to the electrical motors of high-pressure compressors that use the most electricity.
- The amount of electricity used for bottle and package conveyor systems was reduced by adding speed controls to their electrical motors.
- Energy was used more productively by specifying electrical line measurement, cleaning, and maintenance cycles in scheduled maintenance programs in greater detail and performing such maintenance accordingly.

As a result of these efforts average electrical power use at all three plants was reduced. Activities are also continuing to take advantage of more economical rates by using electricity more effectively at the right times of day.

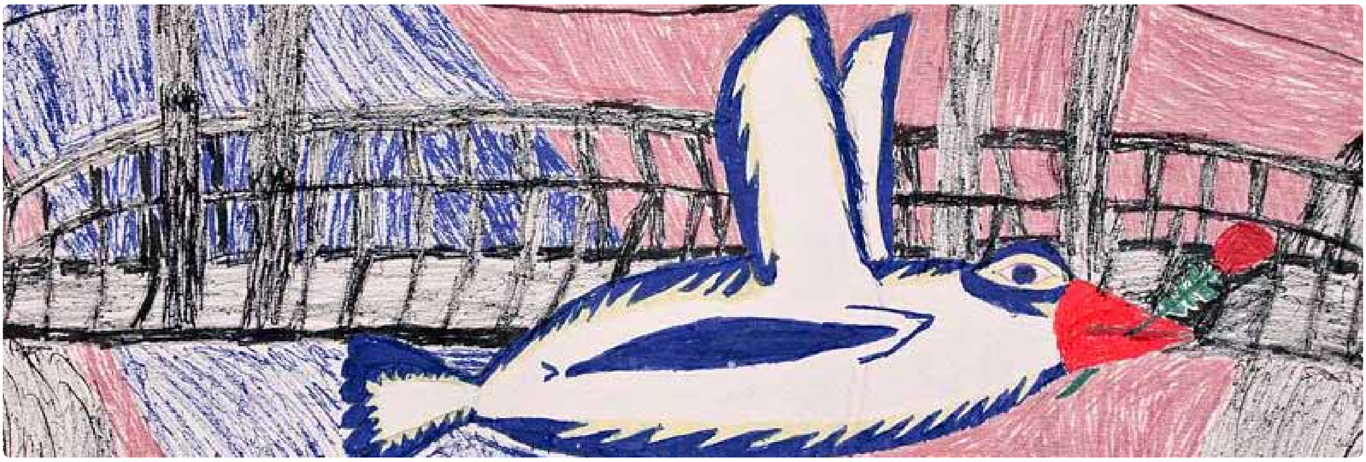
An honorable mention was awarded in the Yaşar Group Productivity Competition.
In addition to continuously improving its energy costs through the energy conversion projects that it is undertaking at its production sites, Pınar Su has also begun using fuels that are less environmentally harmful. This project, which earned Pınar Su an honorable mention in the Yaşar Group Productivity Competition, is just one aspect of the company's ongoing commitment to reducing its carbon footprint.

Consistent improvements were achieved in production line efficiencies.
Improvements were achieved in many production lines as a result of efforts to increase productivity at Pınar Su plants.

Production line efficiency is one indicator by means of which ongoing improvements taking place at a plant may be quantified. Improving production line efficiency means that more product can be made even though the same amount of energy is being used.

The following factors were influential in improving production line efficiencies:

- New investments being brought on stream
- Elimination of bottlenecks in existing production processes
- Regular and effective conduct of maintenance plans
- Effective sales and production planning.



The following production line efficiencies were achieved in 2010:

- 66% on the 19 liter polycarbonate bottle and 83% on the PET production lines at the Madran plant
- 72% on the 19 liter polycarbonate bottle and 98% on the PET production lines at the Hendek plant
- 63% on the 19 liter polycarbonate bottle and 84% on the PET production lines at the Toros plant.

The consolidated production line efficiency rates at all plants were 72.96% in 2007, 78.34% in 2008, 81.1% in 2009, and 79.38% in 2010.

Operational Cost Improvement and Lean Six Sigma projects were carried out.

Improvements were achieved in operational costs in many areas through solutions that were developed in 2010 to conserve energy, to reduce the amount of packaging used per unit of production, to improve productivity, and to make logistical services more effective.

Lean Six Sigma projects conducted last year focused on lowering defectivity rates, reducing packaging use, developing new logistical models, and improving customer-focused services. Through these projects, sustainable gains and process improvements were achieved.

Pınar Su-ÇEVKO collaboration

Pınar Su is a founding member of the Environmental Protection and Packaging Waste Recovery and Recycling Trust (ÇEVKO), which has been designated as an authorized agency by the Ministry of Environment and 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.

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

Specifically designing and executing the packaging of its products with the issues of reusability and recoverability in mind, Pınar Su gives attention to ways in which to minimize waste and to create packaging materials that will cause as little harm to the environment as possible from the initial concept stage to final production and post-use.

Recycled Packaging Materials

(Kg)	2009		2010	
	Supplied to market	Recovered	Supplied to market	Recovered
PET	4,316,242	1,553,847	4,480,278	1,447,416
PE	989,981	356,393	1,079,203	399,305
Cardboard	1,218,397	438,623	991,309	366,784
Glass	505,220	181,879	614,011	227,184
		36%		37%

Social Responsibility

Since the day it was founded, Pınar 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, Pınar Su contributes towards numerous projects in the areas of education, sport, culture, and art and it continued to do so in 2010 as well.

Pınar Kido Children's Theater

Since 1987, the Pınar 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 which mounts dozens of programs that are specially designed to appeal to children. To date, about three million children have had a chance to attend these performances, for which no admission is charged.

During the summer months, the Pınar Kido Children's Theater goes on tour and captures the hearts of thousands of children in other parts of the country. In addition to encouraging a love of theater among children, every performance is also designed to contribute towards children's individual cultural and personal development.

During the 2010-2011 academic year, the Pınar Kido Children's Theater mounted performances of Nasreddin İnadın Sonu, a newly-composed play that seeks to acquaint children with traditional Turkish theater.

The Pınar Kido Children's Theater has also been instrumental in launching the careers of many of today's well-known performers in Turkey such as Bülent İnal, Vahide Gördüm, Özgür Ozan, Necmi Yapıcı, Sarp Apak, Engin Altan Düzyatan, and Ozan Güven.

Pınar Kido Art Competition

The Pınar Kido Art Competition has been held for 29 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 Pınar 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 2010, whose theme was "Draw what most interests you". From among 887,660 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 Hüsamettin Koçan. The talented young artists taking part in the 29th Pınar Kido Art Competition held last year received netbooks and certificates at an award ceremony that was held at the conclusion of the camp.

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 Karşıyaka represented Turkey in the Euro Challenge Cup games during the 2010-2011 season. In addition, nearly a thousand children also benefit from the facilities of the Çiğli Selçuk Yaşar Sports Center 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 musically talented children and youths.

Under this project, students are given musical training in line with their individual abilities and skills while they are also helped to prepare for admission examinations and to take the first steps towards a career in music by attending fine arts lycees; the primary, middle, and high divisions of state conservatories; university music departments; and other music schools.

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. It also represents Turkey at the international level in tournaments held in other countries.

Publications

Yaşam Pınarım
First appearing in 2004, Yaşam Pınarım is a magazine published by Pınar that seeks to establish and maintain bonds between the company and its consumers and business partners and with academic and governmental circles. Employing an engaging style and delivering unique content, Yaşam Pınarım is distributed free of charge.

Fairs, Congresses, and Sponsorships

- Pınar Su exhibited its products at the Yaşar Group Food & Beverages Division's stand at the 79th İzmir International Fair in 2010.
- Pınar was a prime sponsor of the Forum İstanbul 2010 conference when it was held in İstanbul in May to discuss the theme of Turkey's emergence from the current global financial and economic crisis and where Turkey was likely to be going between now and 2023.
- Pınar acted as a sponsor for the "11th In Search Of Perfection Symposium" conducted by the İzmir Quality Association.
- 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 3rd International Golden Cap Chefs Competition which was organized by the Turkish Federation of Cooks and by the Antalya Chefs Association and in which nearly 2,500 cooks took part when it was held 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 was a sponsor for the first "Safe Food Symposium" organized by the İzmir branch of KalDer in December 2010.

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 among the top five brands (both national and international) in all sectors in Turkey which consumers said they felt the closest to in 2010.

At an award ceremony conducted by the Aegean Chamber of Commerce in 2010, Pınar Su received awards in the following categories from that association:

Beverages Industry Professional Group Certificate of Success
Firm providing the most employment (1st place)
Firm paying the most tax (1st place)
Firm exporting the most (2nd place)
Firm carrying out the most investments (3rd place)
Firm carrying out the most production (3rd place).

At the same ceremony, Pınar Su was also awarded a letter of appreciation by the İzmir Tax Office in recognition of its standing among the 100 firms (41st rank) reporting the highest earnings in 2009.

Corporate Governance and Financial Information

Agenda of the General Assembly Meeting

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 2010 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. Determining the number of directors pursuant to articles 9 and 10 of the company's articles of incorporation; electing directors to replace those whose terms of office have expired.

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. Deliberation and decision on the amendment of article 3 ("Object and scope") of the company's articles of incorporation

Old Version

Object and scope

Article 3

In order to achieve the objectives set forth in the license and investment incentives certificate (number 72 dated 1 October 1981) issued by the Undersecretariat of the State Planning Organization of the Prime Ministry and others as may in future be stipulated, the company's object and scope shall consist of the following. The company may:

a) Extract, purify, make potable, bottle, package, store, and market and distribute in Turkey and abroad spring water, mineral water, and soda water from any and all manner of sources

b) Produce, manufacture and prepare, package, and domestically and internationally market any and all manner of: fruit and vegetable juices, including their frozen and desiccated forms, beverages, fruit-flavored sodas, cola-flavored beverages, and the like and also jellies and jams, marmalades, compotes, and fruit concentrates; with respect to these, have trademarks registered and purchase patent rights and technical know-how;

c) Manufacture bottles made from any and all manner of PVC, plastic, glass, or similar materials as well as caps and covers for them; manufacture packaging boxes and containers made from any and all manner of cardboard; manufacture pallets of sawed timber for such packaging; market any of these in Turkey and abroad;

d) Have incomplete, semi-finished, and finished materials needed for the manufacture of the things mentioned above as well as their machinery, equipment, tools, and complete plants imported, installed, and operated;

e) Engage in any and all of contracting, commission-dealing, representing, importing, and exporting activities in Turkey and abroad involved in the conduct of businesses falling within the company's object and scope;

f) With respect to its object and scope: become a partner in companies and organizations, establish new companies, and undertake ventures which are subject to the purview of Statute 6224;

g) In order to achieve the objectives set forth above: purchase any and all manner of movable and immovable properties, have properties built, lease them, when necessary sell them, rent them out, or donate them; establish and relinquish pledges, mortgages, easements, and similar real rights applicable to such properties; on condition of making special circumstance announcements to inform investors as required by the Capital Markets Board, grant surety and establish mortgages on company-owned real estate properties against the obligations of others;

h) Borrow and lend with or without mortgages or other guarantees from others; receive and relinquish any and all manner of material and personal guarantees for the collection of the company's rights and claims;

ı) Enter into long, medium, and short-term borrowing agreements and issue bonds on condition of complying with the Capital Markets Law and other relevant regulations and administrative provisions;

i) Within the framework of the limits and regulations specified by the Capital Markets Board with respect to such matters: make donations to foundations established for diverse purposes and to other such individuals and/or entities or allocate shares of its profits to them.

In matters pertaining to its granting, in its own name and on behalf of any outside party pledges, surety, or guarantees or any form of lean, including mortgages, the company shall comply with principles set forth in capital market laws, regulations, and administrative provisions.

If it should be desired to engage in businesses other than those indicated above which may in future appear to be beneficial and necessary for the company, the matter shall, upon a proposal by the Board of Directors, be submitted to a general meeting for its approval and the company may engage in whatever businesses it may wish after such approval has been obtained. However as this is in the nature of an amendment to

Agenda of the General Assembly Meeting

these articles of incorporation, it shall be necessary for the company to obtain the approval and permission of the Ministry of Industry and Commerce and of the Capital Markets Board in order to implement such a decision.

