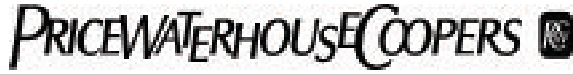


PINAR SU SANAYİ VE TİCARET A.Ş.

FINANCIAL STATEMENTS AT 31 DECEMBER 2008  
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION -  
THE TURKISH TEXT IS AUTHORITATIVE)



**Başaran Nas Bağımsız Denetim  
ve Serbest Muhasebeci Mali  
Müşavirlik A.Ş.**  
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## INDEPENDENT AUDITOR'S REPORT (Convenience translation - the Turkish text is authoritative)

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

1. We have audited the accompanying financial statements of Pınar Su Sanayi ve Ticaret A.Ş. (the "Company") which comprise the balance sheet as of 31 December 2008 and the statement of income, statement of changes in equity and statement of cash flow for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the financial statements*

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

### *Auditor's responsibility*

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

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

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

*Opinion*

4. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Pınar Su Sanayi ve Ticaret A.Ş. as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with the financial reporting standards issued by the Turkish Capital Market Board (Note 2.1).

*Emphasis of Matter*

5. As explained in Notes 1 and 37 to the financial statements, the Company sells all of its products in the domestic market to its related party and associate, Birmaş Tüketim Malları Ticaret A.Ş. ("Birmaş"), which performs sales and distribution of the Company's products in the domestic market.

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

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

ORIGINAL COPY ISSUED AND SIGNED IN TURKISH

Adnan Akan, SMMM  
Partner

Istanbul, 9 April 2009



# CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## PINAR SU SANAYİ VE TİCARET A.Ş.

### FINANCIAL STATEMENTS AT 31 DECEMBER 2008 AND 2007

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# CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

## PINAR SU SANAYİ VE TİCARET A.Ş. BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

	Notes	31 December 2008	31 December 2007
<b>ASSETS</b>			
<b>Current Assets</b>		<b>14.293.320</b>	<b>15.481.883</b>
Cash and Cash Equivalents	6	42.445	1.866.776
Trade Receivables		8.073.094	6.347.740
- Due from Related Parties	37	6.322.623	5.734.629
- Other Trade Receivables	10	1.750.471	613.111
Other Receivables		524.635	214.334
- Due from Related Parties	37	498.369	193.087
- Other Receivables	11	26.266	21.247
Inventories	13	2.872.049	4.440.563
Other Current Assets	26	2.781.097	2.612.470
<b>Non-Current Assets</b>		<b>69.707.004</b>	<b>59.757.578</b>
Other Receivables	11	1.800	1.800
Financial Assets	7	13.010.226	11.724.807
Investment in Associate accounted by equity accounting	16	27.634	264.859
Property, Plant and Equipment	18	56.611.084	47.078.367
Intangible Assets	19	15.896	27.396
Other Non-Current Assets	26	40.364	660.349
<b>TOTAL ASSETS</b>		<b>84.000.324</b>	<b>75.239.461</b>

These financial statements at 31 December 2008 and for the year then ended have been approved for issue by the Board of Directors of the Company on 9 April 2009.

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL  
STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**PINAR SU SANAYİ VE TİCARET A.Ş.  
BALANCE SHEETS AT 31 DECEMBER 2008 AND 2007**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

	Notes	31 December 2008	31 December 2007
<b>LIABILITIES</b>			
<b>Current liabilities</b>		<b>12.110.330</b>	<b>11.804.315</b>
Financial Liabilities	8	1.902.273	770.321
Trade Payables		5.744.789	4.344.881
- Due to Related Parties	37	47.614	63.744
- Other Trade Payables	10	5.697.175	4.281.137
Other Payables		739.020	1.000.987
- Due to Related Parties	37	540.273	725.000
- Other Payables	11	198.747	275.987
Current income tax liabilities	35	761.651	3.043.032
Provisions	22	2.612.837	2.480.305
Other Current Liabilities	26	349.760	164.789
<b>Non-Current Liabilities</b>		<b>10.563.715</b>	<b>7.008.946</b>
Financial Liabilities	8	5.055.576	2.520.066
Provision for Employment Termination Benefits	24	329.238	246.585
Deferred Income Tax Liabilities	35	5.178.901	4.242.295
<b>TOTAL LIABILITIES</b>		<b>22.674.045</b>	<b>18.813.261</b>
<b>EQUITY</b>		<b>61.326.279</b>	<b>56.426.200</b>
Share Capital	27	12.732.754	12.732.754
Adjustment to Share Capital	27	11.713.515	11.713.515
Revaluation reserves		25.096.968	20.557.860
- Revaluation reserve	18	17.351.076	13.570.292
- Fair value reserve of available for sale investments	7	7.745.892	6.987.568
Restricted Reserves	27	2.181.402	928.755
Retained Earnings	27	3.921.884	2.156.392
Net Income for the Year		5.679.756	8.336.924
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>84.000.324</b>	<b>75.239.461</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL  
STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**PINAR SU SANAYİ VE TİCARET A.Ş.**

**STATEMENTS OF INCOME FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

	Notes	1 January - 31 December 2008	1 January - 31 December 2007
Sales	28	61.167.192	60.571.593
Cost of Sales (-)	28	(40.891.459)	(37.271.850)
<b>GROSS PROFIT</b>	28	<b>20.275.733</b>	<b>23.299.743</b>
Marketing, Selling and Distribution Expenses (-)	29	(7.224.181)	(5.181.033)
General Administrative Expenses (-)	29	(6.550.329)	(5.105.342)
Other Operating Income	31	581.584	630.154
Other Operating Expense (-)	31	(261.121)	(1.899.619)
<b>OPERATING PROFIT</b>		<b>6.821.686</b>	<b>11.743.903</b>
Share of results of investment in associate	16	(158.014)	105.307
Financial Income	32	3.250.527	2.718.745
Financial Expense (-)	33	(2.377.480)	(1.184.510)
<b>INCOME BEFORE TAXATION</b>		<b>7.536.719</b>	<b>13.383.445</b>
Taxation on Income		(1.856.963)	(5.046.521)
- Taxes on Income	35	(1.705.995)	(3.043.032)
- Deferred Tax Expense	35	(150.968)	(2.003.489)
<b>NET INCOME FOR THE YEAR</b>		<b>5.679.756</b>	<b>8.336.924</b>
<b>EARNINGS PER SHARE</b>	36	<b>0,4461</b>	<b>0,6548</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**PINAR SU SANAYİ VE TİCARET A.Ş.**

**STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007**

(Amounts expressed in Turkish liras (TL) unless otherwise indicated.)

The statement of changes in equity for the year ended 31 December 2008 is as follows:

	Share capital	Adjustment to share capital	Revaluation reserves	Fair value reserve of investments available for sale	Restricted reserves	Retained earnings	Net income for the year	Total equity
<b>1 January 2008</b>	<b>12.732.754</b>	<b>11.713.515</b>	<b>13.570.292</b>	<b>6.987.568</b>	<b>928.755</b>	<b>2.156.392</b>	<b>8.336.924</b>	
<b>56.426.200</b>								
Transfer of prior year net income to the retained earnings and profit reserves	-	-	-	-	-	8.336.924	(8.336.924)	-
Legal and extraordinary reserves	-	-	-	-	1.252.647	(1.252.647)	-	-
Dividends paid (Note 27 and 37.ii.k)	-	-	-	-	-	(6.524.394)	-	(6.524.394)
Fair value increase of available for sale investments - net (Note 7)	-	-	-	799.705	-	-	-	799.705
Deferred income tax on increase in fair value of available for sale investments (Note 35)	-	-	-	(41.381)	-	-	-	(41.381)
Increase in revaluation reserves (Note 18)	-	-	5.730.650	-	-	-	-	5.730.650
Net income for the year	-	-	-	-	-	-	5.679.756	5.679.756
Depreciation transfer (Note 18)	-	-	(1.205.609)	-	-	1.205.609	-	-
Deferred income tax on revaluation reserve- net (Notes 18 and 35)	-	-	(744.257)	-	-	-	-	(744.257)
<b>31 December 2008</b>	<b>12.732.754</b>	<b>11.713.515</b>	<b>17.351.076</b>	<b>7.745.892</b>	<b>2.181.402</b>	<b>3.921.884</b>	<b>5.679.756</b>	<b>61.326.279</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**PINAR SU SANAYİ VE TİCARET A.Ş.**

**STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007**

(Amounts expressed in Turkish liras (TL) unless otherwise indicated.)

	Share capital	Adjustment to share capital	Revaluation reserves	Fair value reserve of investments available for sale	Restricted reserves	Retained earnings (Accumulated deficit)	Net income for the year	Total equity
<b>1 January 2007 - previously reported</b>	12.732.754	11.713.515	12.384.885	4.518.853	763.437	(88.145)	6.816.745	48.842.044
Bonus paid to senior management relating to 2006 (Note 2.4)	-	-	-	-	-	-	(500.000)	(500.000)
<b>1 January 2007 - as restated</b>	12.732.754	11.713.515	12.384.885	4.518.853	763.437	(88.145)	6.316.745	48.342.044
Transfer of prior year net income to the retained earnings and profit reserves	-	-	-	-	-	6.316.745	(6.316.745)	-
Legal and extraordinary reserves	-	-	-	-	165.318	(165.318)	-	-
Dividends paid (Note 37.ii.k)	-	-	-	-	-	(4.809.316)	-	(4.809.316)
Fair value increase of available for sale investments (Note 7)	-	-	-	2.678.235	-	-	-	2.678.235
Deferred income tax on increase in fair value of available for sale investments (Note 35)	-	-	-	(209.520)	-	-	-	(209.520)
Increase in revaluation reserves (Note 18)	-	-	2.215.265	-	-	-	-	2.215.265
Net income for the year	-	-	-	-	-	-	8.336.924	8.336.924
Depreciation transfer (Note 18)	-	-	(902.426)	-	-	902.426	-	-
Deferred income tax on revaluation reserve- net (Notes 18 and 35)	-	-	(127.432)	-	-	-	-	(127.432)
<b>31 December 2007</b>	12.732.754	11.713.515	13.570.292	6.987.568	928.755	2.156.392	8.336.924	56.426.200

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**PINAR SU SANAYİ VE TİCARET A.Ş.**

**STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007**

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

	Notes	1 January - 31 December 2008	1 January - 31 December 2007
<b>Cash flows from operating activities:</b>			
Income before taxation		7.536.719	13.383.445
<b>Adjustments to reconcile net cash generated from operating activities to income before taxation on income:</b>			
Depreciation and amortisation	18-19	3.830.925	3.653.485
Loss/ (gain) from sales of property, plant and equipment	31	43.586	(143.053)
Interest income	32	(179.284)	(113.465)
Interest expense	33	308.508	129.658
Provision for employment termination benefits	24	117.794	43.973
Reversal of impairment on property, plant and equipment	18-31	(259.818)	(177.782)
Management bonus expense	29	420.000	330.000
Provision for water and rent	22	176.331	176.331
Share of results of associates- net	16	158.014	(105.307)
Impairment on available for sale investments	31	-	900.000
		<b>12.152.775</b>	<b>18.077.285</b>
<b>Changes in operating assets and liabilities:</b>			
Increase in other trade receivables	10	(1.137.360)	(560.929)
Decrease/ (increase) in inventories	13	1.568.514	(1.718.341)
Increase in due from related parties	37	(587.994)	(4.063.722)
Increase in other receivables	11	(5.019)	(2.525)
(Increase)/ decrease in other current assets	26	(186.939)	275.827
Decrease in other non-current assets	26	619.985	87.071
Increase/ (decrease) in other trade payables	10	1.416.038	(799.556)
Decrease in due to related parties	37	(16.130)	(361.759)
Employment termination benefits paid	24	(35.141)	(9.169)
Management bonus paid	11-22-29	(611.586)	(227.108)
Taxes paid	35	(3.987.376)	(661.904)
Increase in other liabilities	11-22-26	255.518	18.420
<b>Net cash generated from operating activities</b>		<b>9.445.285</b>	<b>10.053.590</b>
<b>Investing activities:</b>			
Interest received	8	197.596	97.454
Increase in due from related parties	37	(305.282)	(39.960)
Decrease in due to related parties	37	(724.727)	(1.656.109)
Interest paid		(243.065)	(63.345)
Capital increase in available for sale investments	7	(485.714)	(900.000)
Purchase of property, plant and equipment and intangible assets	18-19	(7.694.744)	(7.029.728)
Proceeds from sales of property, plant and equipment and intangible assets	18-19-31	289.484	423.780
<b>Net cash used in investing activities</b>		<b>(8.966.452)</b>	<b>(9.167.908)</b>
<b>Financing activities:</b>			
Increase in bank borrowings		3.605.019	3.209.074
Dividends received	16	79.211	220.891
Dividends paid	37.i.d-37.ii.k	(5.984.394)	(4.809.316)
<b>Net cash used in financing activities</b>		<b>(2.300.164)</b>	<b>(1.379.351)</b>
Net decrease in cash and cash equivalents		(1.821.331)	(493.669)
Cash and cash equivalents at the beginning of the period	6	1.851.776	2.345.445
<b>Cash and cash equivalents at the end of the period</b>	<b>6</b>	<b>30.445</b>	<b>1.851.776</b>

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

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

### PINAR SU SANAYİ VE TİCARET A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

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

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

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

The Company is subject to the regulations of the Capital Markets Board ("CMB") and 32,46% (2007: 32,46%) of its shares are quoted on the Istanbul Stock Exchange ("ISE") as at 31 December 2008. The ultimate parent of the Company is Yaşar Holding A.Ş. ("Yaşar Holding") with 57,93% of shares of the Company (2007: 57,93%) (Note 27).

The average number of the employees of the Company is 122 between 1 January - 31 December 2008 (2007: 114).

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

Şehit Fethibey Caddesi No: 120  
Alsancak/ İzmir

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

##### 2.1 Accounting Standards

The Company prepares its financial statements in accordance with the financial reporting standards issued by the Turkish Capital Market Board ("CMB").

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

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

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

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

### PINAR SU SANAYİ VE TİCARET A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

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

As the differences of the IAS/IFRS endorsed by the European Union from the ones issued by the IASB have not been announced by TASB as of the date of preparation of these financial statements, the financial statements have been prepared within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, in accordance with the CMB Financial Reporting Standards which are based on IAS/IFRS. The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB including the mandatory disclosures. Within the framework of Communiqué XI, No: 29 and related promulgations to this Communiqué as issued by the CMB, enterprises are obliged to present the hedging rate of their total foreign exchange liability and total export and import amounts in the notes to the financial statements (Note 38). In this respect, the Company made the necessary reclassifications in the statements of income, changes in equity, cash flows for the year ended 31 December 2007 and balance sheet as at 31 December 2007 in accordance with the requirements of the Communiqué (Note 2.4).

Other than land, buildings, land improvements, machinery and equipments and financial assets and liabilities carried at their fair values, financial statements are prepared in Turkish Lira ("TL") based on the historical cost convention (Note 40).

#### 2.2 Amendments in International Financial Reporting Standards (IFRS)

##### a) Interpretations effective in 2008 and relevant to the Company's operations

IFRIC 14, "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction", provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. This interpretation does not have any impact on the Company's financial statements.

##### b) Standards and amendments early adopted by the Company

None.

##### c) Interpretations effective in 2008 but not relevant to the Company's operations

The following interpretations to published standards are mandatory for the accounting periods beginning on or after 1 January 2008 but are not relevant to the Company's operations:

- IFRIC 11, "IFRS 2 - Group and treasury share transactions".
- IFRIC 12, "Service concession arrangements".
- IFRIC 13, "Customer loyalty programmes" (effective for the accounting periods beginning on or after 1 July 2009).

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

### PINAR SU SANAYİ VE TİCARET A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008 AND 2007

(Amounts expressed in Turkish lira (TL) unless otherwise indicated.)

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

by Standards, amendments and interpretations to existing standards that are not yet effective in 2008 and have not been early adopted by the Company.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but they are not early adopted by the Company:

- IAS 23 (Amendment), "Borrowing costs" (effective for the accounting periods beginning on or after 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing the borrowing costs will be removed. It is not expected to have a material impact on the Company's financial statements. In addition, the definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. The Company will apply the IAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets starting from 1 January 2009.
- IFRS 3 (Revised), "Business Combinations" (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquire either at fair value or at the non-controlling interest's proportionate share of the acquire's net assets. All acquisition-related costs should be expensed. The Company will apply IFRS 3 (Revised) prospectively to all business combinations effective from 1 January 2010.
- IAS 28 (Amendment), "Investments in associates" (and consequential amendments to IAS 32, "Financial Instruments: Presentation" and IFRS 7, "Financial instruments: Disclosures") (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Company will apply the IAS 28 (Amendment) to impairment tests related to investments in subsidiaries and any related impairment losses effective from 1 January 2009. Where an investment in associate is accounted for in accordance with IAS 39 'Financial instruments: recognition and measurement', only certain rather than all disclosure requirements in IAS 28 need to be made in addition to disclosures required by IAS 32, 'Financial Instruments: Presentation' and IFRS 7 'Financial Instruments: Disclosures'. The amendment will not have an impact on the Company's operations because it is the Company's policy for an investment in an associate to be equity accounted in the Company's accounts.
- IAS 36 (Amendment), "Impairment of assets" (effective from 1 January 2009). Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply the IAS 36 (Amendment) and provide the required disclosure where applicable for impairment tests effective from 1 January 2009.

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

Within the framework of the IASB's annual improvements project published in May 2008, there are some amendments in the following standards. Since, it is not expected to have a material impact on the Company's financial statements, these amendments have not been explained in detail.

- IFRS 7, "Financial instruments: Disclosures".
- IAS 8, "Accounting policies, changes in accounting estimates and errors".
- IAS 10, "Events after the reporting period".
- IAS 18, "Revenue".
- IAS 34, "Interim financial reporting".
- IAS 38 (Amendment), "Intangible assets" (Effective from 1 January 2009).
- IAS 19 (Amendment), "Employee benefits" (Effective from 1 January 2009).
- IAS 39 (Amendment), "Financial instruments: Recognition and measurement" (Effective from 1 January 2009).
- IAS 1 (Revised), "Presentation of financial statements" (Effective from 1 January 2009).

*c) Interpretations and amendments to existing standards that are not yet effective and not relevant for the Company's operations*

The following interpretations and amendments to existing standards have been published and are mandatory for the accounting periods beginning on or after 1 January 2009 or later periods but are not relevant for the Company's operations:

- IAS 1 (Amendment), "Presentation of financial statements" (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company will apply the IAS 1 (Amendment) from 1 January 2009. It is likely that both the income statement and statement of comprehensive income will be presented as performance statements.
- IAS 27 (Revised), "Consolidated and separate financial statements", (effective from 1 January 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity where the control is lost is re-measured at fair value, and a gain or loss is recognised in profit or loss. The standard will not have any impact on the Company's financial statements, as there is no consolidated subsidiary.

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

- IFRS 1 (Amendment) “First time adoption of IFRS”, and IAS 27 “Consolidated and separate financial statements” (effective from 1 January 2009). The amended Standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements.
- IAS 16 (Amendment), “Property, plant and equipment” (and consequential amendment to IAS 7, “Statement of cash flows”). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale.
- IAS 20 (Amendment), “Accounting for government grants and disclosure of government assistance” (effective from 1 January 2009).
- IAS 29 (Amendment), “Financial reporting in hyperinflationary economies” (effective from 1 January 2009). The amendment will not have any impact on the Company’s financial statements, since the Company does not operate in hyperinflationary economies.
- IAS 31 (Amendment), “Interests in joint ventures” (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).
- IAS 32 (Amendment), “Financial instruments: Presentation”, and IAS 1 (Amendment), “Presentation of financial statements” - “Puttable financial instruments and obligations arising on liquidation” (effective from 1 January 2009).
- IAS 38 (Amendment), “Intangible assets” (effective from 1 January 2009). The amendment is part of the IASB’s annual improvements project published in May 2008. The amendment deletes the wording that states that there is “rarely, if ever” support for use of a method that results in a lower rate of amortisation than the straight-line method. The amendment will not have an impact on the Company’s operations, as all intangible assets are amortised using the straight-line method.
- IFRS 2 (Amendment), “Share-based payment” (effective from 1 January 2009).
- IAS 40 (Amendment), “Investment property” (and consequential amendments to IAS 16) (effective from 1 January 2009).
- IAS 41 (Amendment), “Agriculture” (effective from 1 January 2009).
- \* IFRIC 15, “Agreements for construction of real estates” (effective from 1 January 2009).
- IFRIC 16, “Hedges of a net investment in a foreign operation” (effective from 1 October 2008).
- IFRS 5 (Amendment), ‘Non-current assets held-for-sale and discontinued operations’ (and consequential amendment to IFRS 1, “First-time adoption”) (effective for accounting periods beginning on or after 1 July 2009).

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

##### 2.3 Basis of consolidation

The Company does not have any subsidiary to be consolidated in the financial statements. The investments in associates are accounted for using the equity method. These are undertakings over which the Company has between 20% and 50% of the voting rights, or over which the Company has significant influence. The unrealised gains on transactions between the Company and its associated undertakings are eliminated to the extent of the Company's interest in the associated undertakings; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Equity accounting is discontinued when the carrying amount of the investment in an associated undertaking reaches zero, unless the Company has incurred obligations or guaranteed obligations in respect of the associates or significant influence of the company ceases. The carrying amount of the investment at the date when significant influence ceases is regarded as cost thereafter.

