PINAR SÜT MAMULLERİ SAN. A.Ş

Company History

Pioneer and Leader of Modern Turkish Dairy

1975...

The first UHT milk and packaged dairy products plant in Turkey was founded (biggest milk production facility in the Middle East): PINAR SÜT

1978

Pınar Sliced Kaşar Cheese and Cream Cheese were introduced

1980

Kraft-Pınar Cooperation was established

1982

Milk, cheese, butter, yoghurt and milk with strawberry began to be exported the Central European and Middle East countries and the TRNCyprus.

1983

Pınar Fodder was established

1984

Production of Labne, milk, ayran, butter, yoghurt, cheese, mayonnaise, cream. Export of many products to Kuwait, Cyprus and Germany began.

1985

Labne was introduced in the domestic market

1994

Light mayonnaise was introduced

1997

Pınar SÜT new plant founded in Eskişehir

1999

Functional milk was introduced

2001

UHT plastic bottled milk introduced

2003

Agreement with Sodima SAS for the production of fruit yoghurt under Yoplait brand was introduced to Turkish customer

2004

Pınar Kafela, Karamela and Çikola were introduced

www.pinarmutfagi.com was established

2005

First organic milk in Türkiye, Pınar Organic Milk, probiotic products, were introduced

2007

YOPİ is introduced

2008

Pınar Süt, Lean Six Sigma has been started to applied for the first time in the F&B sector in Turkey

2008

Milk for children, Pınar Çocuk is introduced

2009

Pınar Lemonade

2010

Pınar Kido with Biscuit, Pınar Çocuk with Honey and Kahvaltı Keyfi white cheese are introduced

1975 '80 '85 '90 '95 '00 '02 '04 '06 '08 '09 2010

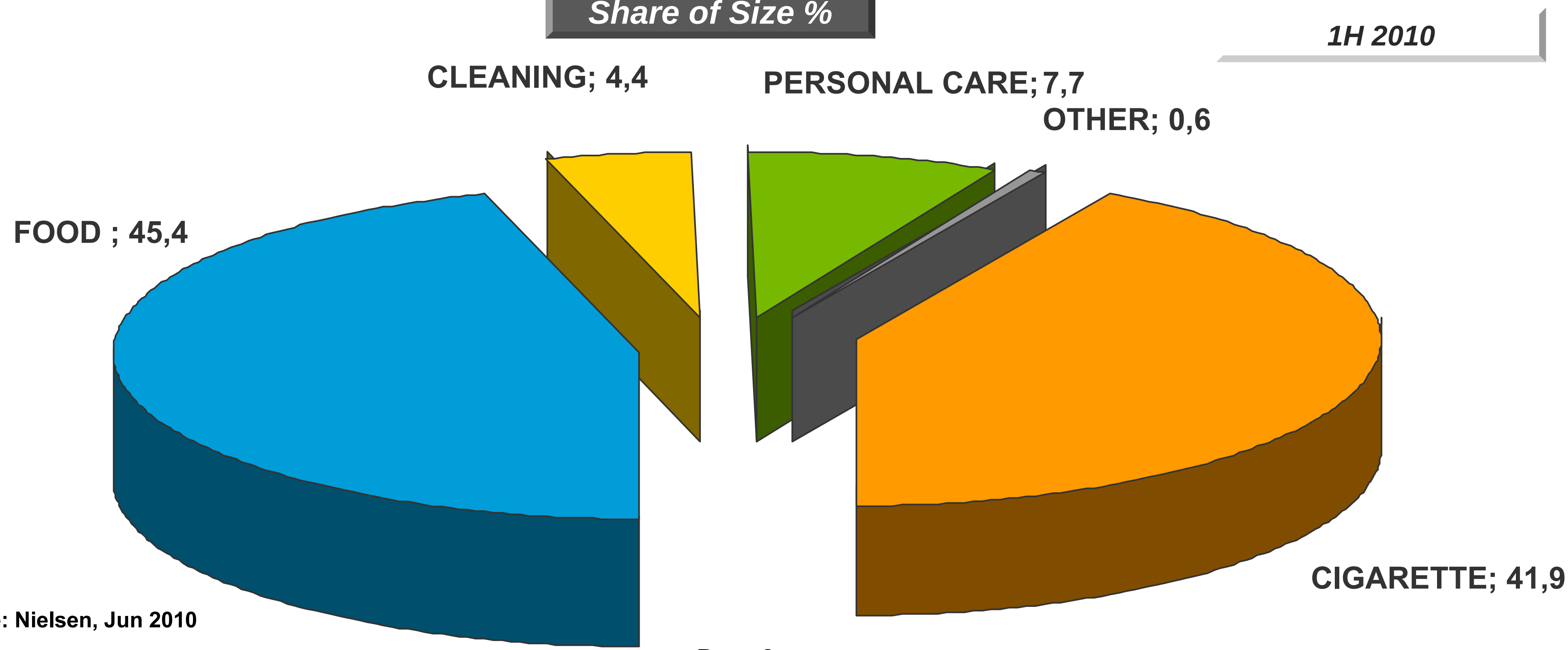
Distribution & Growth of Fast-Moving Consumer Goods

