

## 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, Gökçeada, 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-Gökçeğaç

The Pınar Yaşam Pınarım-Gökçeğaç 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

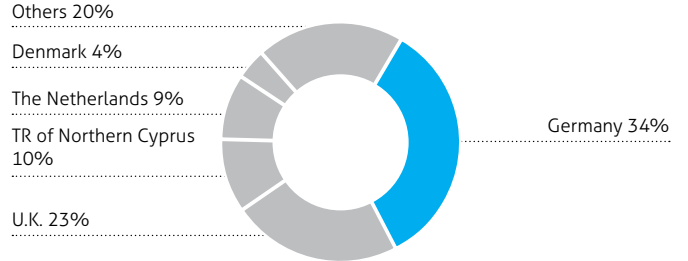
**6%** share of the PET bottle products market in 2010

#### **Gökçeğaç (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 "Gökçeğaç" 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 "Gökçeğaç" 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.