The table below sets out the associates and the proportion of ownership interest as of 31 December 2008 and 2007 (Note 16):

	<u>Shareholding (%)</u>	
	<u>2008</u>	<u>2007</u>
<u>Investment in associate:</u>		
Birmaş	25,00	25,00

##### 2.4 Comparatives and Restatement of Prior Year Financial Statements

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet as at 31 December 2008 on a comparative basis with balance sheet as at 31 December 2007; and statements of income, cash flows and statements of changes in equity for the period of 1 January - 31 December 2008 on a comparative basis with financial statements for the period of 1 January - 31 December 2007.

According to International Accounting Standard 19, Employee Benefits ("IAS 19"), the management bonus paid to the management of the Company, should be recognised as a provision within the period in which such liability arises. Based on the General Assembly dated 16 May 2007, it was decided to pay management bonus relating to the profit of 2006 to the senior management. In this respect, as the bonus accrual was not recognised in the financial statements at 31 December 2006, the accrual was reported as an adjustment to the opening balance of retained earnings as of 1 January 2007, without restating prior year financial statements on the grounds of materiality (see "the Statements of Changes in Equity").

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

The financial statements and the related notes to them are presented in accordance with the formats recommended by the CMB, with the announcement dated 14 April 2008, including the mandatory disclosures (Note 2.1). In this respect, the Company has performed reclassifications in the financial statements as of 31 December 2007 in order to conform to presentation of the financial statements as of 31 December 2008. Such reclassifications are explained below:

- Other receivables: Deposits and guarantees given amounting to TL17.802 which were classified under “trade receivables” and receivables from personnel amounting to TL3.445 which were classified under “due from related parties” in the balance sheet as of 31 December 2007 have been reclassified to “other receivables” in the balance sheet as of 31 December 2008 prepared on a comparative basis with the preceding financial period. Deposits and guarantees given amounting to TL1.800 which were classified under “other non-current assets” in the balance sheet as of 31 December 2007, have been reclassified to “other receivables” under the non-current assets in the balance sheet as of 31 December 2008 prepared on a comparative basis with the preceding financial period
- Other current assets: Order advances given amounting to TL150.921 which was classified under “inventories” and other receivables amounting to TL2.441.032 which were classified under “other receivables”, have been reclassified to “other current assets” in the balance sheet as of 31 December 2008 prepared on a comparative basis with the preceding financial period.
- Financial assets: Available for sale investments amounting to TL11.724.807 which were classified under “financial assets-net” in the balance sheet as of 31 December 2007, have been reclassified to “financial assets” in the balance sheet as of 31 December 2008 prepared on a comparative basis with the preceding financial period.
- Investment in associates accounted by equity accounting: Associate amounting to TL264.859 which was classified under “financial assets-net” in the balance sheet as of 31 December 2007, has been reclassified to “investment in associates accounted by equity accounting” in the balance sheet as of 31 December 2008 prepared on a comparative basis with the preceding financial period.
- Other non-current assets: Property, plant and equipment advances amounting to TL612.465 which were classified under “property, plant and equipment” in the balance sheet as of 31 December 2007, have been reclassified to “other non-current assets” in the balance sheet as of 31 December 2008 prepared on a comparative basis with the preceding financial period.
- Other payables: Deposits and guarantees received amounting to TL3.039 which were classified under “trade payables” in the balance sheet as of 31 December 2007, have been reclassified to “other payables” in the balance sheet as of 31 December 2008 prepared on a comparative basis with the preceding financial period.
- Other current liabilities: Payables to personnel amounting to TL272.948 which were classified under “due to related parties” in the balance sheet as of 31 December 2007, have been reclassified to “other current liabilities” in the balance sheet as of 31 December 2008 prepared on a comparative basis with the preceding financial period.
- Adjustment to share capital: Inflation adjustment to equity amounting to TL11.713.515 reported in the balance sheet as of 31 December 2007, has been reclassified to “adjustment to share capital” in the balance sheet as of 31 December 2008 prepared on a comparative basis with the preceding financial period.

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

- Restricted reserves: Legal reserves amounting to TL774.649 in the balance sheet as of 31 December 2007, have been reclassified to “restricted reserves” in the balance sheet as of 31 December 2008 prepared on a comparative basis with the preceding financial period.
- Retained earnings: Extraordinary reserves amounting to TL63.664 reported in the balance sheet as of 31 December 2007, have been reclassified to “retained earnings” in the balance sheet as of 31 December 2008 prepared on a comparative basis with the preceding financial period.
- Share of results of investment in associate: amounting to TL133.831 which were classified under "other income" in the statement of income as of 31 December 2007, has been reclassified to share of results of investment in associate in the statement of income as of 31 December 2008 prepared on a comparative basis with the preceding financial period.
- Financial income: Other income amounting to TL2.718.745 in the balance sheet as of 31 December 2007, has been reclassified to “financial income” in the balance sheet as of 31 December 2008 prepared on a comparative basis with the preceding financial period.

#### 2.5 Offsetting

All items with significant amounts and nature, even with similar characteristics, are presented separately in the financial statements. Insignificant amounts are grouped and presented by means of items having similar substance and function. When the nature of transactions and events necessitate offsetting, presentation of these transactions and events over their net amounts or recognition of the assets after deducting the related impairment are not considered as a violation of the rule of non-offsetting. As a result of the transactions in the normal course of business, revenue other than sales are presented as net if the nature of the transaction or the event qualify for offsetting.

#### 2.6 Summary of Significant Accounting Policies

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

##### 2.6.1 Revenue recognition

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

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#### 2.6.2 Inventories

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

#### 2.6.3 Property, plant and equipment

The Company's land, land improvements, buildings, machinery and equipment are stated at their fair values based on the valuations performed by external independent valuers, namely Elit Gayrimenkul Değerleme A.Ş. and Vakıf Gayrimenkul Ekspertiz ve Değerleme A.Ş. as of 31 December 2008. 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 statement of income.

Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statements of income) and the depreciation based on the asset's original cost stated in terms of purchasing power of TL at the prior years is transferred from retained earnings to the revaluation reserves.

Property, plant and equipment 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).

Depreciation is provided on the restated or revalued amounts of property, plant and equipment on a straight-line basis (Note 8). Land is not depreciated as it is deemed to have an indefinite life. The depreciation rates for property, plant and equipment, which are based on the approximate useful lives of such assets, are as follows:

	<u>Rate (%)</u>
Buildings and land improvements	2-4
Machinery and equipment	5-10
Motor vehicles	20
Furniture and fixtures	10

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

Where the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount (Notes 2.6.5 and 18). If the property plant and equipments that are impaired, are revalued, the impairment is charged to the revaluation reserves for an amount equivalent to the increases included in the revaluation reserve in the preceding periods and the remaining amount is recognised in the statement of income.

Gains or losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are included in the related income and expense accounts, as appropriate (Note 31). On the disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

Repairs and maintenance expenses are charged to the statements of income during the financial period in which they are incurred. Expenses incurred after capitalization are included in the cost of the asset or recorded as an asset in case when it is probable that the future economic benefits will flow to the Company and the cost can be reliably measured. The Company derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Expenses incurred after capitalisation which are included in the cost of the related assets are depreciated based on their useful lives.

#### 2.6.4 Intangible assets

Intangible assets comprise acquired rights, information systems and software. 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. They are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period five years from the date of acquisition. Residual values of intangible assets are deemed as negligible. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use (Notes 2.6.5 and 19).

#### 2.6.5 Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset other than deferred tax asset (Note 35) and property, plant and equipment stated at revalued amounts (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 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).

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

##### 2.6.6 Borrowings and borrowings costs

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are measured 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 income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 33). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 8).

##### 2.6.7 Financial assets

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates 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 financial assets

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. Management determines the appropriate classification of its investments at the time of the acquisition and re-evaluates such designation on a regular basis.

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

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 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 since other methods are 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 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 income statement as part of other income when the Company's right to receive payments is established.

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

#### 2.6.8 Foreign currency transactions and balances

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

#### 2.6.9 Earning per share

Earnings per share disclosed in the statement of 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.

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

##### 2.6.10 Subsequent events

Subsequent events, announcements related to net profit or even declared after other selective financial information has been publicly announced, include all events that take place between the balance sheet date and the date when balance sheet was authorised for issue (Note 40).

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

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

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 can be 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.

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company are treated as contingent assets or liabilities. The Company does not recognise contingent assets and liabilities (Note 22). Provisions are not recognised for future operating losses.

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

Material changes in accounting policies and accounting errors are applied on a retrospective basis as if a prior period error had never occurred or the policy had always been applied. The effect of change in accounting estimate shall be recognised prospectively by including it in the statement of income within the period of the change, if the change affects that period only; or period of the change and future periods, if the change affects both.

##### 2.6.13 Related parties

For the purpose of these financial statements, shareholders, Yaşar Group companies, key management personnel and Board members, in each case together with their families and companies controlled, jointly controlled or significantly influenced by them are considered and referred to as related parties (Note 37).

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

##### 2.6.14 Segment reporting

Segment reporting is not applicable as the Company is only engaged in the production of bottled water; and sales and distribution of the Company's products in the domestic market are performed by its associate, Birmaş (Note 37) and operations other than in Turkey are not material enough to be reported separately (Note 5).

##### 2.6.15 Taxation on income

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

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

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed. Deferred income tax liabilities are recognised for all taxable temporary differences, where deferred income 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 difference can be utilised. To the extent that deferred income tax assets will not be utilised, the related amounts have been deducted accordingly (Note 35).

##### 2.6.16 Provision for employment termination benefits

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

##### 2.6.17 Statement of cash flows

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

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

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

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

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

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

##### 2.6.19 Share capital and dividends

Ordinary shares are classified as equity. Dividends payable on shares are recognised as an appropriation of the profit in the period in which they are declared. Dividend income is recognised when the Company's right to receive the payment is established.

#### 2.7 Critical Accounting Estimates and Judgments

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

##### a) *Income taxes*

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognises tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

##### b) *Fair value determination of available for sale investments*

The generally accepted valuation techniques used in fair value determination of available for sale investments for which there is no quoted market price exists, consist of several assumptions, which are based on the management's best estimates (Note 7).

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

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

At 31 December 2008, land, land improvements and buildings, were stated at fair value, based on valuations performed by external independent valuers as of the same date. As there were not any recent similar buying/selling transactions nearby, revaluations of land were based on the method of reference comparison whereas revaluations of buildings and land improvements were based on the method of cost approach. In the market reference comparison method, current market information was utilised, taking into consideration the comparable property in the market in recent past in the region, price adjustment was made within the framework of criteria that could affect market conditions, and accordingly an average m2 sale value was determined for lands subject to the valuation. The similar lands found were compared in terms of location, size, settlement status, physical conditions, real estate marketing firms were consulted for up-to-date valuation of the estate market, also, current information and experience of the professional valuation company was utilised.

In the cost approach method, fair value of the buildings and land improvements was calculated by considering recent re-construction costs and related depreciation. In the cost approach method, above explained market reference comparison method was used in calculation of the land value, one of the components. Regarding the valuation of the machinery and equipment, technologic conditions, actual depreciation, commercial attributes and industrial positions as well as demounting and assembling costs were taken into account. Whenever a fully integrated industrial plant was in discussion, the revaluation work was performed based on all the active and functioning assets in the integrated plant rather than taking as basis the data for the second-hand market within the scope of the valuation of the machinery and equipment. Such machinery and equipment were reviewed and assessed by their line (Note 18).