- Food & Beverage have 45,4 % of all FMCG

Size of Total Market (000 TL)
Fast-Moving Cosumer Goods

	1H 2009		1H 2010
	24,554,000	15,2 %	28,285,000

Share of Size %



Source: Nielsen, Jun 2010

Product Categories in terms of Consumer Spending & Growth

	SPENDING SHARE %	
	1H 2009	1H2010
FAST-MOVING CONSUMER GOODS	100	100
Food & Beverage	86.0	85.2
General Food Products	15.7	15.4
Meat & Meat Products	17.4	17.1
Oils	6.3	5.8
Dairy Products	15.6	16.0
Snacks	8.3	8.7
Beverage	13.3	13.0
Other Food Product	9.3	9.2
Personal Care Products	7.2	7.8
Body Care Products	2.6	2.9
Hair Care Products	1.3	1.4
Paper Products	3.3	3.5
Cleaning Products	6.5	6.7
Laundry - Dishwashing Products	5.1	5.3
Other Cleaning Products	1.4	1.4
Other	0.3	0.3

Source: IPSOS, HTP Jan-Jun 2010

- Dairy Products reaches 16 % share in market

Market Overview

Dairy Products Sector In Turkey

- A market volume of about 6,9 bn TL (HTP, 2009 Packaged & Unpackaged Total Market)
- Annual raw milk production is 714 million tons in the world; about 11 million tons in Turkey as 15th in world league.
- Raw milk;
  - 27 % processed by industrial undertaking ,
  - 33 % handled by small dairy companies,
  - 20 % consumed at the source by the producers themselves,
  - 20 % is sold in unpackaged form by street sellers.

(Source : Ministry of Agriculture and Rural Affairs)

- Industrialized milk production in EU is 95%.

	MILK PRODUCTION (Th. Tons)		MILK CONSUMPTION (kg/per capita)	
	2007	2016	2007	2016
EU (25)	130.167	129.643	75,5	75,7
USA	82.982	92.709	90,9	88,0
TURKEY	10.000	23.000	20,96	38,5

Source: TEAE, FAPRI

MARKET CONDITIONS

- Share of Food & Beverage is high in Fast-Moving Consumer Goods sector,
- The increase in per capita milk consumption,
- Trend towards packaged dairy goods,
- Economic segment is the first step for those transferring from unpackaged to packaged dairy food.
- Trend towards value-added/organic/natural products
- Increased price competition and decreased profit margins with the effect of raw milk price pattern

Market Overview

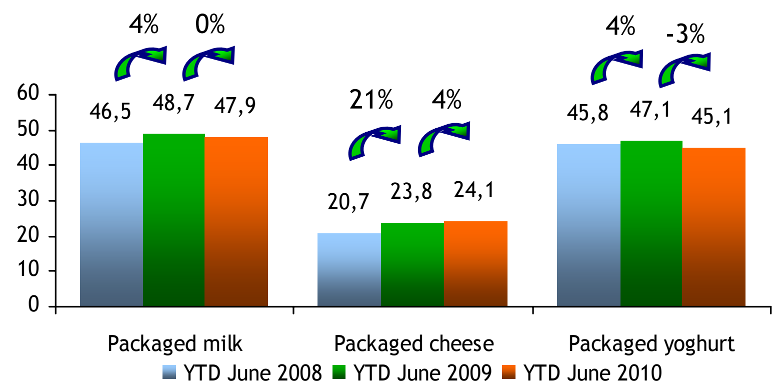
Growth Potential

- The total of packaged dairy products in the dairy market, as tonnage, remains constant in the last six months. (While packaged cheese grows by 4%; packaged yoghurt is shrinking by 3%. Packaged milk is constant)

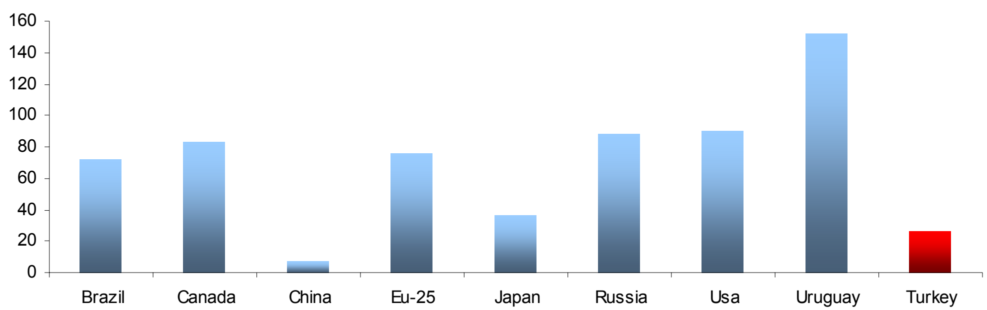
Dairy		1H 2010 (TL mn)
Milk		**1.040**
	Packaged	591
	Unpackaged	449
Cheese		**1.630**
	Packaged	498
	Unpackaged	1.132
Yoghurt		**790**
	Packaged	428
	Unpackaged	363

Source: IPSOS KMG

Shift From Unpackaged to Packaged Volume (%)



