Pınar Su Sanayi ve Ticaret Anonim Şirketi
Independent Auditors' Report

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

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

We have audited the accompanying financial statements of Pınar Su Sanayi ve Ticaret Anonim Şirketi (the "Company") which comprise the statement of financial position as of 31 December 2010 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting standards of Capital Markets Board of Turkey ("CMB"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

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

Other Matter

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

İzmir,

10 March 2011

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

İsmail Önder Ünal

Partner

Additional paragraph for convenience translation to English

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

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Statement of Financial Position As at 31 December 2010

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

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

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

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Statement of Financial Position As at 31 December 2010

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

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

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

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Statement of Comprehensive Income As at 31 December 2010

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

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

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

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Statement of Changes in Equity As at 31 December 2010

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

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

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

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

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

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

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Statement of Cash Flows As at 31 December 2010

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

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

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

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

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

1 ORGANISATION AND NATURE OF OPERATIONS

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

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

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

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

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

Şehit Fethibey Caddesi No: 120

Alsancak/ İzmir

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of Presentation of Financial Statements

2.1.1 Statement of compliance

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

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

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

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

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

Additional paragraph for convenience translation to English

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

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.1.2 Basis of presentation of financial statements

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

2.1.3 Functional and presentation currency

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

2.1.4 Comparative information

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

2.1.5 Basis of measurement

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

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

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

2.2 Amendments in Accounting Policies

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

2.3 Offsetting

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

2.4 Summary of Significant Accounting Policies

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

2.4.1 Revenue

Revenues are recognised on an accrual basis at the time deliveries are made, services are given and significant risks and rewards are transferred to the buyer, the amount of revenue can be measured reliably and it is probable that the economic benefits associated with the transaction will flow to the Company at the fair value of considerations received or receivable. Net sales represent the invoiced value of goods shipped less sales returns, sales discounts and commissions given (Note 28). Interest income is recognised on a time-proportion basis using the effective interest method. The amount of the provision for receivables is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate and recognized as interest income. Interest income on loans is recognised using the effective interest rate. Dividend income is recognised when the Company's right to receive the payment is established.

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4.2 Inventories

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

2.4.3 Property, plant and equipment

The Company's land and land improvements, buildings, machinery and equipment are stated at their fair values based on the valuations performed by the external independent valuers, Elit Gayrimenkul Değerleme A.Ş. and Vakıf Gayrimenkul Ekspertiz ve Değerleme A.Ş. at 31 December 2008 less depreciation in the subsequent period considering the carrying amounts of these assets at 31 December 2009 do not significantly differ from their fair values as of the same date. All other items of property, plant and equipment acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less the subsequent depreciation and impairment loss, if any (Note 18).

Increases in the carrying amount arising on the revaluation of property, plant and equipment are credited to the revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against that reserve; all other decreases are charged to the statements of comprehensive income.

Each year, the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statements of comprehensive income) and the depreciation based on the asset's original cost is transferred from retained earnings to the revaluation reserves.

Property, plant and equipments are capitalised and depreciated when they are fully commissioned and in a physical state to meet their designed production capacity. Residual values of property, plant and equipment are deemed as negligible. The advances given for the property, plant and equipment purchases are classified under the other non-current assets until the related asset is capitalised (Note 26.b).

Depreciation is provided on the restated or revalued amounts of property, plant and equipment on a straight-line basis (Note 18). Land is not depreciated as it is deemed to have an indefinite life. The estimated useful lives of property, plant and equipment are as follows:

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

Where the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount (Notes 2.4.5 and 18). If the property, plant and equipments that are impaired, are revalued, the impairment is charged to the revaluation reserves to the extent that the amount offsetting previous increases of the same asset charged in the revaluation reserves and all other decreases are recognised in the statement of comprehensive income.

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

Repairs and maintenance are charged to the statements of income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The Company derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Subsequent costs included in the asset's carrying value or recognised as separate asset, are depreciated based on their useful lives.

2.4.4 Intangible assets

Intangible assets comprise information systems, software and acquired rights. Intangible assets acquired before 1 January 2005 are carried at cost in the equivalent purchasing power of TL as at 31 December 2004 and items acquired after 1 January 2005 are carried at cost, less accumulated amortisation and impairment losses, if any. Intangible assets are recorded at acquisition cost and amortised on a straight-line basis over their estimated useful lives for a period of five years from the date of acquisition. Residual values of intangible assets are deemed as negligible. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of fair value less cost to sell or value in use (Notes 2.4.5 and 19).