#### NOTE 3 - BUSINESS COMBINATIONS

None (2007: None).

#### NOTE 4 - JOINT VENTURES

None (2007: None).

#### NOTE 5 - SEGMENT REPORTING

Segment reporting is not applicable as the Company is only engaged in the production of bottled water and as sales and distribution of the Company's products in the domestic market are performed by its associate, Birmaş (Note 37) and operations other than in Turkey are not material enough to be reported separately.

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**NOTE 6- CASH AND CASH EQUIVALENTS**

	31 December 2008	31 December 2007
Cash in hand	449	6.474
Banks		
- Demand deposits	41.996	344.291
- Turkish Lira	41.996	32.498
- Foreign Currency	-	311.793
- Time deposits	-	1.516.011
- Turkish Lira	-	1.516.011
	<b>42.445</b>	<b>1.866.77</b>

The Company does not have time deposits at 31 December 2008 (2007: Time deposits are all short-term and denominated in TL maturing in less than one month with effective interest rate of 18,50% per annum (p.a.)).

As of 31 December 2008, the Company has blocked deposits amounting to TL12.000 (2007: TL15.000).

Cash and cash equivalents for purposes of statement of cash flows are as follows:

Cash and cash equivalents	42.445	1.866.776
Blocked deposits	(12.000)	(15.000)
<b>Cash and cash equivalents</b>	<b>30.445</b>	<b>1.851.776</b>

**NOTE 7- FINANCIAL ASSETS**

**Available for sale investments:**

	<u>31 December 2008</u>		<u>31 December 2007</u>	
	TL	%	TL	%
Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. ("YBP")	11.717.251	4,79	10.926.852	4,79
Yataş	767.599	1,96	797.955	1,96
Desa Enerji Elektrik Üretimi Otoprodüktör Grubu A.Ş. ("Desa Enerji")	525.376	6,07	-	6,07
	<b>13.010.226</b>		<b>11.724.807</b>	

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

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#### NOTE 7- FINANCIAL ASSETS (Continued)

The discount and growth rates used in the calculation of fair values of available for sales investments as at 31 December 2008 are as follows:

	Discount rate	Growth rates
YBP	17,13%	1%
Yataş	15,3%	0%
Desa Enerji	17,50%	0%

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

	2008	2007
<b>1 January</b>	<b>11.724.807</b>	<b>9.046.572</b>
Increase in fair value	830.061	2.678.235
Capital increase (*)	485.714	900.000
Impairment losses	(30.356)	(900.000)
<b>31 December</b>	<b>13.010.226</b>	<b>11.724.807</b>

(\*) Based on the Board of Directors decision dated 18 July 2008, the Company participated in capital increase of Desa Enerji in cash, proportionately with its share (2007: Based on the Board of Directors decision dated 5 September 2007, the Company participated in capital increase of Desa Enerji in cash, proportionately with its share).

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

	2008	2007
<b>1 January</b>	<b>6.987.568</b>	<b>4.518.853</b>
Increase in fair value	830.061	2.678.235
Impairment losses	(30.356)	-
Deferred income tax on available for sale investments (Note 35)	(41.381)	(209.520)
<b>31 December</b>	<b>7.745.892</b>	<b>6.987.568</b>

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NOTE 8 - FINANCIAL LIABILITIES

	Effective weighted average interest rate %		Original Foreign Currency		TL equivalent	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Short-term financial liabilities:						
TL bank borrowings (*)	0,00	-	98.215	-	98.215	-
Short-term portion of long-term financial liabilities:						
EUR bank borrowings (**)	5,31	4,86	842.703	450.428	1.804.058	770.321
<b>Total short-term financial liabilities</b>					<b>1.902.273</b>	<b>770.321</b>
Long-term financial liabilities:						
EUR bank borrowings (**)	5,39	4,86	2.361.536	1.473.550	5.055.576	2.520.066
<b>Total long-term financial liabilities</b>					<b>5.055.576</b>	<b>2.520.066</b>

(\*) TL denominated short-term bank borrowings are comprised of spot borrowings without interest charge as of 31 December 2008 (2007: None).

(\*\*) 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. (2007: Borrowing with 4,86% p.a. fixed interest rate).

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

The redemption schedule of long-term financial liabilities at 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
2009	-	720.019
2010	1.701.967	720.019
2011	1.701.967	720.019
2012 - 2013 years	1.651.642	360.009
	<b>5.055.576</b>	<b>2.520.066</b>

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 2008:			
Borrowings with floating interest rates	-	3.656.508	3.656.508
Borrowings with fixed interest rates	-	-	3.301.341
<b>Total</b>			<b>6.957.849</b>

As of 31 December 2007, bank borrowings are all based on fixed interest rates.

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

	Carrying Amounts		Fair Values	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Bank borrowings	6.957.849	3.290.387	7.265.076	3.256.784

The fair value of EUR denominated bank borrowings is based on cash flows discounted using the rates of 2,85% p.a. (2007: 5,46%).

**NOTE 9 - OTHER FINANCIAL LIABILITIES**

None (2007: None).

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**NOTE 10 - TRADE RECEIVABLES AND PAYABLES**

	31 December 2008	31 December 2007
<b>a) Other trade receivables</b>		
Customer current accounts	118.875	104.670
Cheques and notes receivables	1.747.791	607.384
	1.866.666	712.054
Less: Provision for impairment of receivables	(87.857)	(87.857)
Unearned finance income	(28.338)	(11.086)
	<b>1.750.471</b>	<b>613.111</b>

At 31 December 2008, the effective weighted average interest rate applied to trade receivables is 16,49% p.a. (2007: 16,25% p.a.) and average collection terms of trade receivables are within 2 months (2007: 2 months).

The aging of cheques and notes receivables are as follows:

0-30 days	865.243	169.451
31-60 days	589.771	328.933
61-90 days	83.277	67.000
91 days and over	209.500	42.000
	<b>1.747.791</b>	<b>607.384</b>

Aging analysis for trade receivables

The aging analysis of trade receivables as of 31 December 2008 and 2007 are as follows:

Overdue receivables	-	5.727
0-30 days	882.232	175.049
31-60 days	580.209	325.192
61-90 days	81.927	66.472
91 days and over	206.103	40.671
	<b>1.750.471</b>	<b>613.111</b>

As of 31 December 2008, there are no overdue trade receivables. The aging and credit risk analysis of overdue receivables as of 31 December 2007 are disclosed in Note 38.a.

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

Movements in the provision for impairment of receivables are as follows:

	2008	2007
<b>1 January</b>	(87.857)	(119.260)
Collections (Note 31.a)	-	31.403
<b>31 December</b>	(87.857)	(87.857)
	<b>31 December 2008</b>	<b>31 December 2007</b>
<b>b) Other trade payables:</b>		
Supplier current accounts	5.755.951	4.349.885
Less: Unincurred finance cost	(58.776)	(68.748)
	<b>5.697.175</b>	<b>4.281.137</b>

At 31 December 2008, the effective weighted average interest rate applied to short-term trade payables is 16,49% p.a. (2007: 16,29% p.a.) and short term trade payables mature within 2 months (2007: 2 months).

**NOTE 11 - OTHER RECEIVABLES AND PAYABLES**

	31 December 2008	31 December 2007
<b>a) Other short-term receivables:</b>		
Deposits and guarantees given	19.102	17.802
Personnel advances	7.164	3.445
	<b>26.266</b>	<b>21.247</b>
<b>b) Other long-term receivables:</b>		
Deposits and guarantees given	1.800	1.800
	<b>1.800</b>	<b>1.800</b>
<b>c) Other short-term payables:</b>		
Payables to personnel	195.708	272.948
Deposits and guarantees received	3.039	3.039
	<b>198.747</b>	<b>275.987</b>

As of 31 December 2008, payable to personnel amounting to TL161.306 (2007:TL272.892) consists of the remaining balances of the dividends and bonus decided to be paid to the key management and personnel.

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

None (2007: None).

**NOTE 13 - INVENTORIES**

	31 December 2008	31 December 2007
Raw materials		
- Valued at cost	309.531	777.895
- Valued at net realisable value	343.712	-
Finished goods		
- Valued at cost	565.503	1.978.812
- Valued at net realisable value	43.303	-
Demijohn stocks		
- Valued at cost	449.856	501.892
Pallet stocks		
- Valued at cost	530.524	585.779
Spare parts		
- Valued at cost	591.520	561.139
Other	38.100	35.046
	<b>2.872.049</b>	<b>4.440.563</b>

As of 31 December 2008, impairment provision amounting to TL24.672 has been provided for raw materials and finished goods (2007: None) and has been included in the cost of sales. Cost of inventories recognized as expense and included in cost of sales amounted to TL24.379.197 (2007: TL22.016.242) (Note 30).

**NOTE 14 - BIOLOGICAL ASSETS**

None (2007: None).

**NOTE 15 - CONSTRUCTION CONTRACT RECEIVABLES**

None (2007: None).

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

**Investment in associate:**

	<u>31 December 2008</u>		<u>31 December 2007</u>	
	TL	Shareholding (%)	TL	Shareholding (%)
Birmaş	27.634	25	264.859	25
	<b>27.634</b>		<b>264.859</b>	

Movements of associate balance during the period is as follows:

	2008	2007
<b>1 January</b>	<b>264.859</b>	<b>380.443</b>
Share of results of investment in associate	(163.497)	133.831
Dividend income from investment in associate (Note 37.ii.j)	(79.211)	(220.891)
Share of income taxes of investment in associate	5.483	(28.524)
<b>31 December</b>	<b>27.634</b>	<b>264.859</b>

The financial information of the investment in associate accounted by equity method is as follows:

	31 December 2008	31 December 2007
Total assets	10.433.323	9.098.636
Total liabilities	10.322.788	8.039.202
Net (loss)/ profit for the year	(632.055)	421.228

**NOTE 17 - INVESTMENT PROPERTY**

None (2007: None).