Per Capita Milk Consumption, Liter



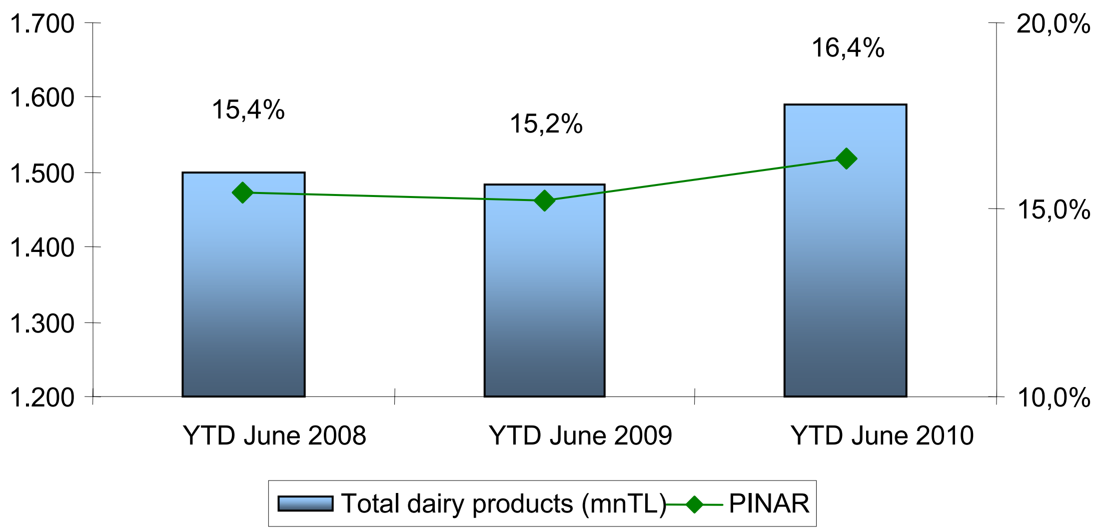
Growth Potential

- Per capita milk consumption is increasing but still very low compared to EU(EU=76 L; TR=24 L, Tetrapak'09)
- "Away from Home" market is growing

Key Players in Turkish Dairy Market

Pınar is ahead of competition and the market leader of dairy sector

- There are national (e.g. Ulker, Sutas) and multinational (e.g. Danone, Nestle) competitors

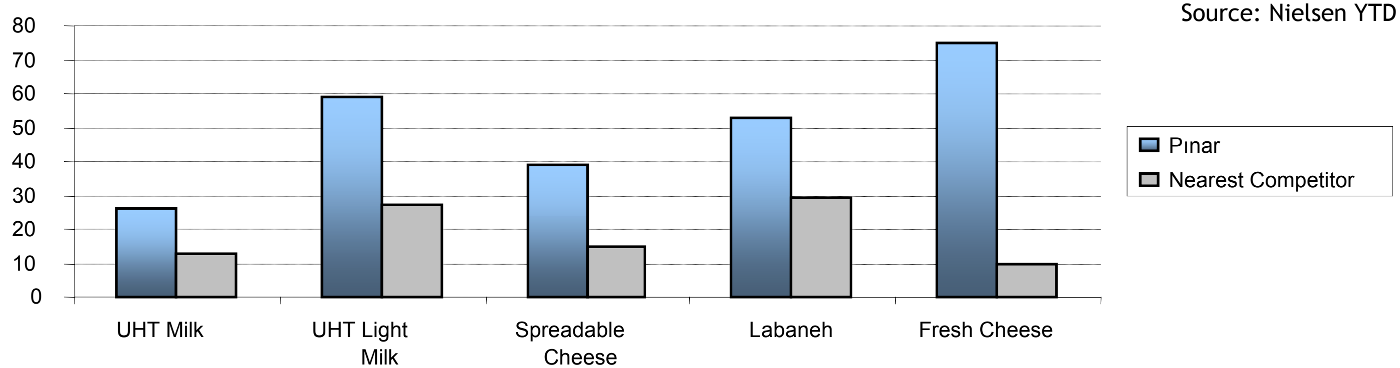


Source: Nielsen YTD June 2010 Value & Value Share

Ttotal dairy products are included milk, yoghurt, spreadable cheese, butter and ayran.

PRODUCT	MARKET SHARE (%)	POSITION
UHT LIGHT MILK	59,5	LEADER
TOTAL UHT MILK	26,2	LEADER
ORGANIC MILK	100	FIRST&ONLY
ENRICHED MILK (KIDS)	47	LEADER
BUTTER	18	SECOND
HOMOGENIZED YOGHURT	11	THIRD
SPREADABLE CHEESE	39	LEADER
*Fresh Cheese	75	LEADER
*Labaneh	53	LEADER
*CREAM CHEESE	18	LEADER

Source: Nielsen YTD June 2010 – Value Share



Marketing Campaigns

Continuous marketing campaigns in profitable and strategic categories

Major campaigns in 2010 :

- "Pınar Kido" and "Pınar Çocuk"
- "Pınar Kido" reached second position in the market in July 2010, while strenghtening our leadership in Pınar Çocuk
- "Ramadan Campaign"

Recent Market Shares

	Market Share	Ranking
Pınar Çocuk+İlk Adım	47,1	1
Pınar Kido	13,2	4

**Source: Nielsen-YTD June 2010*

Pınar Çocuk Interactive Campaign won "Kristal Elma" Award

- "Kristal Elma" is a contest where original and creative works are awarded. "Pınar Çocuk" was awarded in the *Multi Channel Campaign* category.

Ramadan Campaign

- Ramadan Campaigns are continued for basic products category (Yoghurt, Butter, White Cheese, Kashkaval Cheese, Ayran).

"Pınar Kido" Consumer Promotions

- Performed playing card and drawing promotions in February-March and June-July period.

"Pınar Kido" Web Site

- www.kido.com.tr was visited 694 thousand times in January-July 2010 period.
- There are 234 thousand members of the web site.