New Version

Object and scope

Article 3

In order to achieve the objectives set forth in the license and investment incentives certificate (number 72 dated 1 October 1981) issued by the Undersecretariat of the State Planning Organization of the Prime Ministry and others as may in future be stipulated, the company's object and scope shall consist of the following. The company may:

a) Extract, purify, make potable, bottle, package, store, and market and distribute in Turkey and abroad spring water, mineral water, and soda water from any and all manner of sources; and with respect thereto, engage in all manner of business and dealings specified in laws and other regulations and administrative provisions including exploring, extracting, managing, processing, domestically and internationally marketing, importing, and exporting spring water and drinking water as governed by Regulations concerning water intended for human consumption, by Statute 5686 concerning geothermal springs and natural mineral waters, and by other relevant laws, regulations, and administrative provisions;

b) Produce, manufacture and prepare, package, and domestically and internationally market any and all manner of: fruit and vegetable juices, including their frozen and desiccated forms, beverages, fruit-flavored sodas, cola-flavored beverages, and the like and also jellies and jams, marmalades, compotes, and fruit concentrates; with respect to these, have trademarks registered and purchase patent rights and technical know-how;

c) Manufacture bottles made from any and all manner of PVC, plastic, glass, or similar materials as well as caps and covers for them; manufacture packaging boxes and containers made from any and all manner of cardboard; manufacture pallets of sawed timber for such packaging; market any of these in Turkey and abroad;

d) Have incomplete, semi-finished, and finished materials needed for the manufacture of the things mentioned above as well as their machinery, equipment, tools, and complete plants imported, installed, and operated;

e) Engage in any and all of contracting, commission-dealing, representing, importing, and exporting activities in Turkey and abroad involved in the conduct of businesses falling within the company's object and scope;

f) With respect to its object and scope: become a partner in companies and organizations, establish new companies, and undertake ventures which are subject to the purview of Statute 6224;

g) In order to achieve the objectives set forth above: purchase any and all manner of movable and immovable properties, have properties built, lease them, when necessary sell them, rent them out, or donate them; establish and relinquish pledges, mortgages, easements, and similar real rights applicable to such properties; on condition of making special circumstance announcements to inform investors as required by the Capital Markets Board, grant surety and establish mortgages on company-owned real estate properties against the obligations of others;

h) Borrow and lend with or without mortgages or other guarantees from others; receive and relinquish any and all manner of material and personal guarantees for the collection of the company's rights and claims;

ı) Enter into long, medium, and short-term borrowing agreements and issue bonds on condition of complying with the Capital Markets Law and other relevant regulations and administrative provisions;

i) Within the framework of the limits and regulations specified by the Capital Markets Board with respect to such matters: make donations to foundations established for diverse purposes and to other such individuals and/or entities or allocate shares of its profits to them.

In matters pertaining to its granting, in its own name and on behalf of any outside party pledges, surety, or guarantees or any form of lean, including mortgages, the company shall comply with principles set forth in capital market laws, regulations, and administrative provisions.

If it should be desired to engage in businesses other than those indicated above which may in future appear to be beneficial and necessary for the company, the matter shall, upon a proposal by the Board of Directors, be submitted to a general meeting for its approval and the company may engage in whatever businesses it may wish after such approval has been obtained. However as this is in the nature of an amendment to these articles of incorporation, it shall be necessary for the company to obtain the approval and permission of the Ministry of Industry and Commerce and of the Capital Markets Board in order to implement such a decision.

11. Informing shareholders about charitable donations made during the year.

12. Deliberating and voting on matters pertaining to the year's profits.

13. 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.

14. Authorizing the Board of Directors pursuant to articles 334 and 335 of the Turkish Commercial Code.

15. Petitions.

Corporate Governance Principles Compliance Report

Corporate Governance Principles Compliance Report

1. Statement of compliance with corporate governance principles

During the reporting period ending 31 December 2010, Pınar Süt Mamülleri Sanayii 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

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

Information about the Shareholder Relations Unit is provided below.

Capital Markets Coordinator: Senem Demirkan

Tel: 0 232 482 22 00

Fax: 0 232 489 15 62

Email : yatirimciiliskileri@pinarsu.com.tr

Capital Markets Coordinator Senem Demirkan is in possession of all certifications issued by CMB and is also responsible for coordinating matters involved (1) in the fulfillment of company obligations arising from capital markets laws and regulations and (2) in corporate governance practices.

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.

Corporate Governance Principles Compliance Report

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.

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 2010 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, "Investor Relations" section of the company's website, 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 2010.

4. Information about General Assembly meetings

The 2009 annual General Assembly meeting took place during 2010 on 14 May 2010. 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 2009 annual General Assembly meeting, 67.66% of the company's capital was represented and voted. At the extraordinary General Assembly meeting, 67.54% 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.

Corporate Governance Principles Compliance Report

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 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.

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 2009 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.

7. Transfer of shares

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

Corporate Governance Principles Compliance Report

Part II: Public disclosures and transparency

8. Company disclosure policy

In all matters pertaining to its public disclosures the company complies with the requirements of the Capital Markets 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. 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 for additional material disclosures were received either from CMB or from ISE concerning these material 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. Pursuant to CMB regulations, all of our special circumstance announcements have been published exclusively in electronic format via our Public Disclosure Platform since 2010. 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. 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 2010 is shown below.

Shareholder	Share Amount (TL)	Share (%)
Yaşar Holding A.Ş.	7,417,546.06	58.00
Pınar Süt A.Ş.	1,122,150.07	8.77
Others	4,249,649.14	33.23
Total	12,789,345.27	100.00

The shares in the company which belong to Yaşar Holding A.Ş. and to Pınar Süt Mamülleri San. A.Ş. and which correspond to 66.77% of the company's capital are controlled by Yaşar Group companies, which are owned by members of the Yaşar family.

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
- Hüseyin Karamehmetoğlu (General Manager)
- Gökhan Serdar (Director of Financial Affairs and Finance)

Corporate Governance Principles Compliance Report

- Nevzat Gazioğlu (Accounting Manager)
- İsmail Önder Ünal (Chief Independent Auditor (Responsible Partner))
- Independent auditing firm personnel

Part 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 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."

Corporate Governance Principles Compliance Report

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 2010 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".

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

Corporate Governance Principles Compliance Report

Ahmet Atay	Director
Suat Özyiğit	Director
Ali Sözen	Director

• Ahmet Atay, who served as the company's general manager in 2010, resigned his position as of 15 December 2010, at which time Hüseyin Karamehmetoğlu was appointed to replace him.

• 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.

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 2010 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-two 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 2010 reporting period. Board members were actually present at board meetings during which matters governed

Corporate Governance Principles Compliance Report

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 2009 held during 2010, 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.

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 2010 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 2010 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.

Statutory Auditors' Report

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

Company name	PINAR SU SANAYİ VE TİCARET 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
Number of Board of Directors meetings participated in and of Board of Auditors meetings held	Kamil Deveci (14.05.2010 – one year) not a shareholder Turgut Sarıoğlu (14.05.2010 – one year) not a shareholder
Scope, dates and conclusions of the examination made on the accounts, books and documents of the company	Board of Directors meetings: 32 Board of Auditors meetings:12
Dates and results of the examinations made pursuant to Article 353 paragraph 1, subparagraph 4 of the Turkish Commercial Code	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.
Complaints and charges of fraud of which the company was advised and actions taken against them	Examination was performed at the end of each month, comments were provided for matters of uncertainty, and no irregularities were established.
Number of Board of Directors meetings participated in and of Board of Auditors meetings held	None

We have examined the accounts and transactions of Pınar Su Sanayi ve Ticaret Anonim Şirketi for the period 01 January 2010 - 31 December 2010 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 2010, 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 2010 - 31 December 2010 fairly and accurately presents the operating results for the period.

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

Statutory Auditor
Kamil Deveci

Statutory Auditor
Turgut Sarıoğlu

Profit Distribution Proposal

The company's current net profit for 2010 is calculated as TL 3,536,511. This amount is arrived at as follows.

1. TL 3,789,250 is shown as net profit for 2010 in the company's financial statements, which have been prepared taking into account the requirements of the Turkish commercial law, of capital markets laws and regulations, of the corporation tax law, of the income tax law, and of other laws, regulations, and administrative provisions as well as of the provisions of the company's articles of incorporation pertaining to the distribution of profits, and which have been independently audited in accordance with International Financial Reporting Standards.

2. From the resulting amount is subtracted the amount of TL 252,739, which is the first statutory reserve that is mandated by article 466/1 of the Turkish Commercial Code.

We submit for your consideration and approval the following proposal concerning the allocation of the TL 3,536,511 in distributable profit as calculated above:

1. TL 767,345 will be distributed among shareholders as a first dividend. This corresponds to 20% of distributable profit when the TL 300,212 that was paid out as charitable donations during the year in line with CMB rules is taken into account.

2. Of the remainder, an allocation of not more than 10% will be set aside for the allocation for Founder Redeemed Shares as prescribed by the company's articles of incorporation.

3. Of the remainder, the amount of TL 2,174,205 will be distributed among shareholders as a second dividend. The combined total of first and second dividends amounts to TL 2,941,549. This corresponds to 23% of our issued capital, which amounts to TL 12,789,345.27.

4. Of the remainder, TL 256,208 will be set aside as a second statutory reserve.

5. Of the final amount remaining, all will be set aside as a extraordinary reserve.

If this proposal is approved, the company will be paying out a gross cash dividend amounting to TL 0.2300, which is to say a net cash dividend of TL 0.1955, on each share of its stock with a par value of TL 1.0000. This corresponds to a gross cash dividend rate of 23% and to a net cash dividend rate of 19.55%.

2010 Profit Distribution Table

PINAR SU SANAYİ VE TİCARET A.Ş.
2010 PROFIT DISTRIBUTION TABLE (TL)

1.	Paid-in/Issued Capital		12,789,345
2.	Total Statutory Reserves (according to legal records)		3,671,061
If there are privileges for distribution of profits according to the Articles of Association, information on such privileges			
		Based on CMB	**Based on Legal Records**
3.	Profit for the Period	4,366,931	6,019,242
4.	Taxes Payable (-)	(577,681)	(964,471)
5.	Net Profit for the Period (=)	3,789,250	5,054,771
6.	Losses in Prior Years (-)	0	0
	Net effect of reserves set aside in the financial statements for allocation for the Board of Directors (+)		
7.	First Statutory Reserves (-)	252,739	252,739
8.	**NET DISTRIBUTABLE PROFIT FOR THE PERIOD (=)**	**3,536,511**	**4,802,032**
9.	Donations during the Year (+)	300,212	
10.	**Net Distributable Profit for the Period Including Donations, Based on Which First Dividend will be Computed**	3,836,723	
11.	First Dividend to Shareholders	767,345	
	- Cash	767,345	
	- Bonus Shares		
	- Total	767,345	
12.	Dividends Distributed to Owners of Privileged Shares	0	
13.	Dividends Distributed to Board Members, Employees, etc.	0	
14.	Dividends Distributed to Owners of Redeemed Shares	260,000	
15.	Second Dividend to Shareholders	2,174,205	
16.	Second Statutory Reserves	256,208	
17.	Statutory Reserves	0	
18.	Special Reserves		
19.	**EXTRAORDINARY RESERVES**	78,754	1,344,275
20.	Other Resources to be Distributed		
	- Previous Year Profit		
	- Extraordinary Reserves		
	- Other Distributable Reserves as per the Law and Articles of Association		

INFORMATION ON EARNINGS PER SHARE

	GROUP	TOTAL DIVIDENDS (TL)	DIVIDENDS PER SHARES WITH NOMINAL VALUE OF TL 1 EACH	
			AMOUNT (TL)	RATIO (%)
GROSS	**There are no privileged share groups for profit distribution.**	2,941,549	0.2300	23.00%
NET		2,500,317	0.1955	19.55%

RATIO OF DIVIDENDS DISTRIBUTED TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS	
CASH DIVIDENDS DISTRIBUTED TO SHAREHOLDERS (TL)	**RATIO OF DIVIDENDS DISTRIBUTED TO SHAREHOLDERS TO NET DISTRIBUTABLE PERIOD PROFIT INCLUDING DONATIONS (%)**
2,941,549	77%

Pınar Su Sanayi ve Ticaret Anonim Şirketi
Independent Auditors' Report

Convenience Translation of the Independent Auditors' Report as at 31 December 2010
Originally prepared and issued in Turkish (Note 2.1.1)

To the Board of Directors of Pınar Su Sanayi ve Ticaret Anonim Şirketi

We have audited the accompanying financial statements of Pınar Su Sanayi ve Ticaret Anonim Şirketi (the "Company") which comprise the statement of financial position as of 31 December 2010 and the statements of comprehensive income, changes in equity and 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

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting standards of Capital Markets Board of Turkey ("CMB"). 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the auditing standards promulgated by CMB. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Pınar Su Sanayi ve Ticaret Anonim Şirketi as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards of CMB (Note 2).