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

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

<u>Cost/ valuation:</u>	<b>1 January 2008</b>	<b>Additions</b>	<b>Disposals</b>	<b>Transfers</b>	<b>Revaluation</b>	<b>Reverse of impairment (Note 31.a)</b>	<b>31 December 2008</b>
Land	4.845.537	-	-	-	1.071.668	27.795	5.945.000
Buildings, and land improvements	15.412.761	13.353	-	-	1.750.036	-	17.176.150
Machinery and equipment	54.315.293	1.186.134	-	4.748.957	2.908.946	232.023	63.391.353
Motor vehicles	325.012	88	(32.500)	-	-	-	292.600
Furniture and fixtures	8.601.992	1.750.410	(373.188)	-	-	-	9.979.214
Construction in progress	8.698	4.740.259	-	(4.748.957) (*)	-	-	-
	<b>83.509.293</b>	<b>7.690.244</b>	<b>(405.688)</b>	<b>-</b>	<b>5.730.650</b>	<b>259.818</b>	<b>96.784.317</b>
<u>Accumulated depreciation:</u>							
Buildings, and land improvements	(2.957.761)	(568.389)	-	-	-	-	(3.526.150)
Machinery and equipment	(28.017.293)	(2.541.800)	-	-	-	-	(30.559.093)
Motor vehicles	(266.237)	(40.968)	25.165	-	-	-	(282.040)
Furniture and fixtures	(5.189.635)	(663.768)	47.453	-	-	-	(5.805.950)
	<b>(36.430.926)</b>	<b>(3.814.925)</b>	<b>72.618</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(40.173.233)</b>
<b>Net book value</b>	<b>47.078.367</b>						<b>56.611.084</b>

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

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

Movements of property, plant and equipment between 1 January and 31 December 2007 were as follows:

<u>Cost/ valuation:</u>	1 January 2008	Additions	Disposals	Transfers	Revaluation	Dğer Reverse of impairment (Note 31.a)	31 December 2008
Land	4.445.677	240.000	-	-	60.583	99.277	4.845.537
Buildings, and land improvements	13.974.342	67.290	-	-	1.371.129	-	15.412.761
Machinery and equipment	47.946.132	535.275	(5.711)	4.977.539	783.553	78.505	54.315.293
Motor vehicles	368.088	15	(43.091)	-	-	-	325.012
Furniture and fixtures	7.361.291	1.536.784	(296.083)	-	-	-	8.601.992
Construction in progress	340.073	4.646.164	-	(4.977.539) (**)	-	-	8.698
	<b>74.435.603</b>	<b>7.025.528</b>	<b>(344.885)</b>	<b>-</b>	<b>2.215.265</b>	<b>177.782</b>	<b>83.509.293</b>
<u>Accumulated depreciation:</u>							
Buildings, and land improvements	(2.372.156)	(585.605)	-	-	-	-	(2.957.761)
Machinery and equipment	(25.632.904)	(2.387.213)	2.824	-	-	-	(28.017.293)
Motor vehicles	(259.830)	(49.498)	43.091	-	-	-	(266.237)
Furniture and fixtures	(4.637.545)	(570.333)	18.243	-	-	-	(5.189.635)
	<b>(32.902.435)</b>	<b>(3.592.649)</b>	<b>64.158</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(36.430.926)</b>
<b>Net book value</b>	<b>41.533.168</b>						<b>47.078.367</b>

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

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

Depreciation and amortisation charges were allocated to cost of production by TL2.593.531 (2007: TL2.477.741), to selling and marketing costs by TL648.935 (2007: TL634.202) and to general administrative expenses by TL588.459 (2007: TL541.542) (Note 29).

#### Market Valuation

The Company's land, land improvements and buildings, machinery and equipment previously revalued at 31 December 2007, was updated as of 31 December 2008 by the independent professional valuation company. 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, land improvements, buildings, machinery and equipment as of 31 December 2008 and 2007 were as follows:

	2008	2007
<b>1 January</b>	<b>13.570.292</b>	<b>12.384.885</b>
Increase in fair values arising from revaluation of land, buildings and land improvements	2.821.704	1.431.712
Increase in fair values arising from revaluation of machinery and equipment	2.908.946	783.55
Depreciation transferred from retained earnings	(1.205.609)	(902.426)
Deferred income tax on depreciation transfer	241.122	180.485
Deferred income tax arising from revaluation	(985.379)	(433.965)
Effect of tax rate and regulations change	-	126.048
<b>31 December</b>	<b>17.351.076</b>	<b>13.570.292</b>

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

The cost of property, plant and equipment and the related accumulated depreciation as of 31 December 2008 and 2007 were as follows:

31 December 2008:	Buildings and Land	Machinery land improvements	and equipment
Cost	573.256	6.452.267	43.225.918
Less: Accumulated depreciation	-	(1.839.208)	(29.706.689)
<b>Net book value</b>	<b>573.256</b>	<b>4.613.059</b>	<b>13.519.229</b>
31 December 2007:	Buildings and Land	Machinery land improvements	and equipment
Cost	573.256	6.438.914	37.290.827
Less: Accumulated depreciation	-	(1.549.292)	(27.197.450)
<b>Net book value</b>	<b>573.256</b>	<b>4.889.622</b>	<b>10.093.377</b>

**NOTE 19 - INTANGIBLE ASSETS**

The movements of intangible assets and related accumulated amortisation for the years ended 31 December 2008 and 2007 were as follows:

	1 January 2008	Additions	31 December 2008
Cost:			
Rights	1.032.649	4.500	1.037.149
Accumulated amortisation	(1.005.253)	(16.000)	(1.021.253)
<b>Net book value</b>	<b>27.396</b>		<b>15.896</b>
	1 January 2008 Opening	Additions	31 December 2008 Closing
Cost:			
Rights	1.028.449	4.200	1.032.649
Accumulated amortisation	(944.417)	(60.836)	(1.005.253)
<b>Net book value</b>	<b>84.032</b>		<b>27.396</b>

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#### NOTE 20 - GOODWILL

None (2007: None).

#### NOTE 21 - GOVERNMENT GRANTS

None (2007: None).

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

	31 December 2008	31 December 2007
<b>a) Short-term provisions:</b>		
Provision for expense accruals (*)	2.233.194	2.056.863
Management bonus accruals	250.000	330.000
Provision for litigation	79.757	79.757
Other	49.886	13.685
	<b>2.612.837</b>	<b>2.480.305</b>

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

	2008	2007
<b>1 January</b>	<b>2.056.863</b>	<b>1.880.532</b>
Increase in the current period (Note 31.b)	176.331	176.331
<b>31 December</b>	<b>2.233.194</b>	<b>2.056.863</b>

	31 December 2008	31 December 2007
<b>b) Guarantees given:</b>		
Bails	682.915.200	545.553.800
Guarantee letters	366.157	353.313
	<b>683.281.357</b>	<b>545.907.113</b>

As of 31 December 2008, guarantees given are mainly related with joint guarantees provided by the Company along with Yaşar Holding A.Ş., Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş., Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş., Pınar Süt Mamülleri Sanayii A.Ş., Viking Kağıt ve Selüloz A.Ş., Pınar Entegre Et ve Un Sanayi A.Ş. and Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. for repayment of borrowings obtained by Yaşar Group companies from international capital markets amounting to EUR319 million equivalent of TL682.915.200 (2007: EUR319 million equivalent of TL545.553.800).

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**NOTE 22 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)**

	31 December 2008	31 December 2007
<b>c) Guarantees received:</b>		
Mortgages	1.721.102	2.051.100
Guarantee notes	153.000	-
Guarantee letters	100.000	638.306
Cheques received as guarantee	6.000	210.500
	<b>1.980.102</b>	<b>2.899.906</b>

**NOTE 23 - COMMITMENTS**

Total amount of raw material purchase commitments as of 31 December 2008 is amounted to TL1.035.520 (2007: TL948.960).

**NOTE 24 - EMPLOYEE BENEFITS**

	31 December 2008	31 December 2007
Provision for employment termination benefits	329.238	246.585
	<b>329.238</b>	<b>246.585</b>

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TL2.173,18 for each year of service as of 31 December 2008 (2007: TL2.030,19).

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.

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#### NOTE 24 - EMPLOYEE BENEFITS (Continued)

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL2.260,05 which is effective from 1 January 2009 (1 January 2008: TL2.087,92) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

The following actuarial assumptions were used in the calculation of the total liability:

	31 December 2008	31 December 2007
Discount rate (%)	6,26	5,71
Probability of retirement (%)	96,53	94,70

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

	2008	2007
<b>1 January</b>	<b>246.585</b>	<b>211.781</b>
Interest cost	15.436	12.093
Actuarial loss/ (gain)	14.336	(901)
Annual charge (*)	88.022	32.781
Paid during the year	(35.141)	(9.169)
<b>31 December</b>	<b>329.238</b>	<b>246.585</b>

(\*) As of 31 December 2008, the increase in the provision for employment termination benefits amounting to TL42.711 is related with the estimation of the provisions developed by actuarial valuation methods of the future probable obligation arising from the retirement of the outsourced personnel.

The total of interest cost, actuarial losses and annual charge for the year amounting to TL117.794 (2007: TL43.973) were allocated to general administrative expenses by TL75.083 (2007: TL43.973) (Note 29) and to cost of sales by TL42.711 (2007: None).

#### NOTE 25 - PENSION PLANS

None (2007: None).

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**NOTE 26 - OTHER ASSETS AND LIABILITIES**

	31 December 2008	31 December 2007
<b>a) Other current assets:</b>		
VAT receivable	2.636.198	2.441.032
Prepaid taxes	105.587	20.517
Order advances given	39.034	150.921
Other	278	-
	<b>2.781.097</b>	<b>2.612.470</b>
<b>b) Other non-current assets:</b>		
Prepaid expenses	40.364	47.884
Order advances given	-	612.465
	<b>40.364</b>	<b>660.349</b>
<b>c) Other current liabilities:</b>		
Withholding taxes and funds payable	321.329	146.969
Advances Received	28.431	17.820
	<b>349.760</b>	<b>164.789</b>

**NOTE 27 - EQUITY**

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of TL1. The Company's historical authorized registered share capital as at 31 December 2008 and 2007 are as follows:

	31 December 2008	31 December 2007
Registered share capital (with historical values)	50.000.000	50.000.000
Paid-in share capital with nominal value	12.732.754	12.732.754

Companies in Turkey may exceed the authorised share capital ceiling via bonus shares issued to their shareholders.

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#### NOTE 27 - EQUITY (Continued)

The compositions of the Company's share capital at 31 December 2008 and 2007 were as follows:

Shareholders	31 December 2008		31 December 2007	
	Share (%)	Amount	Share (%)	Amount
Yaşar Holding	57,93	7.376.045	57,93	7.376.045
Public quotation	32,46	4.132.567	32,46	4.132.567
Pınar Süt Mamülleri Sanayii A.Ş. ("Pınar Süt")	8,81	1.122.150	8,81	1.122.150
YBP	0,80	101.992	0,80	101.992
	<b>100</b>	<b>12.732.754</b>	<b>100</b>	<b>12.732.754</b>
Inflation adjustment to share capital		11.713.515		11.713.515
<b>Total paid-in capital</b>		<b>24.446.269</b>		<b>24.446.269</b>

Inflation adjustment to share capital amounting to TL11.713.515 (2007: TL11.713.515) represents the remaining amount after netting-off the accumulated losses of the year 2003 from the difference between restated share capital and historical cost of share capital.

The Company has 12.732.754 (2007: 12.732.754) units of shares with a face value of TL1 each as of 31 December 2008.

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 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. 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.

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#### NOTE 27 - EQUITY (Continued)

The aforementioned amounts were accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The restricted reserves of the Company amount to TL2.181.402 (2007: TL928.755) as of 31 December 2008. The unrestricted reserves the Company amount to TL392.899 (2007: TL63.664), and classified in the retained earnings.