"Pınar Kido" Painting Contest

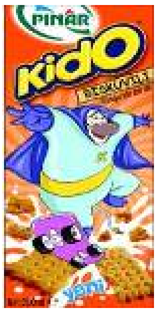
- In 2010, 877.660 paintings competed in the contest that continued for 29 years

New Launches

Several new products are launched in key product categories

New Launches:

- Pınar Lemonade
- Pınar Kido with Biscuit
- Pınar Kahvaltı Keyfi White Cheese
- Pınar Sliced Cheese 700g
- Pınar Çocuk with Honey



- Multipacking/Consumer Promotion

- New package designs

The new packaging diversification that responds to market : easy-open, optimum shelf life, smaller packaging

Pınar Süt Highlights

One of the leading businesses in the FMCG business in Turkey…

- **Strong brand equity**, market leader in many sub-segments of FMCG
- **High quality**, hygienic and EU standard production
- **Distribution network power** (reaching 155,000 sales points)
- More than 200 SKUs
- 1352 employees
- High level customer satisfaction
- Diversified milk suppliers
- **Technical experience** & sectoral know-how
- Competitive cost structure and **continuous cost improvement**
- **Advanced IT** implementations (distributor linkages to SAP system)

75 % of all households in Turkey bought at least one Pınar Product in 2009

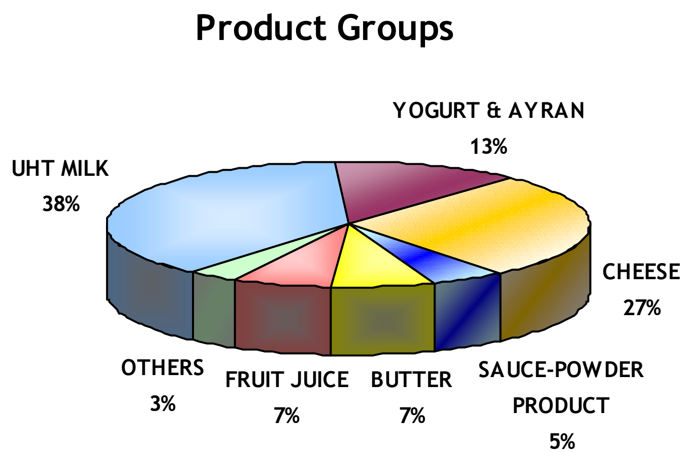
Source: IPSOS Household) Panel

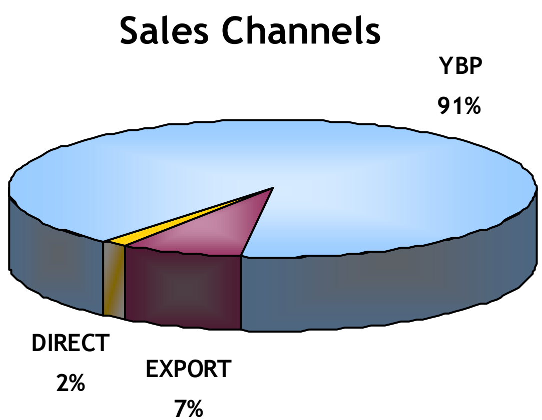
December'09

First brand that comes to mind

- ***"Pınar"; Turkish brand that comes to mind first** in the "milk" & "processed meat" category. (Nielsen 2009)*
- **"Super Brand of Turkey"** (Superbrands International-2008)
- *According to the "Turkey Customer Satisfaction Index", the best brand of Turkey in **meat and milk categories**. (Kalder-2008)*
- *Pınar is decomposed from other brands strongly for **"the best brand for my child", modern brand", "the brand worth the money paid"** segments* (Ipsos General Brand Tracking- June 2010)

Product Groups & Sales Channels





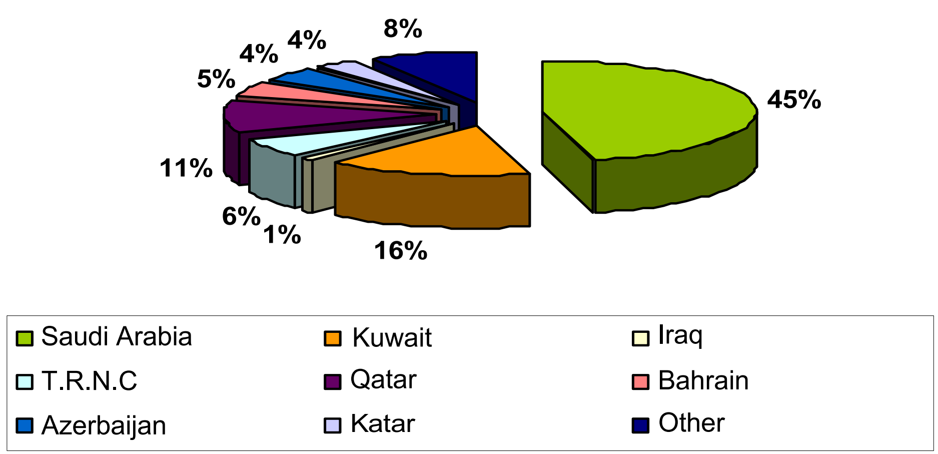
Calculated according to net sales of the first six months of 2010