2.4.5 Impairment of assets

At each reporting date, the Company assesses whether there is any indication that an asset other than deferred tax asset (Note 35) and property, plant and equipment stated at revalued amounts as of reporting date (Note 18) may be impaired. Goodwill accounted for as part of investment-in-associate is tested annually for impairment. If there is an indication of impairment with regards to goodwill, the recoverable amount is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. An impairment loss is recognised for the amount by which the carrying amount of the asset or any cash-generating unit of that asset exceeds its recoverable amount. Impairment losses are accounted for in the statement of comprehensive income.

Impairment losses can be reversed to the extent of previously recorded impairment losses, in cases where increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period when the impairment loss was recorded (Note 31).

2.4.6 Borrowings and borrowings costs

Borrowings are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred (Note 33). If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities (Note 8).

2.4.7 Finance income and costs

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

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

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Notes to the Financial Statements As at 31 December 2010

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4.8 Financial assets

The classification of financial assets depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and revaluates this designation at every reporting date. The Company classifies its financial instruments in the following categories:

a) Loans and receivables

Loans and receivables constitute non-derivative financial instruments, which are not quoted in active markets and have fixed or scheduled payments. Loans and receivables arise, without held-for-sale intention, from the Company's supply of goods, service or direct fund to any debtor. If the maturity of these instruments are less than 12 months, these loans and receivables are classified in current assets and if more than 12 months, classified in non-current assets. The loans and receivables are included in "Trade receivables and "Other receivables" in the balance sheet. Loans are recognised initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, loans are stated at amortised cost using the effective yield method.

b) Available-for-sale investments

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets, unless management has expressed the intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital, in which case they are included in current assets. The Company management determines the appropriate classification of its investments at the time of the purchase and re-evaluates such designation on a regular basis.

All financial investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investments, and subsequently carried at fair value. The financial assets which the Company has shares less than 20% and are classified as available-for-sale investments are carried at market value when there is quoted market price, they are carried at fair value by using generally accepted valuation techniques, when there is no active market for the financial asset. When there is no quoted market price, and when a reasonable estimate of fair value could not be determined as a result of being other methods inappropriate and unworkable, available-for-sale investments acquired before 1 January 2005 are carried at cost expressed in purchasing power of TL as at 31 December 2004 and available-for-sale investments acquired after 1 January 2005 are carried at cost, less impairment losses, if any (Note 7). Unrealized gains and losses arising from changes in fair value of securities classified as available-for-sale are recognised in the equity, rather than statement of comprehensive income until the related financial asset is derecognised. Change in fair value of available-for-sale investments is calculated as the difference between the discounted acquisition cost and the current fair value. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income as part of other income when the Company's right to receive payments is established.

When securities classified as available-for-sale are derecognised, the accumulated fair value adjustments in equity are recognised in the statement of comprehensive income. In the case of investments classified as available-for-sale, a significant or prolonged decline in the fair value of the investment below its cost is considered as an indicator that the investments are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss-is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on investments are not reversed through the statement of comprehensive income.

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Notes to the Financial Statements As at 31 December 2010

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4.9 Foreign currency transactions

Transactions in foreign currencies during the year have been translated to TL at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into TL at the exchange rates prevailing at the balance sheet dates. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

2.4.10 Earnings per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income for the year by the weighted average number of shares that have been outstanding during the year concerned (Note 36).

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

In case of dividend distribution, earnings per share is calculated by dividing net income by the number of shares, rather than dividing by weighted average number of shares outstanding.

2.4.11 Subsequent events

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

2.4.12 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

In cases where the time value of money is material, provisions are determined as the present value of expenses required to be made to settle the liability. The rate used to discount provisions to their present values is determined considering the interest rate in the related markets and the risk associated with the liability. The discount rate must be pre-tax and does not consider risks associated with future cash flow estimates. In cases where the time value of money is material and the provisions approach to their expected realisation date, the increase in the provision due to passage of time is recognised as interest expense in the statement of comprehensive income.