In accordance with the CMB regulations effective until 1 January 2008, inflation adjustment differences arising at the initial application inflation accounting, which were recorded under "accumulated losses," could be netted off from the profit to be distributed based on the CMB regulations for profit distribution. In addition, the aforementioned amount recorded under "accumulated losses" could be netted off with net profit for the period and undistributed retained earnings. Remaining amount, if any, could be netted off with extraordinary reserves, legal reserves and share capital, respectively.

In accordance with the CMB regulations effective until 1 January 2008, "Capital, Share Premium, Legal Reserves, Special Reserves and Extraordinary Reserves" were recorded at their statutory carrying amounts and the inflation adjustment differences related to such accounts were recorded under "inflation adjustment differences" at the initial application of inflation accounting. "Equity inflation adjustment differences" could have been utilized in issuing bonus shares and offsetting accumulated losses, carrying amount of extraordinary reserves could have been utilised in issuing bonus shares, cash dividend distribution and offsetting accumulated losses.

In accordance with the Communiqué No: XI-29 and related announcements of CMB, effective from 1 January 2008, "Share capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences shall be classified as follows:

-the difference arising from the "Paid-in Capital" and not been transferred to capital yet, shall be classified under the "Inflation Adjustment to Share Capital";

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

Capital adjustment differences have no other use other than being transferred to share capital.

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#### NOTE 27 - EQUITY (Continued)

Quoted companies are subject to dividend requirements regulated by the CMB as follows:

The minimum profit distribution ratio over net profit for 2008 applicable for public companies, shares of which are publicly traded on Istanbul Stock Exchange, is 20% (2007: 20%), as described in the announcement of CMB dated 9 January 2009. According to the aforementioned announcement and CMB Communiqué No: IV, No: 27, in which profit distribution base of publicly traded companies is set, depending on the decisions made by the general assemblies, the distribution of the relevant amount may be realized by cash or by pro-rata shares or partly as cash and pro-rata shares; and in the event that the first dividend amount identified is less than 5% of the paid-up capital, the relevant amount can be retained within the company. However, companies that increased capital rather than distributing dividends in the prior period and whose shares are therefore classified under "old" and "new" categories and who will distribute dividends from the profit for the current year operations are required to distribute the first dividend in cash.

The procedure in the context of the aforementioned CMB decision about that income from investment in associates recognised in the financial statements should be disregarded, if the profit distribution is not approved by the general assemblies of the associates. The procedure of disclosing such amount has been cancelled. As long as the statutory accounts and reserves are sufficient profit in the financial statements prepared in accordance with the Communiqué No. XI-29 can be utilised in the calculation of profit distribution.

Accordingly, based on the related decision, if the amount of profit distributions calculated in accordance with the net distributable profit requirements of the CMB does not exceed the statutory net distributable profit, the whole amount of distributable profit in accordance with the CMB requirements, should be distributed. If it exceeds the statutory net distributable profit, the whole amount of the statutory net distributable profit should be distributed. It is stated that dividend distributions should not be made if there is a loss in either the financial statements prepared in accordance with CMB regulations or in the statutory financial statements.

At 31 December 2008, the total amount of net income after the deduction of accumulated losses per statutory records, without appropriating legal reserves and other reserves that can be subject to dividend distribution is TL7.027.169. Extraordinary reserves of the Company at 31 December 2008 that may be subject to profit distribution amount to TL4.116.727.

Based on the decision of General Assembly meeting on 15 May 2008, dividend payment was made to owners of redeemed shares by the amount not exceeding the 10% of dividend to shareholders in accordance with the articles of the association of the Company. The Company has distributed 20% of the net income for the year 2007 amounting to TL1.752.680 as first dividend, 47% of the paid-in capital amounting to TL4.231.714 as second dividend and TL540.000 as redeemed share, total of which amounted to TL6.524.394.

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**NOTE 28 - SALES AND COST OF SALES**

	31 December 2008	31 December 2007
Domestic sales	97.197.731	94.344.845
Exports	3.852.151	4.978.101
Gross sales	101.049.882	99.322.946
Less: Discounts	(39.764.728)	(38.662.872)
Returns	(117.962)	(88.481)
<b>Net sales</b>	<b>61.167.192</b>	<b>60.571.593</b>
<b>Cost of sales</b>	<b>(40.891.459)</b>	<b>(37.271.850)</b>
<b>Gross Profit</b>	<b>20.275.733</b>	<b>23.299.743</b>

**NOTE 29 - RESEARCH AND DEVELOPMENT EXPENSES, MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSE**

2008 2007

**a) Selling, marketing and distribution expenses:**

Advertisement	2.952.202	2.195.920
Transportation and export expenses	1.671.961	1.437.606
Rent	1.154.148	150.590
Depreciation and amortisation (Note 18)	648.935	634.202
Staff costs	293.248	299.833
Energy costs	52.034	48.832
Other	451.653	414.050
	<b>7.224.181</b>	<b>5.181.033</b>

**b) General administrative expenses:**

Staff costs	2.304.411	1.446.272
Consultancy	1.230.091	1.087.343
Depreciation and amortisation (Note 18)	588.459	541.542
Outsourced services	429.530	413.798
Management bonus	420.000	330.000
Communication	264.183	234.752
Energy costs	217.612	162.024
Rent expense	160.314	96.494
Representation	109.042	90.041
Employment termination benefits	75.083	43.973
Tax (excluding corporate tax)	74.438	89.931
Travel expenses	47.144	45.337
Other	630.022	523.835
	<b>6.550.329</b>	<b>5.105.342</b>

<b>Total operating expenses</b>	<b>13.774.510</b>	<b>10.286.375</b>
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#### NOTE 30 - EXPENSES BY NATURE

	2008	2007
Direct and indirect material and finished goods costs	24.379.197	22.016.242
Palette and polycarbon costs (*)	5.577.301	4.818.146
Staff costs	3.978.182	2.905.999
Depreciation and amortisation (Note 18 and 19)	3.931.313	3.547.206
Outsourced services	3.205.752	2.898.674
Advertisement	2.952.202	2.195.920
Energy and utility	2.566.962	2.061.326
Transportation	1.671.961	1.437.606
Rent	1.653.552	548.259
Repair and maintenance	1.403.737	1.779.214
Consultancy	1.230.091	1.087.343
Management bonus	420.000	330.000
Employment termination benefits (Note 24)	117.794	43.973
Other	1.577.925	1.888.317
	<b>54.665.969</b>	<b>47.558.225</b>

(\*) The Company has expensed demijohns amounting to TL729.103 in 2008 as they have become obsolete.

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

	2008	2007
<b>a) Other operating income:</b>		
Revenue from sales of scrap and packing materials	281.987	181.868
Reversal of impairment on property, plant, and equipment (Note 18)	259.818	177.782
Gain from sales of property, plant and equipment	-	143.053
Collected doubtful receivables (Note 10)	-	31.403
Other	39.779	96.048
	<b>581.584</b>	<b>630.154</b>
<b>b) Other operating expenses:</b>		
Provision for rent and water expense (Note 22.a)	(176.331)	(176.331)
Loss on sales of property, plant and equipment	(43.586)	-
Impairment on available for sale investments (Note 7)	-	(900.000)
Donations (Note 37.ii.l)	-	(725.000)
Litigation cost	-	(29.664)
Other	(41.204)	(68.624)
	<b>(261.121)</b>	<b>(1.899.619)</b>

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**NOTE 32 - FINANCIAL INCOME**

	2008	2007
Bail charge to related parties (Note 37.ii.i)	1.346.858	1.437.856
Foreign exchange gain	1.133.700	907.694
Dividend income (Note 37.ii.j)	590.685	259.730
Interest income	179.284	113.465
	<b>3.250.527</b>	<b>2.718.745</b>

**NOTE 33 - FINANCIAL EXPENSE**

	2008	2007
Foreign exchange loss	1.862.821	713.983
Interest expense	308.508	129.658
Bank commission expenses	186.461	308.016
Other	19.690	32.853
	<b>2.377.480</b>	<b>1.184.510</b>

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

None (2007: None).

**NOTE 35 - TAXATION ON INCOME**

As of 31 December 2008 and 2007, prepaid income taxes and deferred tax liabilities are as follows:

	31 December 2008	31 December 2007
Provision for income taxes	1.705.995	3.043.032
Less: Prepaid corporate tax	(944.344)	-
<b>Current income tax liabilities</b>	<b>761.651</b>	<b>3.043.032</b>

The corporation tax rate of the fiscal year 2008 is 20% (2007: 20%). Corporation tax is payable at a rate of 20% on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (such as research and development expenditure allowances). No other tax liabilities arise other than the event of dividend distribution.

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#### NOTE 35 - TAXATION ON INCOME (Continued)

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

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2007: 15%). An increase in capital via issuing bonus shares is not considered profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% (2007: 20%) on their corporate income. Advance tax is declared by 10th and payable by the 17th (2007: 17) of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to be set off against other liabilities to the government.

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

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

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

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

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

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

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

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#### NOTE 35 - TAXATION ON INCOME (Continued)

##### Transfer Pricing

The Law No: 5520 Article 13, which made new arrangements to transfer pricing was effective from 1 January 2007. With the aforementioned law, considerable amendments have been made to transfer pricing regulations by taking EU and OECD transfer pricing guidelines as a basis. In this respect, corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

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

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

	1 January - 31 December 2008	1 January - 31 December 2007
Current corporation income tax expense	(1.705.995)	(3.043.032)
Deferred income tax expense	(200.968)	(2.003.489)
<b>Taxation on income</b>	<b>(1.906.963)</b>	<b>(5.046.521)</b>

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#### NOTE 35 - TAXATION ON INCOME (Continued)

Reconciliation of taxation on income for the years ended 31 December 2008 and 2007 are as follows:

	2008	2007
<b>Profit before tax</b>	<b>7.536.719</b>	<b>13.383.445</b>
Tax calculated at tax rates applicable to the profit	(1.507.344)	(2.676.689)
Effect of depreciation transfer (Note 18)	(241.122)	(180.485)
Expenses not deductible for tax purposes	(145.553)	(282.708)
Income not subject to tax	52.212	176.905
Effect of changes in effective tax rates	-	22.870
Utilisation of unused tax credits	-	(2.247.213)
Other	(15.156)	140.799

<b>Taxation on income</b>	<b>(1.856.963)</b>	<b>(5.046.521)</b>
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#### Deferred taxes

The Company recognises deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under the statutory tax financial statements. Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in future periods under the liability method using a principal tax rate of 20% (2007: 20%).