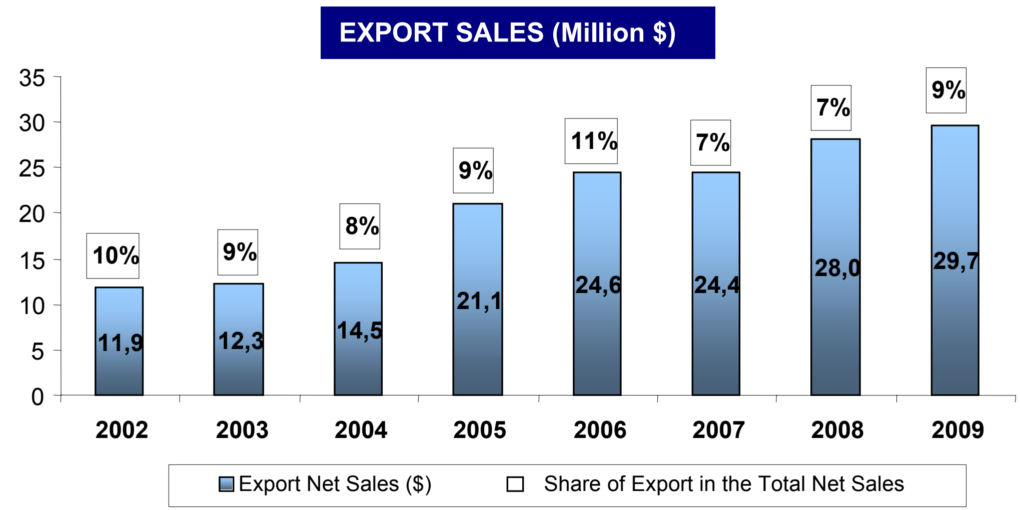
Export

Success in export: Reached Customer Preferences of Target Markets

- PINAR SÜT realizes 24% of Turkey's Dairy Product Exports by itself
- Export to 26 countries, from Middle East to Europe, from U.S.A. to China
- Market leader in Saudi Arabia and Kuwait with Packaged Labaneh Cheese with 45 % market share
- Export sales increased 3 times from 2002 to 2009.
- As one of the most valuable Turkish brands, part of the TURQUALITY project supported by the Turkish government..
  - Turquality® is the first and unique branding program in the world supported by Turkish Government in order to create competitive Turkish brands worldwide.
  - The vision of Turquality® is "Create 10 world brands in 10 years".