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

2.4.13 Accounting policies, errors and changes in accounting estimates

Material changes in accounting policies and accounting errors (if any) are applied on a retrospective basis, and the prior period financial statements are restated. The effect of change in accounting estimate shall be recognised prospectively by including it in the statement of comprehensive income within the period of the change, if the change affects that period only; or period of the change and future periods, if the change affects both.

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4.14 Related parties

For the purpose of the financial statements, shareholders having control, joint control or significant influence over the Company, Yaşar Group companies, key management personnel and board members and their close family members, together with companies controlled, jointly controlled or significantly influenced by them are considered as and referred to as related parties (Note 37).

2.4.15 Segment reporting

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

2.4.16 Taxation on income

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

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

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

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

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

2.4.17 Provision for employment termination benefits

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

2.4.18 Statement of cash flows

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

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

2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONTINUED)

2.4.19 Trade receivables and provision for impairment of receivables

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

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

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

2.4.20 Share capital and dividends

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

2.5 Use of Estimates and Judgements

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

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

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

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

Note 10 – Impairment of trade receivables

Note 22 – Provisions, contingent assets and contingent liabilities

Note 24 – Provision for employment termination benefit

Note 35 – Tax assets and liabilities

3 BUSINESS COMBINATIONS

Comparative Informations and Restatement of Prior Period Financial Statements

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

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

3 BUSINESS COMBINATIONS (CONTINUED)

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

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

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

4 JOINT VENTURES

None (2009: None).

5 SEGMENT REPORTING

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

The chief operating decision makers regularly monitor and review the operational results based on the main products' performances in domestic and foreign markets. However, as the nature of the products, production processes, type of customers, distribution methods and regulatory environment for the operations of the Company are identical, and the operations performed in foreign markets is not significant, there is a single reportable segment.

6 CASH AND CASH EQUIVALENTS

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

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

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

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

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

7 FINANCIAL ASSETS

Available-for-sale investments:

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

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

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

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

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

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

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

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

7 FINANCIAL ASSETS (CONTINUED)

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

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

8 FINANCIAL LIABILITIES

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

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

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

(**) EUR denominated bank borrowings consist of borrowing with semi-annually floating interest rates according to Euribor+0.50% p.a. and borrowing with 4.86% p.a. fixed interest rate as of 31 December 2010 and 2009.

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

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

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

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8 FINANCIAL LIABILITIES (CONTINUED)

As of 31 December 2010 and 31 December 2009, the carrying amounts of the borrowings with floating and fixed interest rates which were classified in terms of periods remaining to contractual repricing dates are as follows:

	Up to 3 months	3 months to 1 year	Total
31 December 2010:			
Borrowings with floating interest rates	--	1,923,856	1,923,856
Borrowings with fixed interest rates	--	--	1,365,990
Total	--	--	**3,289,846**

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

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

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

9 OTHER FINANCIAL LIABILITIES

None (2009: None).

10 TRADE RECEIVABLES AND PAYABLES

a) Short-term Other Trade Receivables

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

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

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

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10 TRADE RECEIVABLES AND PAYABLES (CONTINUED)

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

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

The aging of cheques and notes receivables are as follows:

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

Aging analysis for trade receivables

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

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

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

b) Short-term Other Trade Payables

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

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

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

c) Long-term Trade Payables

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

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11 OTHER RECEIVABLES AND PAYABLES

a) Other Short-term Receivables

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

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

b) Other Long-term Receivables

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

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

c) Other Short-term Payables

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

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

12 RECEIVABLES AND PAYABLES FROM FINANCE SECTOR OPERATIONS

None (2009: None).

13 INVENTORIES

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

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

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

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

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

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Notes to the Financial Statements As at 31 December 2010

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

14 BIOLOGICAL ASSETS

None (2009: None).

15 CONSTRUCTION CONTRACT RECEIVABLES

None (2009: None).

16 INVESTMENT IN ASSOCIATES ACCOUNTED BY EQUITY ACCOUNTING

None (2009: None).

17 INVESTMENT PROPERTY

None (2009: None).