Details of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided as of 31 December 2008 and 2007 were as follows:

	<u>Taxable temporary differences</u>		<u>Deferred income tax assets/ (liabilities)</u>	
	2008	2007	2008	2007
Useful life differences	7.336.119	6.519.654	(1.467.224)	(1.303.931)
Revaluation on buildings and land improvements	7.624.468	6.152.905	(1.524.893)	(1.230.581)
Revaluation on machinery and equipments	8.082.498	6.100.689	(1.616.498)	(1.220.138)
Restatement differences on tangible and intangible assets	3.293.135	3.876.421	(658.627)	(775.284)
Fair value reserve of available for sale investments	7.721.226	6.930.867	(386.063)	(346.543)
Revaluation on land	5.047.371	3.975.703	(252.369)	(198.784)
Impairment on available for sale investments	(2.739.548)	(2.748.854)	547.910	549.771
Impairment on machinery and equipment	(151.280)	(461.414)	30.256	92.283
Provision for employment termination benefits	(329.238)	(246.585)	65.848	49.317
Management bonus	(250.000)	(330.000)	50.000	66.000
Other	(261.746)	(377.975)	32.759	75.595
Deferred income tax assets			726.773	832.966
Deferred income tax liabilities			(5.905.674)	(5.075.261)
<b>Deferred income tax liability - net</b>			<b>(5.178.901)</b>	<b>(4.242.295)</b>

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**NOTE 35 - TAXATION AND LIABILITIES (Continued)**

The movement of deferred income taxes was as follows:

	2008	2007
<b>1 January</b>	<b>(4.242.295)</b>	<b>(1.901.854)</b>
Charged to revaluation reserve (Note 18)	(744.257)	(127.432)
Charged to fair value reserve of available for sale investments (Note 7)	(41.381)	(209.520)
Charged to statement of income	(150.968)	(2.003.489)
<b>31 December</b>	<b>(5.178.901)</b>	<b>(4.242.295)</b>

**NOTE 36 - EARNINGS PER SHARE**

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

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

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

		<b>1 January - 31 December 2008</b>	<b>1 January - 31 December 2007</b>
Net profit for the period	A	5.679.756	8.336.924
Weighted average number of shares (Note 27)	B	12.732.754	12.732.754
Earnings per share with a TL1 face value	A/B	<b>0,4461</b>	<b>0,6548</b>

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

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

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

	31 December 2008	31 December 2007
<b>a) Trade receivables from related parties:</b>		
Birmaş	5.440.023	4.980.987
Yataş	576.431	776.365
Pınar Entegre Et ve Un Sanayii A.Ş. ("Pınar Et")	218.833	-
Pınar Süt	109.786	-
	6.345.073	5.757.352
Less: Unearned finance income	(22.450)	(22.723)
	<b>6.322.623</b>	<b>5.734.629</b>

As of 31 December 2008, the effective weighted average interest rate of short term due from related parties is 16,46% p.a. (2007: 16,26% p.a.) and due from related parties mature within one month (2007: one month).

As of 31 December 2008, vendor and customer cheques obtained in return for the sales to Birmaş, amounting to TL1.747.791 (2007: TL607.384) are classified as trade receivables in the financial statements (Note 10.a).

Due from related party balances are mainly resulted from the sales of bottled water. The Company sells all of its products in the domestic market to its related party and associate, Birmaş, which is the sole distributor of the Company in domestic market as further explained in Note 1 to the financial statements. As of 31 December 2008 trade receivables from Pınar Et and Pınar Süt are mainly related to palette sales.

As of 31 December 2008, due from related parties amounting to TL2.165.765 (2007: TL1.249.406) were over due for a period of less than one month (2007: less than one month).

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

Viking Kağıt ve Selüloz A.Ş. ("Viking Kağıt")	198.496	120.739
DYO Boya Fabrikaları A.Ş. ("DYO Boya")	171.421	52.280
Çamlı Yem, Besicilik San. ve Tic. A.Ş. ("Çamlı")	69.517	16.660
Other	60.278	4.173
	499.712	193.852
Less: Unearned finance income	(1.343)	(765)
	<b>498.369</b>	<b>193.087</b>

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

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

	31 December 2008	31 December 2007
<b>c) Trade payables to related parties:</b>		
Bintur Turizm ve Catering Hizmetleri Tic. A.Ş. ("Bintur")	10.078	-
YBP	-	41.392
Other	38.074	29.076
	48.152	70.468
Less: Unincurred finance cost	(538)	(6.724)
	<b>47.614</b>	<b>63.744</b>

The effective weighted average interest rate applied to due to related parties is 16,37% p.a. as of 31 December 2008 (2007: 16,25% p.a.) and short term due to related parties mature within one month (2007: one month).

#### d) Other payables to related parties:

Yaşar Holding	540.000	-
Yaşar Üniversitesi	-	725.000
Other	7.574	-
	547.574	725.000
Less: Unincurred finance cost	(7.301)	-
	<b>540.273</b>	<b>725.000</b>

As of 31 December 2008, due to Yasar Holding is arising from Founders Redeemed Share Allocation that was decided to be paid by the General Assembly of the Company on 15 May 2008.

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

**ii) Transactions with related parties:**

	<b>1 January - 31 December 2008</b>	<b>1 January - 31 December 2007</b>
<b>a) Product sales:</b>		
Birmaş - net	56.720.750	55.593.492
Yataş - net	4.446.442	4.213.516
	<b>61.167.192</b>	<b>59.807.008</b>
The Company sells all of its products in the domestic market to its related party and associate, Birmaş, which is the sole distributor of the Company in domestic market.		
<b>b) Service sales:</b>		
Yaşar Holding	163.629	-
	<b>163.629</b>	<b>-</b>
<b>c) Sales of property, plant and equipment:</b>		
Birmaş	327.520	77.518
Other	20.200	-
	<b>347.720</b>	<b>77.518</b>
<b>d) Other income from related parties:</b>		
Pınar Et	359.970	-
Pınar Süt	165.688	-
Birmaş	-	73.490
Other	-	1.271
	<b>525.658</b>	<b>74.761</b>
Other income from Pınar Et and Pınar Süt is related to palette sales.		
<b>e) Product purchases:</b>		
Birmaş	2.820.417	2.788.536
Viking Kağıt	-	764.585
	<b>2.820.417</b>	<b>3.553.121</b>

The Company purchased palettes and demijohns from Birmaş. The product purchases from Viking Kağıt in 2007 consist of purchase of semi-finished sanitary papers that were exported through the Company.

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

	1 January - 31 December 2008	1 January - 31 December 2007
<b>f) Service purchases:</b>		
Yaşar Holding	1.278.805	905.919
YBP	246.944	223.347
Yadex Export-Import und Spedition GmbH ("Yadex")	102.790	126.072
Yataş	93.804	110.267
Pınar Foods GmbH ("Pınar Foods")	4.987	310.597
Other	12.667	-
	<b>1.739.997</b>	<b>1.676.202</b>
Service purchases from Yaşar Holding are mainly related with the consultancy charges.		
<b>g) Other purchases:</b>		
Pınar Süt	16.339	23.751
YBP	2.682	14.668
Other	16.682	5.442
	<b>35.703</b>	<b>43.861</b>
<b>h) Financial expense:</b>		
Yaşar Holding	29.622	75.111
Other	1.680	-
	<b>31.302</b>	<b>75.111</b>
<b>i) Financial income:</b>		
Yaşar Holding	869.758	964.172
Dyo Boya	202.662	201.212
Viking Kağıt	92.887	92.222
YBP	67.554	67.070
Other	113.997	113.180
	<b>1.346.858</b>	<b>1.437.856</b>

The finance income consists of income from bail commission charges in relation to the bank borrowings obtained by the related parties from international capital markets and a financial institution under the guarantee of the Company. The bail commission rate used in the intercompany charges is 0,75% p.a. (2007: 0,75% p.a.). The Company also charges finance commission by 0,75% (2007:0,75%) in relation to the aforementioned bail.

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

	1 January- 31 December 2008	1 January - 31 December 2007
<b>j) Dividends received:</b>		
YBP (Note 32)	590.685	259.730
Birmaş (Note 16)	79.211	220.891
	<b>669.896</b>	<b>480.621</b>
<b>k) Dividends paid:</b>		
Yaşar Holding	4.006.741	2.992.167
Public quotation	1.942.306	1.401.886
Pınar Süt	527.411	380.666
Other	47.936	34.597
	<b>6.524.394</b>	<b>4.809.316</b>
<b>l) Donations:</b>		
Yaşar Üniversitesi	-	725.000
	<b>-</b>	<b>725.000</b>
<b>m) Bails given:</b>		
The Company jointly guarantees with Yaşar Holding, Çamlı Yem Besicilik Sanayi ve Ticaret A.Ş. ("Çamlı Yem"), Dyo Boya Fabrikaları Sanayi ve Ticaret A.Ş. ("Dyo Boya"), Viking Kağıt, Pınar Süt Mamülleri Sanayii A.Ş. ("Pınar Süt"), Pınar Entegre Et ve Un Sanayi A.Ş. ("Pınar Et") and YBP for the repayment of loans obtained by Yaşar Group companies from international capital markets and a financial institution amounting to EUR319 million, equivalent of TL682.915.200 (2007: EUR319 million, equivalent of TL545.553.800).		
<b>n) Key management compensation:</b>		
Key management includes Chief Operations Officer, General Manager and members of Board of Directors. The compensation paid or payable to key management are shown below:		
	<b>2008</b>	<b>2007</b>
Short-term employee benefits	750.714	198.658
Bonus and profit sharing	419.400	300.400
Other long term benefits	3.687	3.011
	<b>1.173.801</b>	<b>502.069</b>

As of 31 December 2007, a provision amounting to TL330.000 was provided for as bonus and profit-sharing of key management with respect to the profit of 2007. However; as an outcome of the General Assembly on 15 May 2008, it was decided to pay management bonus from 2007 profit in an amount of TL500.000. As of 31 December 2008, TL338.694 of the aforementioned amount has been paid and the remaining amount, TL161.306, is recorded as Other Current Liabilities (Note 11.c). In line with the past experiences of the Company management, the Company has provided bonus and profit sharing provision from the net income for 2008 in an amount of TL250.000 (Note 22.a).

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

**31 December 2007:**

	Receivables					Bank Deposits and Other Receivables	Total
	Trade Receivables (1)		Other Receivables				
	Related Parties	Third Parties	Related Parties	Third Parties			
<b>Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)</b>							
- The part of maximum credit risk covered with guarantees etc	5.734.629	613.111	193.087	21.247	1.860.302	8.422.376	-
A. Net book value of financial assets not due or not impaired	4.485.223	607.384	20.068	21.247	1.860.302	6.994.224	-
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)	1.249.406	5.727	173.019	-	-	1.428.152	-
- The part covered by guarantees etc	-	-	-	-	-	-	-
D. Net book value of assets impaired	-	-	-	-	-	-	-
- Past due (gross book value)	-	87.857	-	-	-	87.857	-
- Impairment amount (-)	-	(87.857)	-	-	-	(87.857)	-
- The part of net value covered with guarantees etc	-	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-	-
- The part of net value covered with guarantees etc	-	-	-	-	-	-	-
E. Off balance items exposed to credit risk	-	-	-	-	-	-	-

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

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

(3) None.

