

To help future generations grow up healthy and strong...



Chairperson's Message

Pınar Süt's fundamental goal is to offer consumers wholesome and delicious products and to be a source of health, flavor, and innovation for them while never sacrificing quality.

goal

Pınar is committed to leading the way forward to help future generations grow up healthy and strong.

The Turkish economy grew by 2.2% in 2012.

After a strong, 8.8% rate of growth in 2011, it became clear that the Turkish economy was in need of a rebalancing in 2012. With inflation once again in decline, the current balance continued to register improvements all year long as exports grew, domestic demand contracted, and imports fell. As a result of successful measures that were taken in 2012, the current account deficit shrank to USD 49 billion.

In this process, domestic demand made a somewhat smaller contribution to total growth while that of external demand increased. Although the overall rate of economic growth fell to just 2.2% in 2012, it appeared to have a much healthier and more sustainable structure than was the case in 2011. Driven especially by higher food prices, the year-on CPI rise in 2011 reached 10.45%. Thanks to the policies that were adhered to and also to the absence of the previous year's low-based effects, consumer prices increased by a much lower 6.16% in 2012.

It is thought that 2013 will be a better year for the Turkish economy. With all economic authorities in agreement that what is needed is a shift to more consistent and sustainable growth, the Central Bank is expected to continue adhering to monetary policies which support such growth and maintain financial stability.

Public-awareness activities increased in Turkey's milk and dairy products market in 2012.

Efforts to increase public awareness in Turkey about milk and dairy product-related issues gained new momentum in 2012. Information campaigns dealing with obesity and the School Milk Campaign were two of the activities that generated the most public attention and response.

Another important development in 2012 was the introduction of a large number of rules and regulations that are of direct concern to our industry and its sector. Many of these changes had to do with increasing the effectiveness of consumer-protection laws while others were concerned with combating the grey-market trade and with preventing unfair competition.

Last year Pınar Süt decided to open a new plant in Şanlıurfa in southeastern Turkey, thus bringing the number in its portfolio (İzmir and Eskişehir) to three.

At an investment cost of TL 100 million, Pınar Süt Şanlıurfa will be providing employment directly to 250 people and it will be creating value for the region as a whole by affecting the lives of about 5,000 families indirectly through the plant's procurements, sales, shipping, and packaging materials production processes. Investments that we made four decades ago transformed the Aegean region into Turkey's dairy production center. Our goal with this new investment is to spark similar developments in Southeastern Anatolia. The new plant that we're building in Şanlıurfa will have an annual milk-processing capacity of 180 million liters and it will go into production before the end of 2013. When it does, the combined milk-processing capacity of Pınar Süt's three plants will exceed 900 million liters a year, of which Şanlıurfa will be contributing 20%.

The Pınar Süt Şanlıurfa plant will be producing milk, yoghurt, and ayran intended for the domestic market in the first phase. Another goal of this investment is to support the growth and development of the local dairy-farming industry through milk procurements, improvements in veterinary care, artificial insemination programs, and farmer education both in Şanlıurfa and in neighboring provinces and townships. A longer term goal is to give us logistics- and cost-related advantages as we move deeper into export markets, especially in the Middle East.

Pınar Süt continued to boost its market share in 2012.

Last year Pınar Süt increased its share of the long-life milk market to 31.8% on a turnover. We also maintained our market leadership, as measured by turnover, with shares of 17.8% in the flavored children's milk (Kido brand) segment, 53.5% in fortified children's milk, and 41.8% in all forms of spreadable cheese.

In 2012 the Pınar Süt Marketing Group pulled off a highly successful relaunch campaign. Pınar Süt's "Büyüdüm, büyüdüm" campaign, whose message focused on the pride of raising healthy generations of children, was chosen as "the best-liked advertisement". In a survey conducted jointly by Capital and GfK, Pınar Süt also emerged as "the best-liked company" in Turkey's milk and dairy products industry. The 2012 Pınar Labne (labaneh) campaign won the year's Golden Effie award. Pınar Süt's Krem Peynir (cheese spread) campaign further strengthened the company's leadership of that segment by boosting its market share 5.6 points to 23.6%. According to the results of the RepMan Reputation Survey, Pınar not only once again ranked among Turkey's most highly respected brands but it also advanced its position from 8th to 7th place. 2012 was also a successful year from the standpoint of the launching of new products: Süt krem (a low-fat clotted cream) and Çikolatalı Beyaz (a chocolate-flavored cream cheese) were both introduced to consumers last year.

2012 was also a year in which we carried out a major restructuring of our away-from-home line of products for commercial and institutional customers, which were repositioned under the "Pınar Profesyonel" label.

We are supporting the Price Stabilization Policy.

In 2012 Turkey's National Dairy Council adhered to a price stabilization policy under which members of our sector, Pınar Süt being one of them, entered into procurement contracts whose terms have been formulated, among other things, to protect Turkey's dairy farmers. As of year-end, our company was procuring milk from more than 200 dairy farms and more than 30,000 individual producers.

Our mission is to keep consumers supplied with superior-quality, wholesome products.

Pınar Süt's fundamental goal is to offer consumers wholesome and delicious products and to be a source of health, flavor, and innovation for them while never sacrificing quality. Our company keeps a close watch on evolving consumer trends and it takes a proactive approach in order to incorporate

global and sectoral technological developments into its production processes. Similarly and because it is a principle at Pınar Süt to be customer-focused in our approaches and to make products that are appropriate to customers' needs and expectations, Pınar Süt gives great importance and priority to research and development.

In 2012 the Pınar Group focused on developing projects and introducing sectoral innovations that will contribute towards healthier future generations. In line with this effort, the group launched the Pınar Institute last year.

In 2013 Pınar Süt will be working on:

- Achieving growth rates above market averages in all product categories
- Increasing the share which the proceeds from international sales make to its total turnover
- Fulfill the requirements of both OHSAS 18001:2007 Occupational Health and Safety Management System and ISO 50001:2011 Energy Management System certification and be certified for both standards.

As a member of the United Nations Global Compact Network, one of the world's biggest civil initiatives, we constantly strive to do better by all of our stakeholders in the creation of a sustainable future. In line with our sustainability efforts, we are committed to fulfilling our pledge to reduce our carbon footprint by at least 15% between now and 2020.

In 2013 we will continue to actively support communication on all fronts in our ongoing effort to raise consumer awareness and to offer new products in line with consumers' needs.

Pınar Süt is determined to lead the way in helping future generations grow up healthy and strong.

In closing, I take this opportunity to thank, personally and on behalf of the Board of Directors, our valuable team for the performance that we achieved in 2012.

2013 marks Pınar Süt's 40th year in business. I have complete faith that, with the support of our customers, shareholders, and business partners, we will celebrate many more anniversaries as a distinguished brand and that we will also help many other generations grow up healthy and strong. For inspiring that faith, I extend my sincerest appreciation to you all.

İdil Yiğitbaşı

Chairperson of the Board of Directors

At an investment cost of TL 100 million, Pınar Süt Şanlıurfa will be providing employment directly to 250 people and it will be creating value for the region as a whole by affecting the lives of about 5,000 families indirectly through the plant's procurements, sales, shipping, and packaging materials production processes.