18 PROPERTY, PLANT AND EQUIPMENT

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

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

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

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	1 January 2009	Additions	Disposals	31 December 2009
Cost/valuation:				
Lands	5,945,000	--	--	5,945,000
Buildings and land improvements	17,176,150	72,250	--	17,248,400
Machinery and equipment	63,391,353	179,897	(133,484)	63,437,766
Motor vehicles	537,561	--	--	537,561
Furniture and fixtures	10,196,081	474,740	(429,669)	10,241,152
	97,246,145	**726,887**	**(563,153)**	**97,409,879**
Less: Accumulated Depreciation:				
Buildings and land improvements	(3,526,150)	(705,395)	--	(4,231,545)
Machinery and equipment	(30,559,093)	(2,956,176)	133,484	(33,381,785)
Motor vehicles	(406,066)	(50,796)	--	(456,862)
Furniture and fixtures	(5,858,986)	(694,268)	89,984	(6,463,270)
	(40,350,295)	**(4,406,635)**	**223,468**	**(44,533,462)**
Net book value	**56,895,850**			**52,876,417**

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

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

Market valuation

Land and buildings and machinery and equipments, that are used in the Company's operations, are stated at their fair values based on the valuations performed by the external independent valuers, at 31 December 2008, less the subsequent depreciation and these carrying values are assumed to approximate their fair values at 31 December 2010 and 2009. In accordance with the independent real estate valuation report prepared by Elit Gayrimenkul Anonim Şirketi, an independent real estate valuation company, as of 31 December 2010 and 2009, fair value of lands that are used in the Company's operations would not differ significantly than the fair values of them as of 31 December 2008. Revaluations of land were based on market reference comparison method. However, since there were not any recent similar buying/ selling transactions nearby, revaluations of land improvements and buildings were derived from cost approach method considering recent re-construction costs and related depreciation. The valuation of the machinery and equipment is based on all the active and functioning assets in the integrated plant. Such machinery and equipment were reviewed and assessed by their lines.

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

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

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19 INTANGIBLE ASSETS

Movements of intangible assets in 2010 were as follows:

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

Movements of intangible assets in 2009 were as follows:

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

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

20 GOODWILL

None (2009: None).

21 GOVERNMENT GRANTS

None (2009: None).

22 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Short term provisions

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

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

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

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

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22 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

b) Guarantees given

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

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

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

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

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

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

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22 PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

c) Guarantees received

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

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

23 COMMITMENTS

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

24 PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

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

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

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

The amount payable consists of one month's salary limited to a maximum of TL 2,517.07 for each year of service as of 31 December 2010 (31 December 2009: TL 2,365.16).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. The maximum amount of TL 2,623.23 which is effective from 1 January 2011 (1 January 20010: TL 2,427.04) has been taken into consideration in calculating the provision for employment termination benefits of the Company which is calculated once in every six months.

The following actuarial assumptions were used in the calculation of the total liability as of 31 December 2010 and 2009:

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

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24 PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (CONTINUED)

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

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

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

25 PENSION PLANS

None (2009: None).

26 OTHER ASSETS AND LIABILITIES

a) Other current assets

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

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

b) Other non-current assets

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

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

c) Other current liabilities

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

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

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27 EQUITY

The Company adopted the registered share capital system available to companies registered with the CMB and set a limit on its registered share capital representing registered type shares with a nominal value of TL 1. The Company's historical authorized registered share capital as at 31 December 2010 and 2009 are as follows:

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

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

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

Inflation adjustment to share capital amounting to TL 11,713,515 (2009: TL 11,713,515) represents the remaining amount after netting-off the accumulated losses of the year 2003 from the difference between restated share capital and historical cost of share capital.

The Company has 12,789,345 (2009: 12,789,345) units of shares with a face value of TL 1 each as of 31 December 2010.

The Company's authorised registered share capital is composed of registered shares and its shares have been quoted at the Istanbul Stock Exchange ("ISE"). There are no privileges given to specific shareholders.

Retained earnings, as per the statutory financial statements, other than legal reserves, are available for distribution, subject to the legal reserve requirement referred to below:

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits, after statutory carry forward tax losses deducted, at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital and at the rate of 9% p.a. of all cash distribution in excess of 5% of the paid-in share capital in case of full distribution of respective profit as dividend. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

The aforementioned reserves were accounted for under "Restricted Reserves" in accordance with CMB Financial Reporting Standards. The restricted reserves of the Company amount to TL 3,671,061 (2009: TL 2,832,184) as of 31 December 2010. The unrestricted extraordinary reserves the Company amount to TL 10,537,483 (2009: TL 8,990,902), and classified in the retained earnings.