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2009 were audited by another auditor who expressed an unqualified opinion on those financial statements on 8 April 2010

İzmir,

10 March 2011

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

İsmail Önder Ünal

Partner

Additional paragraph for convenience translation to English

As explained in Note 2.1.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in countries and jurisdictions other than Turkey.

Pınar Su Sanayi ve Ticaret Anonim Şirketi

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Pınar Su Sanayi ve Ticaret Anonim Şirketi
Statement of Financial Position As at 31 December 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

	Notes	*Audited Current Period* **31 December 2010**	*Restated (*) Prior Period* **31 December 2009**
ASSETS			
Current Assets		**22,306,530**	**21,365,177**
Cash and Cash Equivalents	6	915,550	732,075
Trade Receivables		9,077,951	7,491,174
- Due from related parties	37	1,058,180	1,184,856
- Other trade receivables	10	8,019,771	6,306,318
Other Receivables		7,180,184	7,748,959
- Other receivables from related parties	37	6,462,360	7,717,327
- Other receivables	11	717,824	31,632
Inventories	13	2,989,992	2,804,412
Other Current Assets	26	2,142,853	2,588,557
Non-Current Assets		**73,526,659**	**71,687,085**
Other Receivables	11	1,800	1,800
Financial Assets	7	22,685,491	18,686,447
Property, Plant and Equipment	18	50,680,552	52,876,417
Intangible Assets	19	128,096	23,346
Other Non-Current Assets	26	30,720	99,075
TOTAL ASSETS		**95,833,189**	**93,052,262**

(*) For further explanation, please refer to Note 2.

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Statement of Financial Position As at 31 December 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

	Notes	*Audited Current Period* **31 December 2010**	*Restated (*) Prior Period* **31 December 2009**
LIABILITIES			
Current Liabilities		**15,765,967**	**13,942,416**
Financial Liabilities	8	1,708,951	1,924,342
Trade Payables		10,070,533	8,720,774
- Due to related parties	37	635,947	579,649
- Other trade payables	10	9,434,586	8,141,125
Other Payables		303,179	11,018
- Other payables to related parties	37	259,956	7,813
- Other payables	11	43,223	3,205
Current Income Tax Liability	35	--	144,450
Provisions	22	3,208,858	2,675,148
Other Current Liabilities	26	474,446	466,684
Non-Current Liabilities		**7,341,540**	**8,871,316**
Financial Liabilities	8	1,580,895	3,384,157
Trade Payables	10	194,770	--
Provision For Employment Termination Benefits	24	745,890	619,603
Deferred Tax Liabilities	35	4,819,985	4,867,556
TOTAL LIABILITIES		**23,107,507**	**22,813,732**
EQUITY		**72,725,682**	**70,238,530**
Share Capital	27	12,789,345	12,789,345
Adjustment to Share Capital	27	11,713,515	11,713,515
Revaluation Reserves		30,150,929	27,875,504
- Revaluation reserves		14,482,577	15,908,845
- Fair value reserves of available-for-sale investments	7	15,668,352	11,966,659
Restricted Reserves	27	3,671,061	2,832,184
Accumulated Profits		10,611,582	8,885,151
Net Profit for the Year		3,789,250	6,142,831
TOTAL LIABILITIES AND EQUITY		**95,833,189**	**93,052,262**

(*) For further explanation, please refer to Note 2.

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Statement of Comprehensive Income As at 31 December 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

	Notes	*Audited Current Period* **1 January- 31 December 2010**	*Restated (*) Prior Period* **1 January- 31 December 2009**
Revenue	28	68,984,998	75,253,798
Cost of Sales (-)	28	(34,434,493)	(38,381,690)
GROSS PROFIT		**34,550,505**	**36,872,108**
Marketing, Selling and Distribution Expenses (-)	29	(23,909,448)	(22,323,880)
General Administrative Expenses (-)	29	(8,894,505)	(8,475,533)
Other Operating Income	31	1,554,065	843,659
Other Operating Expense (-)	31	(517,905)	(967,413)
OPERATING PROFIT		**2,782,712**	**5,948,941**
Finance Income	32	2,179,610	2,228,486
Finance Expense (-)	33	(595,392)	(690,742)
PROFIT BEFORE TAX		**4,366,930**	**7,486,685**
Taxes on Income	35	(922,602)	(1,796,635)
Deferred Tax Income	35	344,922	452,781
NET PROFIT FOR THE YEAR		**3,789,250**	**6,142,831**
Other Comprehensive Income :			
Change in fair value of available-for-sale investments	7	3,999,044	4,373,144
Taxes on Other Comprehensive Income	35	(297,351)	(152,377)
OTHER COMPREHENSIVE INCOME AFTER TAX		**3,701,693**	**4,220,767**
TOTAL COMPREHENSIVE INCOME		**7,490,943**	**10,363,598**
BASIC AND DILUTED EARNINGS PER SHARE	36	**0.2963**	**0.4803**

(*) For further explanation, please refer to Note 2.

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi
Statement of Changes in Equity As at 31 December 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

Statement of changes in equity for the period between 1 January – 31 December 2009.

Restated Prior Period (*)	Share Capital	Adjustment to Share Capital	Revaluation reserve	Fair value reserve of available-for-sale investments	Fair value reserve of investment in associates	Restricted Reserves	Retained Earnings	Net Profit for the Period	Total Equity
1 January 2009 – Before business combination	**12,732,754**	**11,713,515**	**17,351,076**	**7,745,892**	**--**	**2,181,402**	**3,921,884**	**5,679,756**	**61,326,279**
Changes arising from business combinations (*)	56,591	--	--	--	--	--	802,809	(776,500)	82,900
1 January 2009 – After business combination	**12,789,345**	**11,713,515**	**17,351,076**	**7,745,892**	**--**	**2,181,402**	**4,724,693**	**4,903,256**	**61,409,179**
Total comprehensive income									
Profit for the period	--	--	--	--	--	--	--	6,142,831	**6,142,831**
Other comprehensive income									
Fair value increase in available-for-sale investment (Note 7)	--	--	--	4,373,144	--	--	--	--	**4,373,144**
Deferred tax over fair value increase in available-for-sale investment (Note 7)	--	--	--	(152,377)	--	--	--	--	**(152,377)**
Depreciation transfer-net (Note 18)	--	--	(1,442,231)	--	--	--	1,442,231	--	**--**
Total other comprehensive income	--	--	**(1,442,231)**	**4,220,767**	--	--	**1,442,231**	--	**4,220,767**
Total comprehensive income	--	--	**(1,442,231)**	**4,220,767**	--	--	**1,442,231**	**6,142,831**	**10,363,598**
Transactions with owners of the Company, recognized directly in equity									
Transfer of net profit for prior year to retained earnings	--	--	--	--	--	--	4,903,256	(4,903,256)	**--**
Legal and extraordinary reserves	--	--	--	--	--	650,782	(650,782)	--	**--**
Dividends paid (Note 37.ii.k)	--	--	--	--	--	--	(1,534,247)	--	**(1,534,247)**
Total transactions with owners of the Company	**--**	**--**	**--**	**--**	**--**	**650,782**	**2,718,227**	**(4,903,256)**	**(1,534,247)**
31 December 2009	**12,789,345**	**11,713,515**	**15,908,845**	**11,966,659**	**--**	**2,832,184**	**8,885,151**	**6,142,831**	**70,238,530**

Statement of changes in equity for the period between 1 January – 31 December 2010.

Audited Current Period	Share Capital	Adjustment to Share Capital	Revaluation reserve	Fair value reserve of available-for-sale investments	Fair value reserve of investment in associates	Restricted Reserves	Retained Earnings	Net Profit for the Period	Total Equity
1 January 2010 – Before business combination	**12,732,754**	**11,713,515**	**15,908,845**	**12,208,737**	**(60,520)**	**2,647,909**	**9,043,116**	**6,026,286**	**70,220,642**
Changes arising from business combinations (*)	56,591	--	--	(242,078)	60,520	184,275	(157,965)	116,545	17,888
1 January 2010 – After business combination	**12,789,345**	**11,713,515**	**15,908,845**	**11,966,659**	**--**	**2,832,184**	**8,885,151**	**6,142,831**	**70,238,530**
Total comprehensive income									
Profit for the period	--	--	--	--	--	--	--	3,789,250	**3,789,250**
Other comprehensive income									
Fair value increase in available-for-sale investment (Note 7)	--	--	--	3,999,044	--	--	--	--	**3,999,044**
Deferred tax over fair value increase in available-for-sale investment (Note 7)	--	--	--	(297,351)	--	--	--	--	**(297,351)**
Depreciation transfer-net (Note 18)	--	--	(1,426,268)	--	--	--	1,426,268	--	**--**
Total other comprehensive income	**--**	**--**	**(1,426,268)**	**3,701,693**	**--**	**--**	**1,426,268**	**--**	**3,701,693**
Total comprehensive income	**--**	**--**	**(1,426,268)**	**3,701,693**	**--**	**--**	**1,426,268**	**3,789,250**	**7,490,943**
Transactions with owners of the Company, recognized directly in equity									
Transfer of net profit for prior year to retained earnings	--	--	--	--	--	--	6,142,831	(6,142,831)	**--**
Legal and extraordinary reserves	--	--	--	--	--	838,877	(838,877)	--	**--**
Dividends paid	--	--	--	--	--	--	(5,003,791)	--	**(5,003,791)**
Total transactions with owners of the Company	**--**	**--**	**--**	**--**	**--**	**838,877**	**300,163**	**(6,142,831)**	**(5,003,791)**
31 January 2010	**12,789,345**	**11,713,515**	**14,482,577**	**15,668,352**	**--**	**3,671,061**	**10,611,582**	**3,789,250**	**72,725,682**

(*) For further explanation, please refer to Note 2.

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Statement of Cash Flows As at 31 December 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

	Notes	*Audited Current Period* **31 December 2010**	*Restated (*) Prior Period* **31 December 2009**
Operating activities:			
Profit before taxation on income		4,366,930	7,486,685
Adjustments to reconcile profit before taxation on income to net cash provided by operating activities			
Depreciation and amortisation	18-19	4,667,164	4,415,881
(Gain)/loss on sales of property, plant and equipment	31	(125,700)	73,671
Interest income	32	(804,973)	(307,767)
Interest expense	33	154,659	230,063
Provision for employment termination benefits	24	189,249	366,871
Change in assets and liabilities:			
(Increase)/decrease in trade receivables	10	(1,713,453)	574,564
Decrease in due from related parties	37	126,676	1,096,616
(Increase)/decrease in inventories	13	(185,580)	1,271,643
Increase in other receivables		(475,433)	(5,366)
Decrease in other current assets	26	445,704	2,613,675
Decrease/(increase) in other non-current assets	26	68,355	(58,711)
Increase/(decrease) in trade payables	10	1,293,461	(1,765,867)
Increase in due to related parties	37	56,298	205,954
Increase/(decrease) in other liabilities		776,260	(367,841)
Taxes paid	35	(1,277,811)	(2,413,835)
Employment termination benefits paid	24	(62,962)	(138,571)
Net cash generated from operating activities		**7,498,844**	**13,277,665**
Investing activities:			
Decrease/(increase) in non-trade receivables from related parties	37	1,254,967	(7,218,958)
Decrease/(increase) in other payables to related parties	37	252,143	(532,460)
Purchases of property, plant and equipment and intangible assets	18-19	(2,760,211)	(726,887)
Sales of property, plant and equipment and intangible assets		309,862	285,129
Purchase of available-for-sale investments		--	(1,303,078)
Interest received		804,973	307,767
Net cash used in investing activities		**(138,266)**	**(9,188,487)**
Financing activities:			
Dividends paid	37.ii.k	(5,003,791)	(1,534,247)
Change in borrowings		(1,979,987)	(1,617,285)
Interest paid		(193,325)	(299,019)
Change in blocked deposits	6	12,000	--
Net cash used in financing activities		**(7,165,103)**	**(3,450,551)**
Net increase in cash and cash equivalents		195,475	638,627
Cash and cash equivalents at the beginning of the period		**720,075**	**81,448**
Cash and cash equivalents at end of the period		**915,550**	**720,075**

(*) For further explanation, please refer to Note 2.