Export by Countries



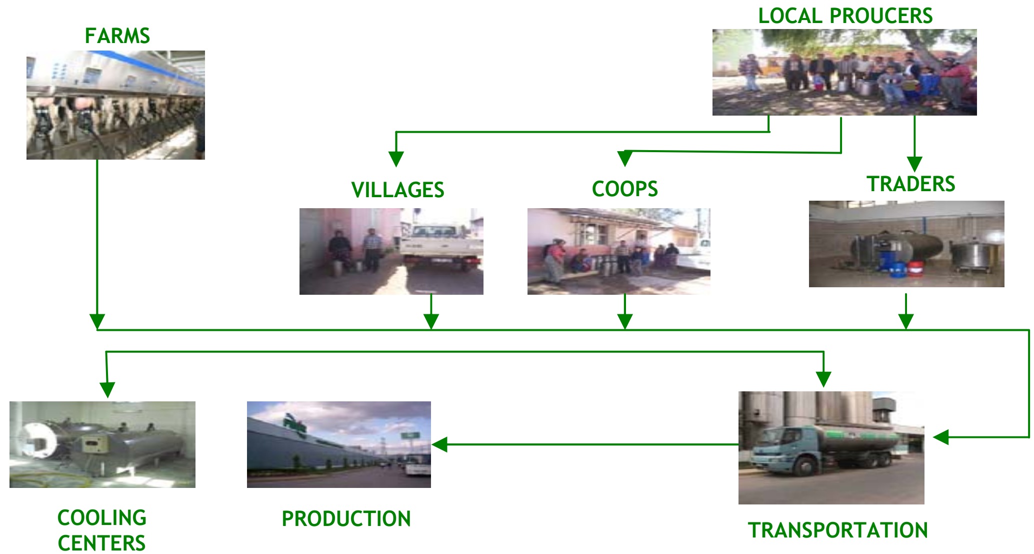


Supply - Raw Milk Collection Process

Sectoral know how, strong relations with farmers and high quality milk supply

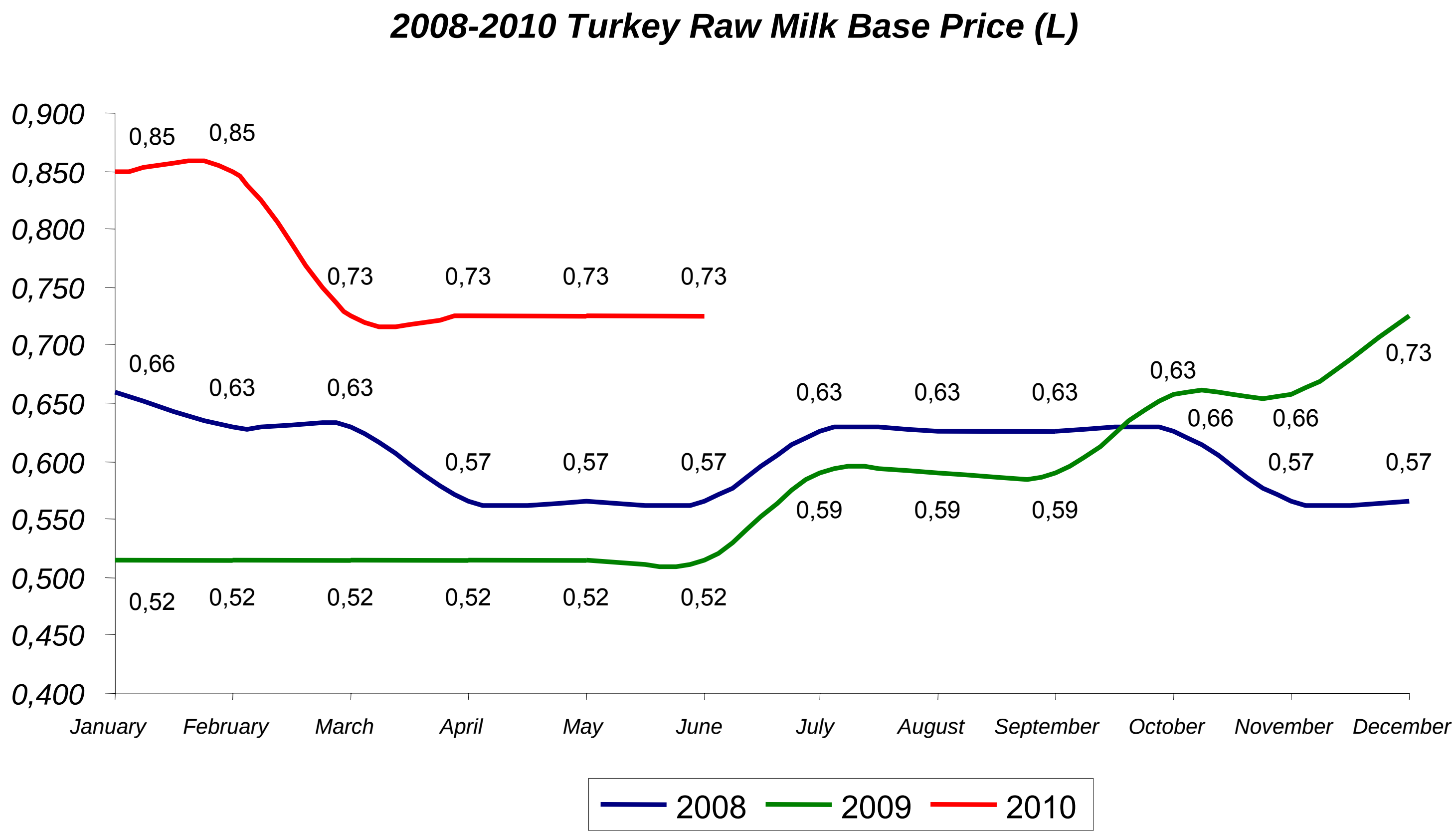
Keen focus on milk collection processes:

- **Route optimization**; increase in truck fill rate and L/km rate (**TL 1m cost savings**)
- **Successful Raw milk supply constitutes an important entry barrier to potential competitors**



- **Competitive advantage** due to strong long term relationship with milk suppliers since 1975
- Agreements with suppliers **to ensure a steady raw milk supply**
- Continuous **quality** and **control** in each step of milk collection (fully complied with EU requirements, 6000 tests in raw milk laboratories on daily basis)
- Raw milk from **327 cooling centers** through advanced collecting systems **twice a day**
- 53 % total of milk is obtained from circa 217 units farms.
- As of June 2005, the first and only organic milk production in Turkey.

Supply - The average price development of raw milk



Turkey Raw Milk Base Price includes the average of base prices of Burdur, South Marmara (Balıkesir-Gönen-Biga, etc.).

Production - Dairy

Quality & Hygiene in each step of production

- Turkey's **first** long life milk producer
- Modern facilities in: **İzmir (1975)** and **Eskişehir(1997)**

İzmir
(38 production lines)

Eskişehir
(30 production lines)

- Continuous quality assurance efforts awarded with ;

ISO 9001-2008

ISO 14001

ISO 22000 HACCP

Sales & Distribution

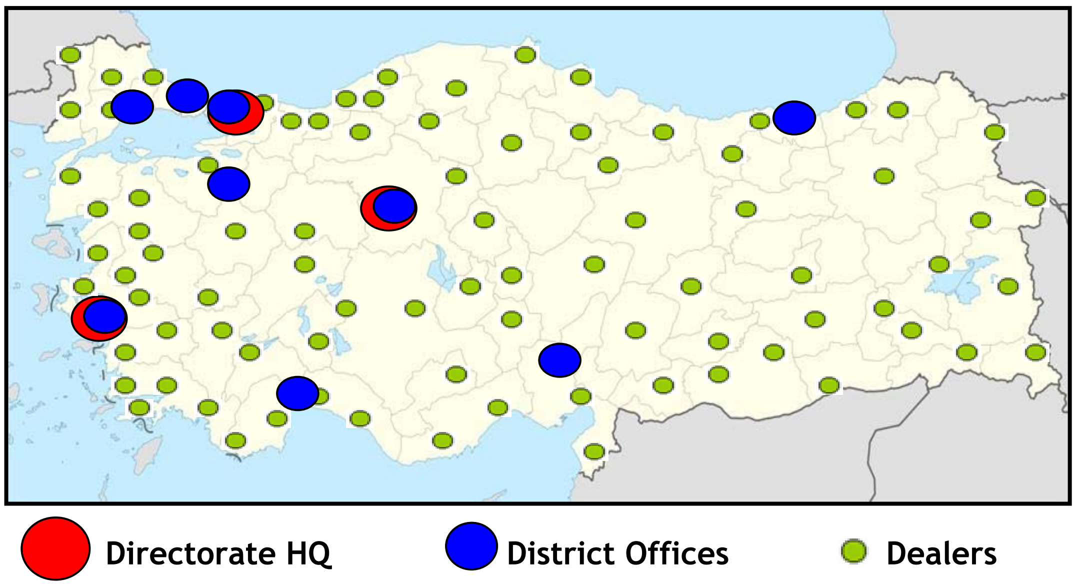
Yaşar Birleşik Pazarlama; Turkey's biggest nationwide cold & frozen distribution chain

