

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.

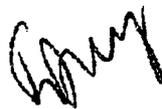
We are committed to meticulous compliance with our strategies for the future.

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