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi
Notes to the Financial Statements As at 31 December 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

1 ORGANISATION AND NATURE OF OPERATIONS

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

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

The Company is subject to the regulations of the Capital Markets Board of Turkey ("CMB") and 31.78% (2009: 31.78%) of its shares are quoted on the Istanbul Stock Exchange ("ISE") as at 31 December 2010. The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 58.00% of shares of the Company (2009: 58.00%) (Note 27).

The average number of the employees of the Company for the year ended at 31 December 2010 was 175 (2009: 174).

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

Şehit Fethibey Caddesi No: 120

Alsancak/ İzmir

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

2.1.1 Statement of compliance

The Company maintains its books of accounts and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the Turkish commercial practice and tax regulations.

The accompanying financial statements of the Company have been prepared in accordance with the communiqué Serial: XI, No:29 "Basis for Financial Reporting in the Capital Markets" ("Communiqué No: XI-29") issued by CMB ("Capital Markets Board") which is published at 9 April 2008 in the Official Gazette numbered 26842.

In accordance with the fifth paragraph of the Communiqué No: XI-29, the companies are required to prepare their financial statements in accordance with the International Financial Reporting Standards as accepted European Union ("EU GAAP"). However, until Turkish Accounting Standards Board ("TASB") publishes the differences between the European Union accepted IAS/IFRS and International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB"), IAS/IFRS has to be applied by the companies in the application of the fifth article based on temporary second article of the Communiqué. Within the above mentioned scope the Company prepared the financial statements as at and for the year ended 31 December 2010 in accordance with IAS/IFRS as accepted by IASB.

With the resolution taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of IAS 29 "Financial Reporting in Hyperinflationary Economies" issued by IASB is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. Therefore, starting from 1 January 2005, IAS 29: "Financial Reporting in Hyperinflationary Economies" which was issued by IASB, has not been applied in the accompanying financial statements.

The Company's financial statements which have been prepared in accordance with IAS/IFRS as accepted by IASB were authorized for issue by the Board of Directors on 10 March 2011.

Additional paragraph for convenience translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS"), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

Pınar Su Sanayi ve Ticaret Anonim Şirketi
Notes to the Financial Statements As at 31 December 2010
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.1.2 Basis of presentation of financial statements

In the preparation of financial statements as at and for the year ended 31 December 2010, basis stated in "Basis for Financial Reporting and Preparation of Financial Statements and Notes to Financial Statements in the Capital Markets" ("Communiqué No: XI-29") issued by CMB on 17 April 2008 with decision numbered 11/467.

2.1.3 Functional and presentation currency

The financial statements are presented in TL, which is the Company's functional currency. All financial information presented in TL unless otherwise stated. All other currencies are stated full unless otherwise stated.

2.1.4 Comparative information

The accompanying financial statements are prepared comparatively to represent the tendency in the financial position, financial performance and cash flows of the Company. If necessary, in order to meet the consistency with the presentation of the financial statements in the current period, comparative information is reclassed and material differences are explained.

2.1.5 Basis of measurement

The financial statements are prepared on historical cost basis except for the following material items in the statement of financial position:

- Available for sale financial assets are measured at fair value,

- Land, buildings and land improvements, machinery and equipment are measured at fair value

2.2 Amendments in Accounting Policies

Material changes in accounting policies or material errors (if any) are corrected, retrospectively; restating the prior period financial statements. The Company has applied accounting policies consistent with prior period.

2.3 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 is presented as net if the nature of the transaction or the event qualify for offsetting.

2.4 Summary of Significant Accounting Policies

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

2.4.1 Revenue

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.

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4.2 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).

2.4.3 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).

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:

	Rate (%)
Buildings and land improvements	2-4
Machinery and equipment	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 2.4.5 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.

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

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.

2.4.4 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 2.4.5 and 19).

2.4.5 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).

2.4.6 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).

2.4.7 Finance income and costs

Finance income are comprised of bail commission charges, interest incomes, imputed interest income and foreign currency income. Interest income is recognised on accrual basis using the effective interest method.

Finance costs are comprised of imputed interest expense, bank commission charges and foreign currency expenses. Borrowing costs of an asset that are not related with purchase, production and construction are recognized as profit or loss by using the effective interest method.

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4.8 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 revaluates 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 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.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4.9 Foreign currency transactions

Transactions in foreign currencies during the year have been translated to TL 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. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

2.4.10 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.

2.4.11 Subsequent events

Subsequent events represent the events that occur against or on behalf of the Company between the statement of financial position date and the date when the statement of financial position was authorized for the issue. As at the statement of financial position date, if the evidence with respect to such events or such events has occurred after the statement of financial position date and such events require restating the financial statements; accordingly the Company restates the financial statements appropriately. If such events do not require restating the financial statements, such events have been disclosed in the related notes.

2.4.12 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).

2.4.13 Accounting policies, errors and changes in accounting estimates

Material changes in accounting policies and accounting errors (if any) are applied on a retrospective basis, and the prior period financial statements are restated. 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.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4.14 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).

2.4.15 Segment reporting

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

2.4.16 Taxation on income

Income taxes comprised current and deferred tax expenses. The current period tax and deferred tax are recognized directly under the equity or other comprehensive income statement.

Current tax liability includes the tax payable on the taxable income for the period using tax rates enacted at the reporting date (Note 35).

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Currently enacted tax rates are used to determine deferred income tax. The principal temporary differences arise from the restatement of property, plant and equipment and recognition of income expenses in different taxation periods.

Deferred tax liabilities are recognised for all taxable temporary differences, where as deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity (Note 35).

2.4.17 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).

2.4.18 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.

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2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4.19 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).

2.4.20 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.

2.5 Use of Estimates and Judgements

The preparation of financial statements in conformity with accounting standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparation of the financial statements, the significant estimates and judgments used by the Company are included in the following notes:

Note 2.4.3 and 2.4.4 – Useful lives of tangible and intangible assets

Note 10 – Impairment of trade receivables

Note 22 – Provisions, contingent assets and contingent liabilities

Note 24 – Provision for employment termination benefit

Note 35 – Tax assets and liabilities

3 BUSINESS COMBINATIONS

Comparative Informations and Restatement of Prior Period Financial Statements

Based on the resolution of the extraordinary General Meeting held on 28 January 2010 the Company merged with Birmaş Tüketim Malları Ticaret Anonim Şirketi taking over all its rights, assets, and liabilities in line with 451st article of Turkish Commercial Code, 18th and 20th articles of Corporate Tax Law and the permission of Capital Markets Board of Turkey (numbered B.02.1.SPK.0.13-1873-14494 and dated 21 December 2009) which is regulated by CMB Communiqué On Principles Regarding Mergers (Serial: I. No:31). Minutes regarding relative general meeting, the acquisition agreement and amendments to the articles of incorporation were registered officially by İzmir Trade Registry Office on 1 February 2010 and published on Commercial Registry Gazette on 4 February 2010 (number 7494).

Pınar Su Sanayi ve Ticaret Anonim Şirketi

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3 BUSINESS COMBINATIONS (CONTINUED)

The issued share capital amounted to TL 12,789,345 subsequent to merger was officially registered by İzmir Trade Registry Office on 18 February 2010 and published on Commercial Registry Gazette (number 7507) on 23 February 2010.

Since the Company and Birmaş were entities under common control both before and after the merger, the merger was accounted at book values retrospectively and the financial statements and relating disclosures as at 31 December 2009 were restated through consolidating Birmaş as at and for the year ending 31 December 2009.

In the merger contract the share change ratio was determined as 0.1509. The difference between the net asset value of Birmaş and change in share capital due to increase from TL 12,732,754 to TL 12,789,345 is recorded under retained earnings.

4 JOINT VENTURES

None (2009: None).

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.

6 CASH AND CASH EQUIVALENTS

At 31 December 2010 and 2009, cash and cash equivalents comprised the following:

	31 December 2010	**31 December 2009**
Cash on hand	2,125	5,584
Banks	913,425	726,491
- demand deposits	43,381	177,377
- TL	43,381	177,377
- time deposits	870,044	549,114
- TL	520,000	305,000
- Foreign currency	350,044	244,114
Total	**915,550**	**732,075**

Time deposits are denominated in TL, USD and EUR, all mature in less than one month with the effective weighted average interest rates of 6.90% for TL deposit, and 0.50% for USD and EUR deposits per annum ("p.a.") (31 December 2009: TL 7.35% and EUR 0.50%).

There is no blocked deposit on cash and cash equivalents at 31 December 2010 (2009: 12,000 TL).

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7 FINANCIAL ASSETS

Available-for-sale investments:

At 31 December 2010 and 2009, available-for-sale investments comprised the following:

	31 December 2010		31 December 2009	
	Carrying amount (TL)	Share percentage (%)	Carrying amount (TL)	Share percentage (%)
Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP")	19,882,011	4.79	16,532,266	4.79
Yataş	468,801	1.76	369,318	1.76
Desa Enerji Elektrik Üretimi Otoprodüktör Grubu A.Ş. ("Desa Enerji")	1,239,559	6.07	784,383	6.07
Viking Kağıt ve Selüloz A.Ş. ("Viking Kağıt")	1,095,120	1.69	1,000,480	1.69
Total	**22,685,491**		**18,686,447**	

Viking Kağıt shares are determined based on Istanbul Stock Exchange stock market price as of 31 December 2010 and 31 December 2009. YBP, Yataş and Desa Enerji are stated at their fair values which are determined based on their discounted cash flows as of 31 December 2010 and 2009 using rates based on the market interest rates and the risk premium specific to unlisted companies within the related sectors.

The discount and growth rates used in the calculation of fair values of available-for-sales investments as at 31 December 2010 and 2009 are as follows:

31 December 2010	Discount rate	Growth rate
YBP	10.70%	1%
Yataş	9.68%	0%
Desa Enerji	11.70%	0%

Movements of available-for-sale investments in 2010 and 2009 are as follows:

	31 December 2010	31 December 2009
Balances at 1 January	**18,686,447**	**13,010,226**
Purchasing of available-for-sale investment:		
Viking Kağıt	--	1,303,077
Fair value (decrease)/ increase:		
YBP	3,349,745	4,815,015
Desa Enerji	455,176	259,007
Yataş	99,483	(398,281)
Viking Kağıt	94,640	(302,597)
31 December	**22,685,491**	**18,686,447**

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Notes to the Financial Statements As at 31 December 2010

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7 FINANCIAL ASSETS (CONTINUED)

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

	31 December 2010	31 December 2009
1 January	**11,966,659**	**7,745,892**
Increase in fair value	3,999,044	5,074,022
Decrease in fair value	--	(700,878)
Deferred income tax on available-for-sale investments (Note 35)	(297,351)	(152,377)
31 December	**15,668,352**	**11,966,659**

8 FINANCIAL LIABILITIES

At 31 December 2010 and 2009, short and long term financial liabilities are as follows:

	Effective weighted average interest rate (%)		Original foreign currency		TL equivalent	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Short-term financial liabilities:						
TL bank borrowings (*)	-	--	51,850	160,721	51,850	160,721
Short term portion of long term financial liabilities:						
EUR bank borrowings (**)	3.22	3.29	808,697	816,378	1,657,101	1,763,621
Total short term financial liabilities					**1,708,951**	**1,924,342**
Long term financial liabilities:						
EUR bank borrowings (**)	2.42	2.87	771,507	1,566,522	1,580,895	3,384,157
Total long term financial liabilities					**1,580,895**	**3,384,157**

(*) TL denominated short-term bank borrowings are comprised of revolving credits without interest charge as of 31 December 2010 and 2009.

(**) 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 as of 31 December 2010 and 2009.