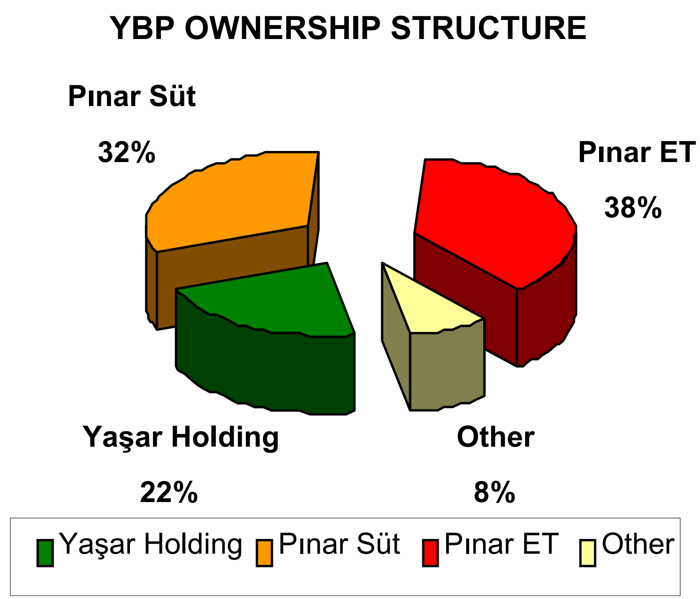
▶The distribution of food & beverage products are realized in -18˚C vehicles for frozen products, +4˚C vehicles for fresh products and classic vehicles for the rest

▶The know-how and strong track record in the cold chain applications with a cold and frozen distribution chain and storage conditions is a considerable asset for the Group

▶Strategically located distribution network throughout Turkey, by latest technology and flexible organization; over 155,000 sales points with a dedicated sales personnel

▶Group sales reflect homogeneous regional dispersal all around Turkey

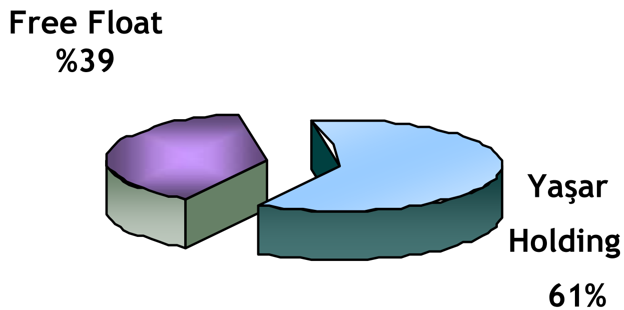




Shareholders Structure of Pınar Süt

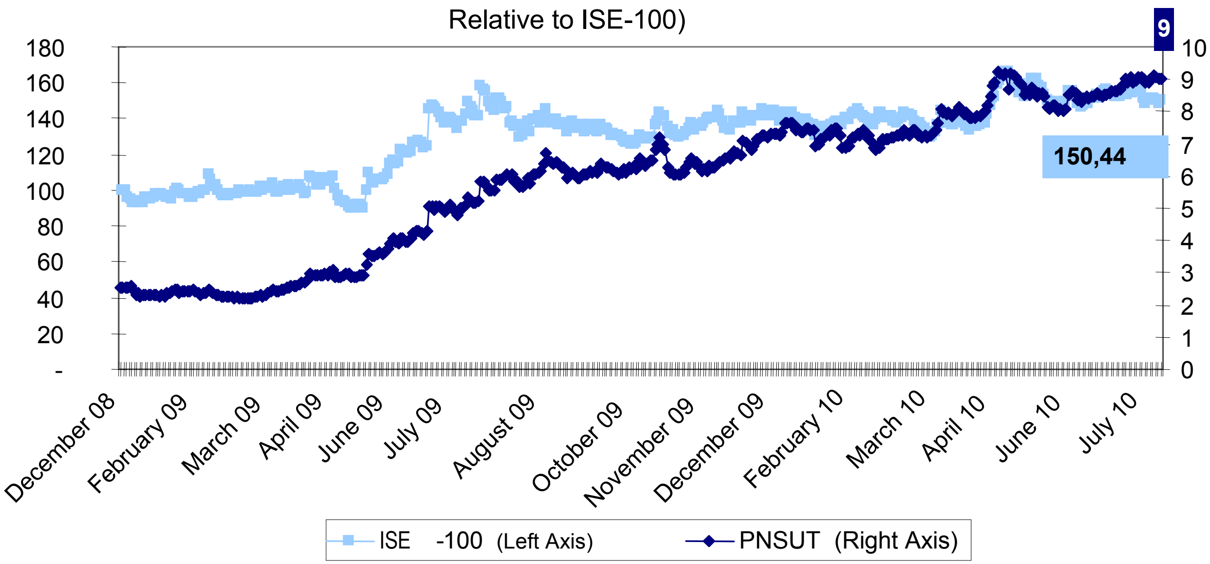
As of August 23, 2010 ;

- Share price > 9,75 TL
- Market value > 438 mn TL
- Paid-in capital > 44.951.000 TL
- Free float > %39
- Foreign shares in free float > 44%



Relative And Absolute Performance Of Pınar Süt Shares

Relative to ISE-100)



