

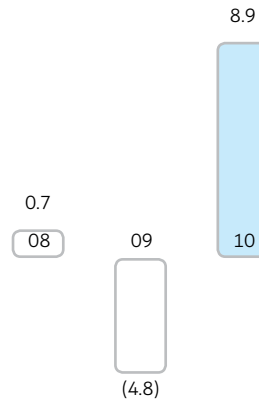
Macroeconomic and Sectoral Overview

strong growth performance in the economy

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.

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.

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.

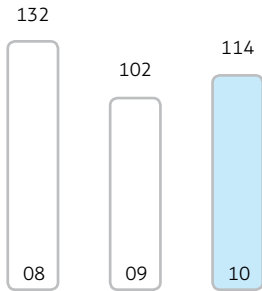
Global growth, which is thought to have been on the order of 5% in 2010, is expected to slow down somewhat in 2011 but still be around 4.4%. Although economic growth remained slow in the USA and most European countries last year, overall economic activity was lively in Germany, in Asian countries other 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.

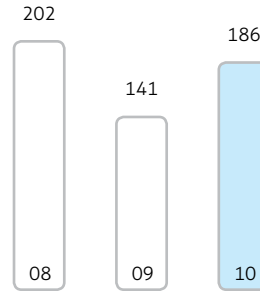
The Turkish economy grew by 8.9% in 2010.

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.

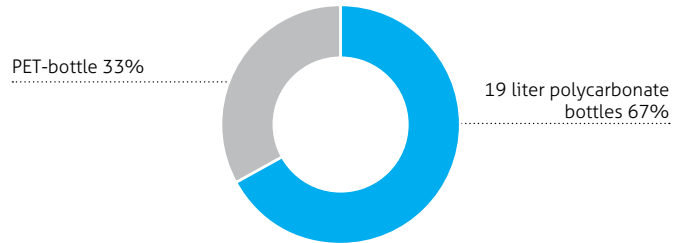
a business with high growth potential

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



Bottled Water Sector in Turkey - Sales Breakdown



Source: SUDER

The bottled water sector in Turkey

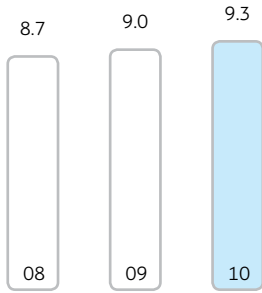
The bottled water sector experienced a 3% rate of year-on growth in 2010.

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.

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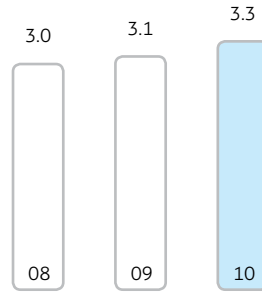
Average per capita bottled water consumption in Turkey is commensurate with the consumption levels found in the European Union, which range from 189 liters (Italy) and 165 liters (Germany) at one end of the scale to 123 liters (Spain) and 120 liters (Belgium) at the other.

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.