The guarantees given related to the bank borrowings and financial liabilities are explained in Note 22.

The redemption schedule of long-term financial liabilities at 31 December 2010 and 2009 were as follows:

	31 December 2010	31 December 2009
2011	--	1,717,470
2012 – 2013	1,580,895	1,666,687
Total	**1,580,895**	**3,384,157**

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8 FINANCIAL LIABILITIES (CONTINUED)

As of 31 December 2010 and 31 December 2009, 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
31 December 2010:			
Borrowings with floating interest rates	--	1,923,856	1,923,856
Borrowings with fixed interest rates	--	--	1,365,990
Total	--	--	**3,289,846**

	Up to 3 months	3 months to 1 year	Total
31 December 2009:			
Borrowings with floating interest rates	--	2,838,683	2,838,683
Borrowings with fixed interest rates	--	--	2,469,816
Total	--	--	**5,308,499**

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

	Carrying Amounts		Fair Values	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Bank borrowings	3,289,846	5,308,499	3,291,340	5,415,893

9 OTHER FINANCIAL LIABILITIES

None (2009: None).

10 TRADE RECEIVABLES AND PAYABLES

a) Short-term Other Trade Receivables

At 31 December 2010 and 2009, short-term trade receivables comprised the following:

	31 December 2010	31 December 2009
Customer current accounts	5,093,852	4,196,752
Cheques and notes receivable	3,671,882	2,794,552
	8,765,734	**6,991,304**
Less: Provision for impairment of receivables	(667,473)	(648,415)
Unearned finance income	(78,490)	(36,571)
	(745,963)	**(684,986)**
Total	**8,019,771**	**6,306,318**

At 31 December 2010, the effective weighted average interest rate applied to short-term trade receivables is 6.54% p.a. (2009: 7.03% p.a.) and average collection terms of trade receivables are within 2 months (2009: 2 months).

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10 TRADE RECEIVABLES AND PAYABLES (CONTINUED)

The Company's past experience in collection of accounts receivable falls within the recorded allowances. The movement in the allowance for doubtful receivables during the years ended 31 December, were as follows:

	31 December 2010	31 December 2009
Opening	648,415	603,905
Provision for the year (Note 31.b)	26,499	44,510
Reversal in the current year	(7,441)	--
31 December	**667,473**	**648,415**

The aging of cheques and notes receivables are as follows:

	31 December 2010	31 December 2009
Overdue receivables	4,257	12,900
0-30 days	1,236,337	1,133,510
31-60 days	1,573,330	950,339
61-90 days	500,347	501,916
91 days and over	357,611	195,887
	3,671,882	**2,794,552**

Aging analysis for trade receivables

The aging analysis of trade receivables as of 31 December 2010 and 2009 are as follows:

	31 December 2010	31 December 2009
Overdue receivables	2,623,918	1,363,423
0-30 days	2,681,703	3,312,677
31-60 days	1,797,979	947,413
61-90 days	504,822	494,026
91 days and over	411,349	188,779
	8,019,771	**6,306,318**

The aging and credit risk analysis of overdue receivables as of 31 December 2010 and 2009 are disclosed in Note 38.a.

b) Short-term Other Trade Payables

At 31 December 2010 and 2009, short-term trade payables comprised the following:

	31 December 2010	31 December 2009
Supplier current accounts	9,492,037	8,239,251
Less: Unincurred finance cost	(57,451)	(98,126)
Total	**9,434,586**	**8,141,125**

At 31 December 2010, the effective weighted average interest rate applied to short-term trade payables is 6.78% p.a. (2009: 7.02% p.a.) and short term trade payables mature within 2 months (2009: 2 months).

c) Long-term Trade Payables

There is long-term trade payable amounting to TL 194,770 that is related to fixed asset purchases as of 31 December 2010 (2009: None).

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11 OTHER RECEIVABLES AND PAYABLES

a) Other Short-term Receivables

At 31 December 2010 and 2009, other short-term receivables comprised the following:

	31 December 2010	31 December 2009
VAT receivable	487,273	--
Prepaid taxes (Note 35)	210,759	--
Deposits and guarantees given	19,312	19,102
Personnel advances	480	11,009
Other	--	1,521
Total	**717,824**	**31,632**

b) Other Long-term Receivables

At 31 December 2010 and 2009, other long-term receivables comprised the following:

	31 December 2010	31 December 2009
Deposits and guarantees given	1,800	1,800
Total	**1,800**	**1,800**

c) Other Short-term Payables

At 31 December 2010 and 2009, other short-term payables comprised the following:

	31 December 2010	31 December 2009
Deposits and guarantees received	43,039	3,039
Payables to personnel	184	166
Total	**43,223**	**3,205**

12 RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2009: None).

13 INVENTORIES

At 31 December 2010 and 2009, inventories comprised the following:

	31 December 2010	31 December 2009
Raw materials	844,442	920,852
Finished goods	528,535	555,853
Spare parts	692,397	567,727
Demijohn stocks	560,012	323,820
Pallet stocks	318,862	398,226
Other	45,744	37,934
Total	**2,989,992**	**2,804,412**

Cost of inventories recognized as expense and included in cost of sales amounted to TL 21,705,073 (2009: TL 21,367,217) (Note 30).

At 31 December 2010, inventories amounting to TL 78,451 were written off (2009: 148,780).

There is TL 4,816,665 insurance over inventories at 31 December 2010 (2009: TL 4,816,665).

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14 BIOLOGICAL ASSETS

None (2009: None).

15 CONSTRUCTION CONTRACT RECEIVABLES

None (2009: None).

16 INVESTMENT IN ASSOCIATES ACCOUNTED BY EQUITY ACCOUNTING

None (2009: None).

17 INVESTMENT PROPERTY

None (2009: None).

18 PROPERTY, PLANT AND EQUIPMENT

Movements of property, plant and equipment in 2010 and 2009 were as follows:

	1 January 2010	Additions	Disposals	31 December 2010
Cost/valuation:				
Lands	5,945,000	47,000	--	5,992,000
Buildings and land improvements	17,248,400	94,265	--	17,342,665
Machinery and equipment	63,437,766	1,385,242	(248,754)	64,574,254
Motor vehicles	537,561	37,712	(112,451)	462,822
Furniture and fixtures	10,241,152	1,064,604	(111,135)	11,194,621
	97,409,879	**2,628,823**	**(472,340)**	**99,566,362**
Less: Accumulated Depreciation:				
Buildings and land improvements	(4,231,545)	(751,737)	--	(4,983,282)
Machinery and equipment	(33,381,785)	(3,146,320)	136,794	(36,391,311)
Motor vehicles	(456,862)	(45,003)	112,451	(389,414)
Furniture and fixtures	(6,463,270)	(697,466)	38,933	(7,121,803)
	(44,533,462)	**(4,640,526)**	**288,178**	**(48,885,810)**
Net book value	**52,876,417**			**50,680,552**

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18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	1 January 2009	Additions	Disposals	31 December 2009
Cost/valuation:				
Lands	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	537,561	--	--	537,561
Furniture and fixtures	10,196,081	474,740	(429,669)	10,241,152
	97,246,145	**726,887**	**(563,153)**	**97,409,879**
Less: Accumulated Depreciation:				
Buildings and land improvements	(3,526,150)	(705,395)	--	(4,231,545)
Machinery and equipment	(30,559,093)	(2,956,176)	133,484	(33,381,785)
Motor vehicles	(406,066)	(50,796)	--	(456,862)
Furniture and fixtures	(5,858,986)	(694,268)	89,984	(6,463,270)
	(40,350,295)	**(4,406,635)**	**223,468**	**(44,533,462)**
Net book value	**56,895,850**			**52,876,417**

Current year's depreciation and amortisation charges were allocated to cost of production by TL 3,281,318 (2009: TL 3,064,677), to selling and marketing expenses by TL 680,043 (2009: TL 690,164) and to general and administrative expenses by TL 705,803 (2009: TL 661,040) (Note 29).

Fixed assets are insured to the extent of TL 57,722,238 at 31 December 2010 (2009: TL 57,457,972).

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 2010 and 2009. In accordance with the independent real estate valuation report prepared by Elit Gayrimenkul Anonim Şirketi, an independent real estate valuation company, as of 31 December 2010 and 2009, fair value of lands that are used in the Company's operations would not differ significantly than the fair values of them as of 31 December 2008. 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.

Movements in revaluation reserve related to land, buildings, land improvements, machinery and equipment as of 31 December 2010 and 2009 were as follows:

	31 December 2010	31 December 2009
1 January	**15,908,845**	**17,351,076**
Depreciation transferred to retained earnings arising from revaluation	(1,426,268)	(1,442,231)
31 December	**14,482,577**	**15,908,845**

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19 INTANGIBLE ASSETS

Movements of intangible assets in 2010 were as follows:

	1 January 2010 Opening	Additions	31 December 2010 Closing
Costs:			
Rights	1,063,871	131,388	1,195,259
Less: Accumulated amortisation	(1,040,525)	(26,638)	(1,067,163)
Net book value	**23,346**	**104,750**	**128,096**

Movements of intangible assets in 2009 were as follows:

	1 January 2009 Opening	Additions	31 December 2009 Closing
Costs:			
Rights	1,063,871	--	1,063,871
Less: Accumulated amortisation	(1,031,279)	(9,246)	(1,040,525)
Net book value	**32,592**	**(9,246)**	**23,346**

There is no intangible asset in the Company that had been composed in the business as of 31 December 2010.

20 GOODWILL

None (2009: None).

21 GOVERNMENT GRANTS

None (2009: None).

22 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short term provisions

At 31 December 2010 and 2009, short term provisions comprised the following:

	31 December 2010	31 December 2009
Provision for lawsuits (*)	2,534,717	2,405,000
Provision for expense accruals	253,234	--
Management dividend and bonus accruals	220,000	220,000
Employee benefits	79,306	50,148
Other	121,601	--
Total	**3,208,858**	**2,675,148**

(*) 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:

	31 December 2010	31 December 2009
1 January	**2,405,000**	**2,233,194**
Increase in the current period (Note 31.b)	129,717	171,806
31 December	**2,534,717**	**2,405,000**

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22 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

b) Guarantees given

At 31 December 2010 and 2009, guarantees given comprised the following:

	31 December 2010	31 December 2009
Bails	632,229,997	618,470,127
Guarantee letters	4,925,257	444,497
Total	**637,155,254**	**618,914,624**

As of 31 December 2010, guarantees given are mainly related with joint guarantees provided by Yaşar Group companies from international capital markets and a financial institution amounting to EUR 101,059,000 and USD 275,000,000 equivalent of TL 632,229,997 (2009: EUR 286,289,000, equivalent of TL 618,470,127) (Note 37.ii.m).

The collaterals, pledges and mortgages ("CPM") position of the Company for the years ended at 31 December 2010 and 2009 were as follows:

	31 December 2010			31 December 2009		
	TL Equivalent	USD	EUR	TL Equivalent	USD	EUR
CPM provided by the Company:						
A. Total amount of CPM given in the name of the Company's legal entity	4,925,257	--	--	444,497	--	--
B. Total amount of CPM given in favor of the fully consolidated subsidiaries	--	--	--	--	--	--
C. Total amount of CPM given to guarantee the debts of third parties to continue their operations	--	--	--	--	--	--
D. Total amount of other CPM	632,229,997	275,000,000	101,059,000	618,470,127	--	286,289,000
i. Total amount of CPM given in favor of main shareholder	*542,352,497*	*250,000,000*	*76,059,000*	*391,638,627*	--	*181,289,000*
ii. Total amount of CPM given in favor of group companies which are not in scope of B and C.	*89,877,500*	*25,000,000*	*25,000,000*	*226,831,500*	--	*105,000,000*
iii. Total amount of CPM given in favor of third parties which are not in scope of C.	--	--	--	--	--	--
Total	**637,155,254**	**275,000,000**	**101,059,000**	**618,914,624**	**--**	**286,289,000**

As of 31 December 2010 and 2009, the rate of the other CPM given to equity of the Company is, respectively, 869.3% and 880.5%.