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27 EQUITY (CONTINUED)

In accordance with the Communiqué No: XI-29 and related announcements of CMB "Share capital", "Restricted Reserves" and "Share Premium" shall be carried at their statutory amounts. The valuation differences (e.g. the differences raising from inflation adjustments) shall be classified as follows:

- the difference arising from the "Paid-in Capital" shall be classified as the "Inflation Adjustment to Share Capital" if it is not transferred to capital yet;

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

Adjustment to share capital has no other use other than being transferred to share capital.

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

Based on CMB Decree No. 2/51, dated 27 January 2010, there is no mandatory minimum profit distribution requirement for the quoted entities at the stock exchange starting from 1 January 2010; the entities are to distribute their profits under the scope of CMB Communiqué IV, No: 27, their articles of association and their previously publicly declared profit distribution policies.

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

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

28 SALES AND COST OF SALES

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

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

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29 MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

a) Marketing, selling and distribution expenses

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

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

b) General administrative expenses

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

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

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30 EXPENSES BY NATURE

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

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

31 OTHER OPERATING INCOME/ EXPENSE

a) Other operating income

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

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

b) Other operating expense

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

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

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

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32 FINANCE INCOME

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

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

33 FINANCE EXPENSE

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

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

34 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

None (2009: None).

35 TAX ASSETS AND LIABILITIES

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

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

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

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

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

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (2009: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

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35 TAX ASSETS AND LIABILITIES (CONTINUED)

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns on the twenty fifth day of the fourth months following the close of the accounting year to which they relate.

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

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

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

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

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

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

Investment allowance

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

Transfer pricing

Corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

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35 TAX ASSETS AND LIABILITIES (CONTINUED)

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

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

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

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

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

Deferred taxes

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

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35 TAX ASSETS AND LIABILITIES (CONTINUED)

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

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

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

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

36 BASIC AND DILUTED EARNINGS PER SHARE

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

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

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36 BASIC AND DILUTED EARNINGS PER SHARE (CONTINUED)

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

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

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

37 TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Balances with related parties

a) Trade receivables from related parties

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

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

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

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

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

b) Other receivables from related parties

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

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

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

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37 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

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

c) Trade payables to related parties

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

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

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

d) Other payables to related parties

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

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

ii) Transaction with related parties

a) Product sales

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

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

b) Service sales

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

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

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37 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

c) Service purchases

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

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

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

d) Purchases of property, plant and equipment

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

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

e) Finance expense

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

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

f) Finance income

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

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

As mentioned in Note 22, the finance income consists of income from bail commission charges in relation to the bank borrowings obtained by the related parties from international capital markets and a financial institution under the guarantee of the Company. The bail commission rate used in the intercompany charges is 0.50% p.a. (2009: 0.75% p.a.). The Company also charges finance commission by 0.50% (2009: 0.75%) in relation to the aforementioned bail.

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37 TRANSACTIONS AND BALANCES WITH RELATED PARTIES (CONTINUED)

g) Dividends received

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

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

h) Dividends paid

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

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

i) Donations

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

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

j) Bails given

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

k) Key management compensation

Key management includes chief executive operations officer, general manager; director and members of board of directors. The compensation paid or payable to key management for employee service is shown below:

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

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38 NATURE AND LEVEL OF RISK ARISING FROM FINANCIAL INSTRUMENTS

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

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

The financial risk management objectives of the Company are defined as follows:

• Safeguarding the Company's core earnings stream from its major assets through the effective control and management of foreign exchange risk and interest rate risk;

• Effective and efficient usage of credit facilities in both the short and long term through the adoption of reliable liquidity management planning and procedures;

• Effective monitoring and minimizing risks sourced from counterparts.

a) Credit risk:

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

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

31 December 2010:	**Receivables**					
	Trade Receivables (1)		**Other Receivables**			
	Related Parties	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits and Other Receivables**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**1,058,180**	**8,019,771**	**6,462,360**	**717,824**	**913,425**	**17,171,560**
- The part of maximum credit risk covered with guarantees		5,124,967				5,124,967
A. Net book value of financial assets not due or not impaired	149,673	6,063,326	6,372,543	717,824	913,425	14,216,791
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	--	--	--	--	--	--
C. Net book value of assets past due but not impaired (4)	908,507	1,956,445	89,817	--	--	2,954,769
- The part covered with guarantees	--	--	--	--	--	--
D. Net book value of assets impaired						
- Past due amount (gross book value)	--	667,473	--	--	--	667,473
- Impairment amount (-)	--	(667,473)	--	--	--	(667,473)
- The part of net value covered with guarantees etc	--	--	--	--	--	--
- Not due amount (gross book value)	--	--	--	--	--	--
- Impairment amount (-)	--	--	--	--	--	--
- The part of net value covered with guarantees etc	--	--	--	--	--	--
E. Off balance items exposed to credit risk	--	--	--	--	--	--

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

31 December 2009:	**Receivables**					
	Trade Receivables (1)		**Other Receivables**			
	Related Parties	**Third Parties**	**Related Parties**	**Third Parties**	**Bank Deposits and Other Receivables**	**Total**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E) (2)	**1,184,856**	**6,306,318**	**7,717,327**	**31,632**	**726,491**	**15,966,624**
- The part of maximum credit risk covered with guarantees		4,965,434				4,965,434
A. Net book value of financial assets not due or not impaired	93,760	5,591,309	7,391,425	31,632	726,491	13,834,617
B. Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired (3)	--	--	--	--	--	--
C. Net book value of assets past due but not impaired (4)	1,091,097	715,009	325,902	--	--	2,132,007
- The part covered with guarantees	--	--	--	--	--	--
D. Net book value of assets impaired						
- Past due amount (gross book value)	--	648,415	--	--	--	648,415
- Impairment amount (-)	--	(648,415)	--	--	--	(648,415)
- The part of net value covered with guarantees etc	--	--	--	--	--	--
- Not due amount (gross book value)	--	--	--	--	--	--
- Impairment amount (-)	--	--	--	--	--	--
- The part of net value covered with guarantees etc	--	--	--	--	--	--
E. Off balance items exposed to credit risk	--	--	--	--	--	--

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

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

(3) None.

(4) Considering the past experiences, the Company management does not foresee any collection problem for the overdue receivables and the aging of these receivables is as follows:

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

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

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

b) Liquidity risk:

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders. The Company management closely monitors the timely collection of trade receivables, take actions to minimize the effect of delay in collections and arrange cash and non-cash credit lines from financial institutions in case of a requirement.

The Company's liquidity analysis in respect of categories of financial liabilities as of 31 December 2010 and 2009 are as follows:

31 December 2010

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

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

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

31 December 2009

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

c) Market risk:

i) Foreign exchange risk

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

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

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

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

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

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

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

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

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

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Notes to the Financial Statements As at 31 December 2010

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

ii) Interest risk

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

	Interest Rate position Schedule	
	31 December 2010	**31 December 2009**
Financial instruments with fixed interest rate		
Financial assets	1,587,868	580,746
Financial liabilities	1,365,990	2,469,816
Financial instruments with floating interest rate		
Financial assets	15,540,311	15,208,501
Financial liabilities	12,254,345	11,567,270

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

iii) Price risk

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

d) Capital risk management

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

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

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Notes to the Financial Statements As at 31 December 2010

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

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

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as the total liability (including borrowings, trade, due to related parties and other payables, as shown in the balance sheet) less cash and cash equivalents.

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

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

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

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

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

Financial assets

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

Financial liabilities

Fair values of bank borrowings are disclosed in Note 8.

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

Pınar Su Sanayi ve Ticaret Anonim Şirketi

Notes to the Financial Statements As at 31 December 2010

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

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

Fair value hierarchy

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

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

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

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

31 December 2010	Level 1	Level 2	Level 3	Total
Available-for-sale investments	1,095,120	21,590,371	--	22,685,491
Lands	--	5,992,000	--	5,992,000
Buildings and land improvements	--	12,359,383	--	12,359,383
Machinery and equipment	--	28,182,943	--	28,182,943
31 December 2009	**Level 1**	**Level 2**	**Level 3**	**Total**
Available-for-sale investments	1,000,480	17,685,967	--	18,686,447
Lands	--	5,945,000	--	5,945,000
Buildings and land improvements	--	13,016,855	--	13,016,855
Machinery and equipment	--	30,055,981	--	30,055,981

40 SUBSEQUENT EVENTS

None.

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

None (2009: None).