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

(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:

	Receivables		
	Trade Receivables	Other Receivables	Total
<b>31 December 2008</b>			
1-30 days overdue	1.759.942	13.836	1.773.778
1-3 months overdue	405.823	265.626	671.449
3-12 months overdue	-	198.496	198.496
The part covered by guarantees	-	-	-
	<b>2.165.765</b>	<b>477.958</b>	<b>2.643.723(*)</b>
	Receivables		
	Trade Receivables	Other Receivables	Total
<b>31 December 2007</b>			
1-30 days overdue	1.252.559	43.255	1.295.813
1-3 months overdue	2.574	43.255	45.829
3-12 months overdue	-	86.509	86.510
The part covered by guarantees	-	-	-
	<b>1.255.133</b>	<b>173.019</b>	<b>1.428.152</b>

(\*) Whole amount of the receivables that were overdue but not impaired have been collected as of the approval date of the financial statements.

#### 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.

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

The Company's financial liabilities and liquidity analysis into relevant maturity groupings based on the remaining period as of 31 December 2008 and 2007 are as follows:

##### 31 December 2008:

	Book value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
<b>Agreement terms:</b>					
<b>Non-derivative financial liabilities</b>					
Bank borrowings	6.957.849	7.698.022	655.096	1.290.125	5.752.801
Trade payables	5.744.789	5.804.103	5.804.103	-	-
Other payables	739.020	746.311	746.311	-	-
	<b>13.441.658</b>	<b>14.248.436</b>	<b>7.205.510 (*)</b>	<b>1.290.125</b>	<b>5.752.801</b>

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

##### 31 December 2007:

	Book value	Total cash outflows per agreement (=I+II+III)	Less than 3 months (I)	3 - 12 months (II)	1 - 5 years (III)
<b>Agreement terms:</b>					
<b>Non-derivative financial liabilities</b>					
Bank borrowings	3.290.387	3.639.539	413.568	372.257	2.853.714
Trade payables	4.344.881	4.420.353	4.420.353	-	-
Other payables	1.000.987	1.000.987	1.000.987	-	-
	<b>8.636.255</b>	<b>9.060.879</b>	<b>5.834.908</b>	<b>372.257</b>	<b>2.853.714</b>

#### c) Market risk:

##### i) Foreign exchange risk

The Company is exposed to foreign exchange risks through the impact of rate changes on translation into TL of foreign currency denominated assets and liabilities. The Company minimizes the risk through balancing foreign currency denominated assets and liabilities. These risks are monitored by analyses of the foreign currency position. Current risks are discussed by the auditing committee and the management board regularly and the foreign exchange rates relevant to the foreign currency position of the Company are followed up.

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

	Foreign Currency Position							
	31 December 2008				31 December 2007			
	TL	USD	EUR	Other	TL	USD	EUR	Other
1. Trade Receivables	395.848	83.106	126.199	-	699.921	158.860	301.074	-
2a. Monetary Financial Assets (Cash, Bank accounts included)	-	-	-	-	311.792	77.273	129.688	-
2b. Non-Monetary Financial Assets	-	-	-	-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-
4. Current Assets (1+2+3)	395.848	83.106	126.199	-	1.011.713	236.133	430.762	-
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)	395.848	83.106	126.199	-	1.011.713	236.133	430.762	-
10. Trade Payables	(72.970)	(7.821)	(28.560)	-	(46.471)	(15.441)	(16.657)	-
11. Financial Liabilities	(1.804.058)	-	(842.703)	-	(770.321)	-	(450.428)	-
12a. Monetary Other Liabilities	(17.683)	(11.693)	-	-	(4.351)	(3.736)	-	-
12b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
13. Short-Term Liabilities (10+11+12)	(1.894.711)	(19.514)	(871.263)	-	(821.143)	(19.177)	(467.085)	-
14. Trade Payables	-	-	-	-	-	-	-	-
15. Financial Liabilities	(5.055.576)	-	(2.361.536)	-	(2.520.066)	-	(1.473.550)	-
16a. Monetary Other Liabilities	-	-	-	-	-	-	-	-
16b. Non-Monetary Other Liabilities	-	-	-	-	-	-	-	-
17. Long-Term Liabilities (14+15+16)	(5.055.576)	-	(2.361.536)	-	(2.520.066)	-	(1.473.550)	-
18. Total Liabilities (13+17)	(6.950.287)	(19.514)	(3.232.799)	-	(3.341.209)	(19.177)	(1.940.635)	-
19. Net Asset/ (Liability) Position of Off-Balance Sheet Derivative Instruments (19a-19b)	-	-	-	-	-	-	-	-
19a. Amount of Asset Nature Off-Balance Sheet Derivative Instruments	-	-	-	-	-	-	-	-
19b. Amount of Liability Nature Off-Balance Sheet Derivative Instruments	-	-	-	-	-	-	-	-
20. Net Foreign Asset/ (Liability) Position (9+18+19)	(6.554.439)	63.592	(3.106.600)	-	(2.329.496)	216.956	(1.509.873)	-
21. Net Foreign Currency Asset/ (Liability) Position of Monetary Items (IFRS 7.B23)	-	-	-	-	-	-	-	-
(=1+2a+5+6a-10-11-12a-14-15-16a)	(6.554.439)	63.592	(3.106.600)	-	(2.329.496)	216.956	(1.509.873)	-
22. Total Fair Value of Financial Instruments Used for Foreign Currency Hedging	-	-	-	-	-	-	-	-
23. Export	3.852.151	3.033.288	-	-	4.978.101	3.254.409	-	264.623
24. Import	4.795.536	3.739.923	-	-	4.989.197	3.769.103	-	-

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**PINAR SU SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008 AND 2007**

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

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

**31 December 2008**

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

	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of USD by 20% against TL:</b>				
1- Asset/Liability denominated in USD- net	19.234	(19.234)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
<b>3- USD Effect - net (1+2)</b>	<b>19.234</b>	<b>(19.234)</b>	<b>-</b>	<b>-</b>
<b>Change of EUR by 20% against TL:</b>				
4- Asset/Liability denominated in EUR - net	(1.330.122)	1.330.122	-	-
5- The part hedged for EUR risk (-)	-	-	-	-
<b>6- EUR Effect - net (4+5)</b>	<b>(1.330.122)</b>	<b>1.330.122</b>	<b>-</b>	<b>-</b>
Change of Other Currencies by 20% against TL				
7- Assets/Liabilities denominated in other foreign currencies - net	-	-	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
<b>9- Other Foreign Currency Effect - net (7+8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL (3+6+9)</b>	<b>(1.310.888)</b>	<b>1.310.888</b>	<b>-</b>	<b>-</b>

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

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**PINAR SU SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008 AND 2007**

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

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

**31 December 2007**

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

	Profit/Loss		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<b>Change of USD by 20% against TL:</b>				
1- Asset/Liability denominated in USD- net	50.538	(50.538)	-	-
2- The part hedged for USD risk (-)	-	-	-	-
<b>3- USD Effect - net (1+2)</b>	<b>50.538</b>	<b>(50.538)</b>	<b>-</b>	<b>-</b>
<b>Change of EUR by 20% against TL:</b>				
4- Asset/Liability denominated in EUR - net	(516.436)	516.436	-	-
5- The part hedged for EUR risk (-)	-	-	-	-
<b>6- EUR Effect - net (4+5)</b>	<b>(516.436)</b>	<b>516.436</b>	<b>-</b>	<b>-</b>
<b>Change of Other Currencies by 20% against TL</b>				
7- Assets/Liabilities denominated in other foreign currencies - net	-	-	-	-
8- The part hedged for other foreign currency risk (-)	-	-	-	-
<b>9- Other Foreign Currency Effect - net (7+8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL (3+6+9)</b>	<b>(465.898)</b>	<b>465.898</b>	<b>-</b>	<b>-</b>

**CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH**

**PINAR SU SANAYİ VE TİCARET A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008 AND 2007**

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

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

**ii) Interest rate risk**

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

	<b>Interest Rate Position</b>	
	<b>31 December 2008</b>	<b>31 December 2007</b>
<b><u>Financial instruments with fixed interest rate</u></b>		
Financial assets	26.266	1.537.258
Financial liabilities	3.500.088	3.566.374
<b><u>Financial instruments with floating interest rate</u></b>		
Financial assets	8.571.463	6.540.827
Financial liabilities	9.941.570	4.620.868

As of 31 December 2008, had the interest rate for borrowings denominated in TL increased by 1%, with all other variables held constant, loss before tax would be TL59.429 lower (2007: Income before tax TL19.200 lower).

**iii) Price risk**

Price risk relates to prices of drinking water and raw materials. The profitability of the Company's operations and the cash flows generated by those operations are affected by changes in the raw material prices and market competition that are closely monitored by the Board of Directors and precautions for cost amendment are taken. Price risk is closely monitored by the Board of Directors and Audit Committee.

**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.

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

### PINAR SU SANAYİ VE TİCARET A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008 AND 2007

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

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. 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 2008	31 December 2007
Total debt	13.791.418	8.801.044
Less: Cash and cash equivalents (Note 6)	(42.445)	(1.866.776)
Net debt	13.748.973	6.934.268
Total equity	61.326.279	56.426.200
<b>Debt/equity ratio</b>	<b>%22</b>	<b>%12</b>

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

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

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

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

##### 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. Available for sale investments are carried at their fair values.

## CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

### PINAR SU SANAYİ VE TİCARET A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 2008 AND 2007

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

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

##### *Financial liabilities*

Fair values of bank borrowings are disclosed in Note 8.

Trade payables, payables to related parties and other monetary liabilities are estimated to be presented with their discounted carrying amounts and they are considered to approximate to their fair values and the fair values of balances denominated in foreign currencies, which are translated at year-end exchange rates, are considered to approximate carrying values.

#### NOTE 40 - SUBSEQUENT EVENTS

In accordance with the Article 1 of the Law No: 5083 concerning the “Currency of the Republic of Turkey” and according to the Decision of The Council of Ministers dated April 4, 2007 and No: 2007/11963, the prefix “New” used in the “New Turkish Lira” and the “New Kuruş” have been removed as of January 1, 2009. When the prior currency, New Turkish lira (“YTL”), values are converted into TL and Kr, one YTL (YTL1) and one YKr (YKr1) are now equivalent to one TL (TL1) and one Kr (Kr1).

All references made to New Turkish Lira or Lira in laws, other legislation, administrative transactions, court decisions, legal transactions, negotiable instruments and other documents that produce legal effects as well as payment and exchange instruments are now considered to have been made to TL at the conversion rate indicated above. Consequently, effective from 1 January 2009, the TL replaced the YTL as a unit of account in keeping and presenting of books, accounts and financial statements.

#### NOTE 41 - DISCLOSURE OF OTHER MATTERS

None (2007: None).

#### NOTE 42 - EXPLANATION FOR CONVENIENCE TRANSLATION INTO ENGLISH

As of 31 December 2008, CMB Financial Reporting Standards differ from IFRS issued by the International Accounting Standards Board with respect to the application of inflation accounting for the period between 1 January - 31 December 2005. Accordingly, the financial statements are not intended to present the financial position and results of operations of the Company in accordance with IFRS.