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22 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

c) Guarantees received

At 31 December 2010 and 2009, guarantees received comprised the following:

	31 December 2010	31 December 2009
Mortgages	7,709,010	8,773,270
Guarantee letters	10,285,792	9,501,900
Guarantee cheques	112,895	92,605
Guarantee notes	1,552,002	1,172,002
Other	697,171	576,192
Total	**20,356,870**	**20,115,969**

23 COMMITMENTS

Total amount of raw material purchase commitments as of 31 December 2010 is amounted to TL 2,600,000 (2009: TL 1,100,320).

24 PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

At 31 December 2010 and 2009, provision for employment termination benefits is as follows:

	31 December 2010	31 December 2009
Provision for employment termination benefits	745,890	619,603
Total	**745,890**	**619,603**

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 TL 2,517.07 for each year of service as of 31 December 2010 (31 December 2009: TL 2,365.16).

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 TL 2,623.23 which is effective from 1 January 2011 (1 January 20010: TL 2,427.04) 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 as of 31 December 2010 and 2009:

	31 December 2010	31 December 2009
Discount rate %	4.66%	5.92%
Probability of retirement %	96.59%	96.53%

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24 PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (CONTINUED)

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

	31 December 2010	31 December 2009
1 January	**619,603**	**391,303**
Interest cost	28,873	23,455
Actuarial loss	142,923	215,337
Increase during period	17,453	128,079
Payment during the period	(62,962)	(138,571)
31 December	**745,890**	**619,603**

The total of interest cost, actuarial losses and current service cost for the year amounting to TL 189,249 (2009: TL 366,871) were allocated to general administrative expenses at TL 181,946 (2009: TL 347,090) (Note 29) and to cost of sales at TL 7,303 (2009: TL 19,781).

25 PENSION PLANS

None (2009: None).

26 OTHER ASSETS AND LIABILITIES

a) Other current assets

At 31 December 2010 and 2009, other current assets comprised the following:

	31 December 2010	31 December 2009
VAT receivable	2,060,360	2,295,183
Prepaid expenses	34,858	140,795
Income accruals	25,614	--
Order advances given	20,906	31,698
Job advances	1,115	2,247
Prepaid taxes	--	116,968
Receivables from personnel	--	1,666
Total	**2,142,853**	**2,588,557**

b) Other non-current assets

At 31 December 2010 and 2009, other non-current assets comprised the following:

	31 December 2010	31 December 2009
Prepaid expenses	30,720	30,083
Other	--	68,992
Total	**30,720**	**99,075**

c) Other current liabilities

At 31 December 2010 and 2009, other current liabilities comprised the following:

	31 December 2010	31 December 2009
Withholding taxes and funds payable	387,736	229,376
Advances received	86,710	194,218
Other	--	43,090
Total	**474,446**	**466,684**

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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 TL 1. The Company's historical authorized registered share capital as at 31 December 2010 and 2009 are as follows:

	31 December 2010	31 December 2009
Registered share capital (with historical values)	50,000,000	50,000,000
Paid-in share capital with nominal value	12,789,345	12,789,345

The compositions of the Company's share capital at 31 December 2010 and 2009 were as follows:

	31 December 2010		31 December 2009	
Shareholders	**Share (%)**	**Amount TL**	**Share (%)**	**Amount TL**
Yaşar Holding	58.00	7,417,546	58.00	7,417,546
Pınar Süt Mamülleri Sanayii A.Ş. ("Pınar Süt")	8.77	1,122,150	8.77	1,122,150
Public quotation	31.78	4,064,924	31.78	4,064,924
YBP	0.80	101,992	0.80	101,992
Hedef Ziraat Tic. ve San. A.Ş. ("Hedef Ziraat")	0.09	11,318	0.09	11,318
Yataş	0.03	3,773	0.03	3,773
Other	0.53	67,642	0.53	67,642
Paid-in capital	**100.00**	**12,789,345**	**100.00**	**12,789,345**
Adjustment to share capital (*)		11,713,515		11,713,515
Total share capital		**24,502,860**		**24,502,860**

Inflation adjustment to share capital amounting to TL 11,713,515 (2009: TL 11,713,515) 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 12,789,345 (2009: 12,789,345) units of shares with a face value of TL 1 each as of 31 December 2010.

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:

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 TL 3,671,061 (2009: TL 2,832,184) as of 31 December 2010. The unrestricted extraordinary reserves the Company amount to TL 10,537,483 (2009: TL 8,990,902), and classified in the retained earnings.

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27 EQUITY (CONTINUED)

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 14 May 2010, first dividend payment was made to shareholders by the 20% of the distributable profit amounting to TL 1,217,879. It has also been decided that, over the remaining amount, for the board of directors, not exceeding 5% in accordance with the articles of the association of the Company, and for founder's shares, not exceeding 10% in accordance with the articles of the association of the Company, TL 420,000 of appropriation was made. Over the remaining amount, second dividend payment to shareholders amounting to TL 3,365,912 was made. Thus, a total of TL 5,003,791 profit distribution was decided and fully paid.

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 starting from 1 January 2010; the entities are to distribute their profits under the scope of CMB Communiqué IV, No: 27, their articles of association and their previously publicly declared profit distribution policies.

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

	31 December 2010	31 December 2009
Extraordinary reserves	10,537,483	8,990,902
Net profit for the year	5,096,640	7,603,243
Total	**15,634,123**	**16,594,145**

28 SALES AND COST OF SALES

For the years ended 31 December, sales and cost of sales comprised the following:

	31 December 2010	31 December 2009
Domestic sales	130,369,180	100,316,052
Exports	3,446,161	3,874,472
Gross Sales	133,815,341	104,190,524
Less: Discounts	(64,451,251)	(28,361,126)
Returns	(379,092)	(575,600)
Net Sales	**68,984,998**	**75,253,798**
Cost of sales (-)	(34,434,493)	(38,381,690)
Gross Profit	**34,550,505**	**36,872,108**

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29 MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

a) Marketing, selling and distribution expenses

For the years ended 31 December 2010 and 2009, selling and marketing costs comprised the following:

	31 December 2010	31 December 2009
Transportation and export expenses	14,566,318	14,755,377
Advertisement expenses	3,569,826	2,720,758
Staff costs	1,904,370	1,623,364
Outsourced services	1,629,216	980,169
Depreciation and amortisation (Note 18)	680,043	690,164
Rent expenses	461,558	503,777
Energy and utilities	375,493	294,851
Repair and maintenance expenses	310,341	253,092
Insurance expenses	91,784	328,719
Travelling expenses	86,319	71,070
Tax expenses	22,844	9,472
Other	211,336	93,067
Total	**23,909,448**	**22,323,880**

b) General administrative expenses

For the years ended 31 December 2010 and 2009, general administrative expenses comprised the following:

	31 December 2010	31 December 2009
Staff costs	3,700,045	3,210,746
Consultancy	1,397,768	1,641,455
Outsourced services	1,024,475	866,866
Depreciation and amortisation (Note 18)	705,803	661,040
Energy and utilities	554,823	255,300
Rent expenses	234,108	213,267
Employment termination benefits (Note 24)	181,946	347,090
Communication and IT expenses	165,957	190,381
Travelling expenses	134,176	111,767
Representation and hosting	123,807	82,931
Repair and maintenance expenses	118,331	82,081
Tax expenses (excluding corporate tax)	83,740	165,232
Other	469,526	647,377
Total	**8,894,505**	**8,475,533**

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30 EXPENSES BY NATURE

For the years ended 31 December 2010 and 2009, expenses by nature comprised the following:

	31 December 2010	31 December 2009
Direct raw materials and supplies expenses (Note 13)	21,705,073	21,367,217
Transportation and export expenses	14,566,318	14,755,377
Personnel expenses	7,806,397	7,178,544
Depreciation and amortisation (Note 18 and 19)	4,667,164	4,415,881
Outsourced services	4,593,891	3,666,484
Energy and utilities	3,985,639	4,152,321
Advertisement	3,569,826	2,720,758
Consultancy	1,397,768	1,641,455
Rent expenses	695,666	717,044
Repair and maintenance	428,672	335,173
Employment termination benefits (Note 24)	189,249	366,871
Communications	165,957	190,381
Travelling expenses	134,176	111,767
Representation	123,807	82,931
Insurance premiums	91,784	328,719
Taxes, duties and charges	83,740	165,232
Other	3,033,319	6,984,948
Total	**67,238,446**	**69,181,103**

31 OTHER OPERATING INCOME/ EXPENSE

a) Other operating income

For the years ended 31 December 2010 and 2009, other operating income comprised the following:

	31 December 2010	31 December 2009
Dividend income (Note 37.ii.j)	920,228	647,239
Gain on sale of property, plant and equipment	125,700	--
Reversal of provision for legal cases	--	79,757
Other	508,137	116,663
Total	**1,554,065**	**843,659**

b) Other operating expense

For the years ended 31 December 2010 and 2009, other operating expense comprised the following:

	31 December 2010	31 December 2009
Donations	309,480	569,046
Provision for rent and water expense (Note 22)	129,717	171,806
Doubtful receivable provision expense (Note 10.a)	26,499	44,510
Impairment on inventories	--	95,043
Loss on sales of property, plant and equipment	--	73,671
Other	52,209	13,338
Total	**517,905**	**967,414**

TL 250,000 of the Company's donations are made to its related parties in 2010 (2009: TL 210,530) (Note 37.ii.l).

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32 FINANCE INCOME

For the years ended 31 December 2010 and 2009, finance income comprised the following:

	31 December 2010	31 December 2009
Bail charges to related parties	836,310	1,447,766
Interest income	804,973	307,767
Foreign exchange gain	432,452	245,265
Overdue charges	94,495	91,136
Other	11,380	136,552
Total	**2,179,610**	**2,228,486**

33 FINANCE EXPENSE

For the years ended 31 December 2010 and 2009, finance expenses comprised the following:

	31 December 2010	31 December 2009
Bank commissions and overdue charges	281,151	109,136
Interest expense	154,659	230,063
Foreign exchange loss	152,386	348,360
Other	7,196	3,183
Total	**595,392**	**690,742**

34 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2009: None).

35 TAX ASSETS AND LIABILITIES

As of 31 December 2010 and 2009, prepaid income taxes and deferred tax liabilities are as follows:

	31 December 2010	31 December 2009
Corporation and income taxes currently payable	922,602	1,864,374
Less: Prepaid income taxes	(1,133,361)	(1,719,924)
Current income tax liabilities/(Prepaid taxes (*))	**(210,759)**	**144,450**

(*) Since there was TL 210,759 prepaid corporate tax as at 31 December 2010, related amount was reclassed as prepaid taxes in other current assets (Note 11.a).

Corporation tax is payable at a rate of 20% (2009: 20%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

In accordance with Corporation Tax Law numbered 5520, 75% gain on sale of participation shares, bonus certificates, preferential rights and real estates which are carried for minimum two years are exempt from corporate tax, starting from 21 June 2006, if they are kept under an account of special fund in the shareholders equity for five years and if the sales prices of them are collected within the two years after the sales date.

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% (2009: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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35 TAX ASSETS AND LIABILITIES (CONTINUED)

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is declared by the 14th of the second month following each calendar quarter end and is payable by the 17th (2009:17) of the second month following each calendar quarter end. Tax payments that are made in advance during the year are being deducted from the total final tax liability of the fiscal year. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns on the twenty fifth day of the fourth months following the close of the accounting 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 be offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

There are several exceptions in the Corporation Tax Law regarding corporations. The exceptions which are related with the Company shown below:

Dividend earnings from the participations due to the contributions to the capital of another corporation (except notes of accession of investment funds and profit sharing which is gained from stocks of investment partnership) are exceptional from the corporation tax.

The 75% part of the earnings of the companies from the sales of their pre-emptive rights and earnings from the emission premiums which occurred from the sales of the shares that are issued through the capital increment or through the foundation of corporations are exceptional from the corporation taxes.

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.

Besides that; deductions, which is prescribed by the 8th article of the Corporate Tax Law and 40th article of the Income Tax Law, and other deductions, which is prescribed by 10th article of the Corporate Tax Law, are included.

Investment allowance

According to the decision of the Turkish Constitutional Court promulgated in the Official Gazette no: 27456 dated 8 January 2010, the investment allowances carried forward to the year 2006 due to the lack of taxable income and the investment allowances earned through the investments started before 1 January 2006 and continued after that date constituting economic and technical integrity will be used not only in 2006, 2007 and 2008, but also in the following years. In addition, 40 percent of investment expenditures that are realized between 1 January 2006 and 8 April 2006, within the context of the Article 19 of the Income Tax Law will have the right for investment allowance exemption. As per this decision, the Company has used amounting to TL 1,053,653 over the investments in its current year statutory tax declaration as at 31 December 2010.

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.

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35 TAX ASSETS AND LIABILITIES (CONTINUED)

If the tax payer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Profits shifted in a veiled way via transfer pricing will be considered as distributed profit or for foreign based tax payers the amount transfered to headquarter as of the last day of the period that the related conditions are met disclosed in the 13th clause of the Corporate Tax Law. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax. For the corporate taxes previously accrued will be adjusted accordingly. However, in order to make the adjustment over corporate tax, related corporate tax should be determined and paid by the party that shifts the profit in a veiled way via transfer pricing. Amount to be considered for adjustment will be the determined and paid amount.

Tax expenses stated in the statements of comprehensive income for the years ended 31 December are summarised as follows:

	31 December 2010	31 December 2009
Current corporation income tax expense	(922,602)	(1,796,635)
Deferred tax income	344,922	452,781
Total tax expense	**(577,680)**	**(1,343,854)**

Reconciliation of taxation on income for the years ended 31 December 2010 and 2009 are as follows:

	%	31 December 2010	%	31 December 2009
Profit for the period		**3,789,250**		**6,142,831**
Tax expense		**577,680**		**1,343,854**
Profit before tax		**4,366,930**		**7,486,685**
Tax calculated at tax rates applicable	(20)	(873,386)	(20)	(1,497,337)
Non-deductable expenses	(1)	(56,039)	(1)	(84,543)
Tax exempt income	5	200,800	2	176,866
Adjustment of prior year corporate tax	--	6,007	1	67,739
Investment allowance	5	210,731	--	--
Carry forward tax losses utilized	1	25,941	--	--
Other	(2)	(91,734)	--	(6,579)
Total tax expense	**(13)**	**(577,680)**	**(18)**	**(1,343,854)**

Deferred taxes

The Company recognises deferred income tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its tax financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled under the liability method using the enacted tax rate of 20% (2009: 20%).

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35 TAX ASSETS AND LIABILITIES (CONTINUED)

The breakdown of cumulative temporary differences and the resulting deferred income tax assets/ (liabilities) provided at 31 December 2010 and 2009 using enacted tax rates at the balance sheet dates were as follows:

	Cumulative temporary differences		Deferred income tax assets/ (liabilities)	
	31 December 2010	**31 December 2009**	**31 December 2010**	**31 December 2009**
Depreciation difference arising from differences in economical useful lives of property, plant and equipment	8,588,258	7,959,062	(1,717,652)	(1,591,812)
Revaluation of buildings, machinery and equipment	6,751,851	7,203,482	(1,350,370)	(1,440,696)
Revaluation of machinery and equipments	5,691,348	7,022,553	(1,138,270)	(1,404,511)
Restatement differences on tangible and intangible assets	1,607,837	2,327,123	(319,370)	(463,227)
Fair value reserve of available for sale investments	13,353,905	9,354,861	(287,877)	9,474
Revaluation on land	5,020,437	5,020,437	(251,022)	(251,022)
Impairment of machinery and equipments	(27,373)	(37,606)	5,475	7,521
Provision for employment termination benefits	(745,890)	(619,602)	149,178	123,921
Other	(449,626)	(714,001)	89,923	142,796
Deferred tax assets			244,576	283,712
Deferred tax liabilities			(5,064,561)	(5,151,268)
Deferred tax liabilities – net			**(4,819,985)**	**(4,867,556)**

Movements in net deferred income tax liabilities can be analysed as follows:

	2010	**2009**
1 January	(4,867,556)	(5,167,960)
Charged to statement of comprehensive income	344,922	452,781
Charged to fair value reserve of available for sale investments	(297,351)	(152,377)
31 December	**(4,819,985)**	**(4,867,556)**

36 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted 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.

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36 BASIC AND DILUTED EARNINGS PER SHARE (CONTINUED)

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

		31 December 2010	31 December 2009
Net profit for the period	A	3,789,250	6,142,831
Weighted average number of shares (Note 27)	B	12,789,345	12,789,345
Basic and diluted earnings per share with a TL 1 face value	**A/B**	**0.2963**	**0.4803**

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

37 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Balances with related parties

a) Trade receivables from related parties

As at 31 December 2010 and 2009, trade receivables from related parties comprised the following:

	31 December 2010	31 December 2009
Yataş	708,009	754,925
DYO Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("DYO Boya")	236,138	350,504
Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş. ("Çamlı Yem")	45,207	3,242
YBP	43,012	--
Other	25,950	77,399
	1,058,316	1,186,070
Less: Unearned finance income	(136)	(1,214)
Total	**1,058,180**	**1,184,856**

As of 31 December 2010, the effective weighted average interest rate of short term due from related parties is 6.50% p.a. (2009: 7.03% p.a.) and due from related parties mature within one month (2009: one month).

Due from related party balances are mainly resulted from the sales of bottled water. As further explained in Note 1 to the financial statements, sales and distribution of the Company's products in the domestic market are performed by its own sales department, whereas exports of the Company are performed by Yataş, which is Yaşar Group company.

As of 31 December 2010, trade receivables from related parties amounting to TL 908,507 (2009: TL 1,091,097) were over due for a period of one month (2009: one month).

b) Other receivables from related parties

At 31 December 2010 and 2009, other receivables from related parties comprised the following:

	31 December 2010	31 December 2009
Yaşar Holding	6,372,543	7,391,425
YBP	29,463	8,515
Çamlı Yem	26,278	65,502
DYO Boya	24,577	176,776
Other	9,499	75,109
Total	**6,462,360**	**7,717,327**

As of 31 December 2010, TL 5,301,497 (2009: TL 7,080,000) of due from Yaşar Holding balance is comprised of funds provided to Yaşar Holding. The effective weighted average interest rate attributable to due from Yaşar Holding as of 31 December 2010 is 10.00% p.a. (2009: 10.00%).

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37 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

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

c) Trade payables to related parties

At 31 December 2010 and 2009, trade payables to related parties comprised the following:

	31 December 2010	31 December 2009
Yaşar Holding	323,108	194,337
Yadex Export-Import und Spedition GmbH ("Yadex")	294,837	195,515
Yataş	18,531	204,810
Other	12,738	19,361
	899,214	614,023
Less: Unincurred finance cost	(13,267)	(34,374)
Total	**635,947**	**579,649**

Trade payables to related parties mature mainly within two months (2009: three month). The effective weighted average interest rate applied to due to related parties is 6.50% p.a. as of 31 December 2010 (2009: 7.02% p.a.).

d) Other payables to related parties

At 31 December 2010 and 2009, other payables to related parties comprised the following:

	31 December 2010	31 December 2009
Yaşar Üniversitesi (Note 37.ii.j)	250,000	--
Other	9,956	7,813
Total	**259,956**	**7,813**

ii) Transaction with related parties

a) Product sales

For the years ended 31 December 2010 and 2009, product sales to related parties comprised the following:

	31 December 2010	31 December 2009
Yataş	3,454,207	3,875,163
Other	402,732	385,587
Total	**3,856,939**	**4,260,750**

b) Service sales

For the years ended 31 December 2010 and 2009, service sales to related parties comprised the following:

	31 December 2010	31 December 2009
Yaşar Holding	175,815	184,734
Other	30,351	22,814
Total	**206,166**	**207,548**

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37 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

c) Service purchases

For the years ended 31 December 2010 and 2009, service purchases from related parties comprised the following:

	31 December 2010	31 December 2009
Yaşar Holding	1,458,187	1,601,286
Yataş	243,851	262,821
Pınar Süt	176,648	50,721
YBP	119,312	134,526
Bintur	108,205	118,276
Yadex	104,237	195,516
Other	83,392	143,342
Total	**2,293,832**	**2,506,488**

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

d) Purchases of property, plant and equipment

For the years ended 31 December 2010 and 2009, purchases of property, plant and equipment from related parties comprised the following:

	31 December 2010	31 December 2009
YBP	1,398	--
Total	**1,398**	**--**

e) Finance expense

For the years ended 31 December 2010 and 2009, finance expense transactions with related parties comprised the following:

	31 December 2010	31 December 2009
Yaşar Holding	21,501	13,728
Yataş	14,512	--
Total	**36,013**	**13,728**

f) Finance income

For the years ended 31 December 2010 and 2009, finance income transactions with related parties comprised the following:

	31 December 2010	31 December 2009
Yaşar Holding	1,216,743	1,226,606
YBP	91,145	74,514
DYO	80,150	385,604
Viking Kağıt	46,745	102,457
Other	65,419	125,741
Total	**1,500,202**	**1,914,922**

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 0.50% p.a. (2009: 0.75% p.a.). The Company also charges finance commission by 0.50% (2009: 0.75%) in relation to the aforementioned bail.

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37 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

g) Dividends received

For the years ended 31 December 2010 and 2009, dividends received from related parties comprised the following:

	31 December 2010	31 December 2009
YBP (Note 31.a)	920,228	647,239
Total	**920,228**	**647,239**

h) Dividends paid

For the years ended 31 December 2010 and 2009, dividends paid to related parties comprised the following:

	31 December 2010	31 December 2009
Yaşar Holding	3,076,372	1,053,005
Public Quotation	1,486,728	371,192
Pınar Süt	403,974	100,881
YBP	36,717	9,169
Total	**5,003,791**	**1,534,247**

i) Donations

For the years ended 31 December 2010 and 2009, donations to related parties comprised the following:

	31 December 2010	31 December 2009
Yaşar Üniversitesi	250,000	200,000
Yaşar Eğitim ve Kültür Vakfı	--	10,530
Total	**250,000**	**210,530**

j) Bails given

As of 31 December 2010, guarantees given are mainly related with joint guarantees provided by Yaşar Group companies from international capital markets and a financial institution amounting to EUR 101,059,000 and USD 275,000,000 equivalent of TL 632,229,997 (2009: EUR 286,289,000, equivalent of TL 618,470,127) (Note 22.b).

k) 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:

	31 December 2010	31 December 2009
Short-term benefits	531,802	680,625
Bonus and profit-sharing	16,320	304,550
Other long-term benefits	1,995	4,111
Post-employment benefits	--	164,046
Total	**550,117**	**1,153,332**

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38 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

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

Risk management is carried out under policies approved by Board of Directors of the Company ("the Board"). The Board provides principles for over-all risk management as well as policies covering specific areas, such as foreign exchange risk, interest rate risk and capital risk.

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 management minimizes this risk by restricting the average risk in each transaction and getting guarantees, if necessary. The Company manages this risk that might arise from direct customers and dealers by restricting the set credit limits via receiving guarantee letters and updating the credit limits for the customers within specific periods. The usage of credit limits are followed by the Company management and the credit quality of customers are evaluated according to the customer's financial position, past experiences, market prestige and other factors. Furthermore, the Company's exports are performed by another related party, Yataş, and those receivables are followed by the Company through Yataş.

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38 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2010:	**Receivables**					
	Trade Receivables (1)		**Other Receivables**			
	Related Parties	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits and Other Receivables**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**1,058,180**	**8,019,771**	**6,462,360**	**717,824**	**913,425**	**17,171,560**
- The part of maximum credit risk covered with guarantees		5,124,967				5,124,967
A. Net book value of financial assets not due or not impaired	149,673	6,063,326	6,372,543	717,824	913,425	14,216,791
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)	908,507	1,956,445	89,817	--	--	2,954,769
- The part covered with guarantees	--	--	--	--	--	--
D. Net book value of assets impaired						
- Past due amount (gross book value)	--	667,473	--	--	--	667,473
- Impairment amount (-)	--	(667,473)	--	--	--	(667,473)
- The part of net value covered with guarantees etc	--	--	--	--	--	--
- Not due amount (gross book value)	--	--	--	--	--	--
- Impairment amount (-)	--	--	--	--	--	--
- The part of net value covered with guarantees etc	--	--	--	--	--	--
E. Off balance items exposed to credit risk	--	--	--	--	--	--

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38 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2009:	Receivables					
	Trade Receivables (1)		Other Receivables			
	Related Parties	Third Parties	Related Parties	Third Parties	Bank Deposits and Other Receivables	Total
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**1,184,856**	**6,306,318**	**7,717,327**	**31,632**	**726,491**	**15,966,624**
- The part of maximum credit risk covered with guarantees		4,965,434				4,965,434
A. Net book value of financial assets not due or not impaired	93,760	5,591,309	7,391,425	31,632	726,491	13,834,617
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)	1,091,097	715,009	325,902	--	--	2,132,007
- The part covered with guarantees	--	--	--	--	--	--
D. Net book value of assets impaired						
- Past due amount (gross book value)	--	648,415	--	--	--	648,415
- Impairment amount (-)	--	(648,415)	--	--	--	(648,415)
- The part of net value covered with guarantees etc	--	--	--	--	--	--
- Not due amount (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:

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38 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

	Receivables		
31 December 2010	**Trade Receivables**	**Other Receivables**	**Total**
1-30 days overdue	1,283,613	5,181	1,288,794
1-3 months overdue	1,177,656	58,358	1,236,014
3-12 months overdue	403,683	26,278	429,961
The part covered by guarantees	--	--	--
	2,864,952	**89,817**	**2,954,769**

	Receivables		
31 December 2009	**Trade Receivables**	**Other Receivables**	**Total**
1-30 days overdue	1,180,671	8,194	1,188,865
1-3 months overdue	5,632	252,206	257,838
3-12 months overdue	619,802	65,502	685,304
The part covered by guarantees	--	--	--
	1,806,105	**325,902**	**2,132,007**

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 2010 and 2009 are as follows:

31 December 2010

Contractual maturity date:	**Carrying Value**	**Total Cash Outflows Per Agreement (=I+II+III)**	**Less than 3 months (I)**	**3 months - 1 year (II)**	**1 - 5 years (III)**
Non-derivative financial liabilities					
Bank Borrowings	3,289,846	3,309,626	493,740	1,656,787	1,159,099
Trade Payables	10,265,303	10,322,754	10,127,984	--	194,770
Other Payables	303,179	303,179	303,179	--	--
	13,858,328	**13,935,559**	**10,924,903**	**1,656,787**	**1,353,869**

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

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38 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

31 December 2009

Contractual maturity date:	Carrying Value	Total Cash Outflows Per Agreement (=I+II+III)	Less than 3 months (I)	3 months - 1 year (II)	1 - 5 years (III)
Non-derivative financial liabilities					
Bank Borrowings	5,308,499	5,360,599	585,456	1,297,763	3,477,380
Trade Payables	8,720,774	8,818,900	8,818,900	--	--
Other Payables	11,018	11,018	11,018	--	--
	14,040,291	**14,190,517**	**9,415,374**	**1,297,763**	**3,477,380**

c) Market risk:

i) Foreign exchange risk

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

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38 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

	Foreign Currency Position							
	31 December 2010				31 December 2009			
	TL Equivalent	USD	Euro	Other	TL Equivalent	USD	Euro	Other
1. Trade Receivables	708,009	172,795	215,152	--	637,674	62,256	251,787	--
2a. Monetary financial assets (Including cash and cash at banks)	350,045	130,185	72,607	--	290,484	22,458	118,812	--
2b. Non monetary financial assets	--	--	--	--	--	--	--	--
3. Other	--	--	--	--	--	--	--	--
4. Current Assets (1+2+3	**1,058,054**	**302,980**	**287,759**	**--**	**928,158**	**84,714**	**370,599**	**--**
5. Trade receivables	--	--	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--	--	--
6b. Non monetary financial assets	--	--	--	--	--	--	--	--
7. Other	--	--	--	--	--	--	--	--
8. Non-current Assets (5+6+7)	--	--	--	--	--	--	--	--
9. Total Assets (4+8)	**1,058,054**	**302,980**	**287,759**	**--**	**928,158**	**84,714**	**370,599**	**--**
10. Trade payables	(360,672)	(5,617)	(171,777)	--	(360,696)	(9,860)	(160,094)	--
11. Financial liabilities	(1,657,101)	--	(808,697)	--	(1,763,621)	--	(816,378)	--
12a. Monetary other liabilities	(15,805)	(10,223)	--	--	(17,607)	(11,693)	--	--
12b. Non monetary other liabilities	--	--	--	--	--	--	--	--
13. Short term liabilities (10+11+12)	**(2,033,578)**	**(15,840)**	**(980,474)**	--	**(2,141,924)**	**(21,553)**	**(976,472)**	--
14. Trade payables	(194,769)	--	(95,051)	--	--	--	--	--
15. Financial liabilities	(1,580,895)	--	(771,507)	--	(3,384,157)	--	(1,566,522)	--
16a. Monetary other liabilities	--	--	--	--	--	--	--	--
16b. Non monetary other liabilities	--	--	--	--	--	--	--	--
17. Long term liabilities (15+16+17)	**(1,775,664)**	--	**(866,558)**	**--**	**(3,384,157)**	--	**(1,566,522)**	**--**
18. Total liabilities (13+17)	**(3,809,242)**	**(15,840)**	**(1,847,032)**	**--**	**(5,526,081)**	**(21,553)**	**(2,542,994)**	**--**
19. Net Asset/ (Liability) Position of Off Balance Sheet Derivative Instruments (19a-19b)	--	--	--	--	--	--	--	--
19a. Hedged amount of total assets	--	--	--	--	--	--	--	--
19b. Hedged amount of total liabilities	--	--	--	--	--	--	--	--
20. Foreign Currency Net Assets/ (Liability) Position (9-18+19)	**(2,751,188)**	**(287,140)**	**(1,559,273)**	--	**(4,597,923)**	**63,161**	**(2,172,394)**	--
21. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (IFRS/7.B23) (=1+2a+3+5+6a-10-11-12a-14-15-16a)	**(2,751,188)**	**(287,140)**	**(1,559,273)**	--	**(4,597,923)**	**63,161**	**(2,172,394)**	--
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	--	--	--	--	--	--	--	--
23. Export	**3,446,161**	**2,279,336**	--	--	**3,874,472**	**2,493,281**	--	--
24. Import	**866,749**	**565,074**	--	--	**305,263**	**199,310**	--	--

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38 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

	Table of Sensitivity Analysis for Foreign Currency Risk			
	Profit/Loss		Equity	
31 December 2010	**Appreciation of Foreign Currency**	**Depreciation of Foreign Currency**	**Appreciation of Foreign Currency**	**Depreciation of Foreign Currency**
Assumption of devaluation/appreciation by 10% of USD against TL:				
1- Asset/Liability denominated in USD	44,392	(44,392)	--	--
2- The part of USD risk hedged (-)	--	--	--	--
3- USD Net Effect (1+2)	**44,392**	**(44,392)**	--	--
Assumption of devaluation/appreciation by 10% of EURO against TL				
4- Asset/Liability denominated in EUR	(319,511)	319,511	--	--
5- The part of EUR risk hedged (-)	--	--	--	--
6- Euro Net Effect (4+5)	(319,511)	319,511	--	--
Assumption of devaluation/appreciation by 10% of other currencies against TL:				
7- Net asset/(liability) of other currencies	--	--	--	--
8- The part of other foreign currency risk hedged (-)	--	--	--	--
9- Other Foreign Currency Effect (7+8)	--	--	--	--
Total (3+6+9)	**(275,119)**	**275,119**	--	--

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38 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

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

	Table of Sensitivity Analysis for Foreign Currency Risk			
	Profit/Loss		Profit/Loss	
31 December 2009	**Appreciation of Foreign Currency**	**Depreciation of Foreign Currency**	**Appreciation of Foreign Currency**	**Depreciation of Foreign Currency**
Assumption of devaluation/appreciation by 10% of USD against TL:				
1- Asset/Liability denominated in USD	9,510	(9,510)	--	--
2- The part of USD risk hedged (-)	--	--	--	--
3- USD Net Effect (1+2)	**9,510**	**(9,510)**	--	--
Assumption of devaluation/appreciation by 10% of EURO against TL				
4- Asset/Liability denominated in EUR	(469,302)	469,302	--	--
5- The part of EUR risk hedged (-)	--	--	--	--
6- Euro Net Effect (4+5)	(469,302)	469,302	--	--
Assumption of devaluation/appreciation by 10% of other currencies against TL:				
7- Net asset/(liability) of other currencies	--	--	--	--
8- The part of other foreign currency risk hedged (-)	--	--	--	--
9- Other Foreign Currency Effect (7+8)	--	--	--	--
Total (3+6+9)	**(459,792)**	**459,792**	--	--

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

38 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (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 2010	**31 December 2009**
Financial instruments with fixed interest rate		
Financial assets	1,587,868	580,746
Financial liabilities	1,365,990	2,469,816
Financial instruments with floating interest rate		
Financial assets	15,540,311	15,208,501
Financial liabilities	12,254,345	11,567,270

According to the interest rate sensitivity analysis performed as at 31 December 2010, if interest rates on financial assets and liabilities were 1% higher while all other variables being constant, net profit for the current year would be TL 32,860 higher (2009: TL 36,412 higher) due to financial instruments subject to floating interest rates.

iii) Price risk

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

d) Capital risk management

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

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

38 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

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 2010	31 December 2009
Total liabilities	14,332,777	14,506,974
Less: Cash and cash equivalents	(915,550)	(732,075)
Net debt	13,417,227	13,774,899
Total equity	72,725,682	70,238,530
Debt/equity ratio	**18%**	**20%**

39 FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES)

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

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

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

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate to their carrying values. Cash and cash equivalents are carried at their fair values. The fair values of trade receivables and due from related parties, are considered to approximate their respective carrying values due to their short-term nature. The available for sale investments are carried at 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.

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

(Amounts expressed in Turkish Lira ("TL") unless otherwise stated)

39 FINANCIAL INSTRUMENTS (FAIR VALUE AND FINANCIAL RISK MANAGEMENT DISCLOSURES) (CONTINUED)

Fair value hierarchy

In the table below, valuation methods of the fair valued financial instruments given. The valuation methods according to the levels are as follows:

Level 1: Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Fair value measurements using inputs for the assets or liability that are not based on observable market data (i.e. unobservable inputs).

31 December 2010	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments	1,095,120	21,590,371	--	22,685,491
Lands	--	5,992,000	--	5,992,000
Buildings and land improvements	--	12,359,383	--	12,359,383
Machinery and equipment	--	28,182,943	--	28,182,943

31 December 2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments	1,000,480	17,685,967	--	18,686,447
Lands	--	5,945,000	--	5,945,000
Buildings and land improvements	--	13,016,855	--	13,016,855
Machinery and equipment	--	30,055,981	--	30,055,981

40 SUBSEQUENT EVENTS

None.

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

None (2009: None).

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 13 May 2011 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.

Investor Relations

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Investor Relations Department
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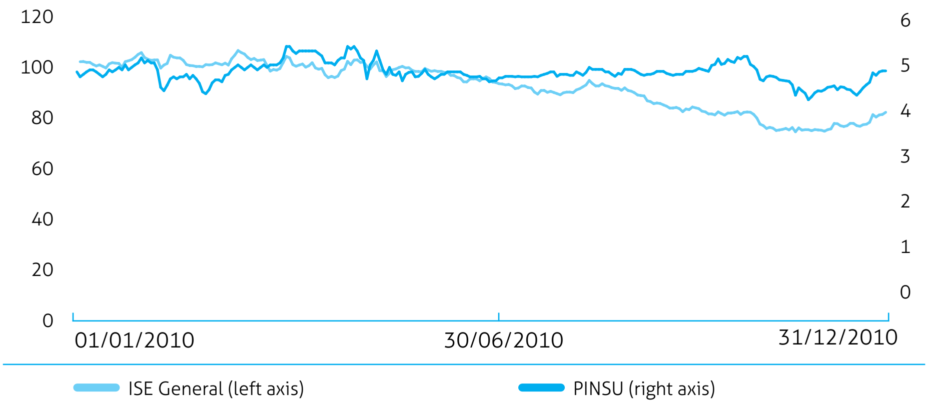
Fax : (90 232) 489 15 62
E-mail:: yatirimciiliskileri@pinarsu.com.tr

Pınar Su Share Performance in 2010 (in comparison with the ISE General Index)



* Adjusted share prices

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