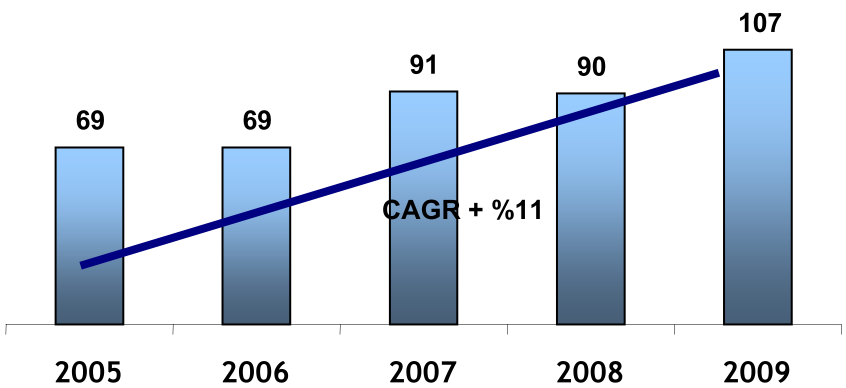
Participations

	Ownership %	Carrying Value	
Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. (YBP)	31.95%	27.2 M TL	Sales&distribution of Pınar Süt, Pınar Et & other food products
Pınar Foods GmbH, Germany	44.94%	2.7 M TL	Sales and Distribution of Pınar branded Meat and Dairy products that produced in Europe and Pınar Su products that imported
Desa Enerji Elektrik Üretimi Otoprodüktör Grubu	30.52%	3.4 M TL	Energy & Electric generation
Pınar Anadolu Gıda San. ve Tic. A.Ş.	20.00%	0,6 M TL	Production of dairy and meat products in Yozgat
Pınar Entegre Et ve Un Sanayii A.Ş.	12.58%	31.1 M TL	Production of processed and frozen meat products- open to public
Çamlı Yem, Besicilik San. ve Tic. A.Ş.	5.47%	7.7 M TL	Agribusiness- Feed production, fish, cattle and turkey farming
Pınar Su Sanayi ve Ticaret A.Ş.	8.77%	5.5 M TL	Bottling of drinking water - open to public

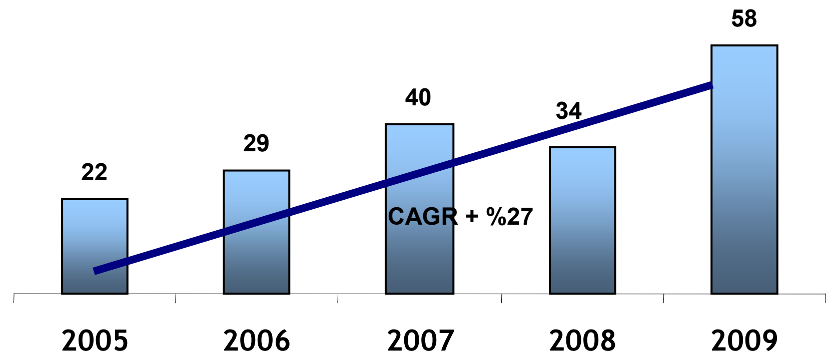
FINANCIAL RESULTS

2005-2009 Performances

GROSS PROFIT (Million TL)

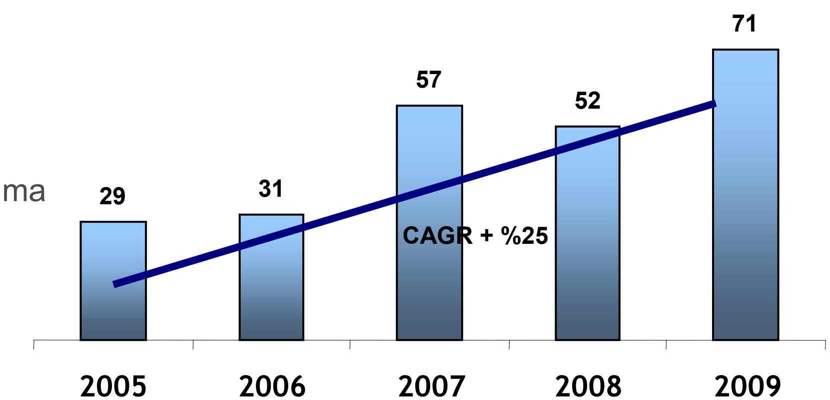


NET PROFIT (Million TL)



EBITDA (Million TL)

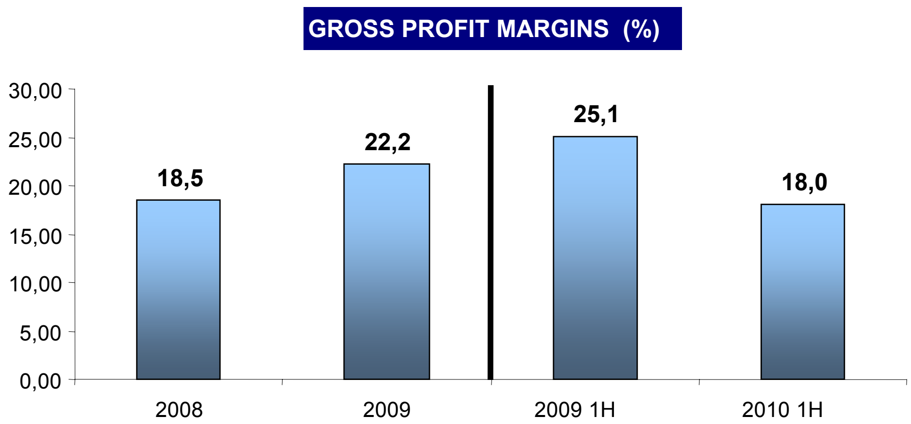
- Diversified product portfolio
- Efficiency cost control in all process,
- Training, OMI-cost improvements through methods such as Lean Six Sigma

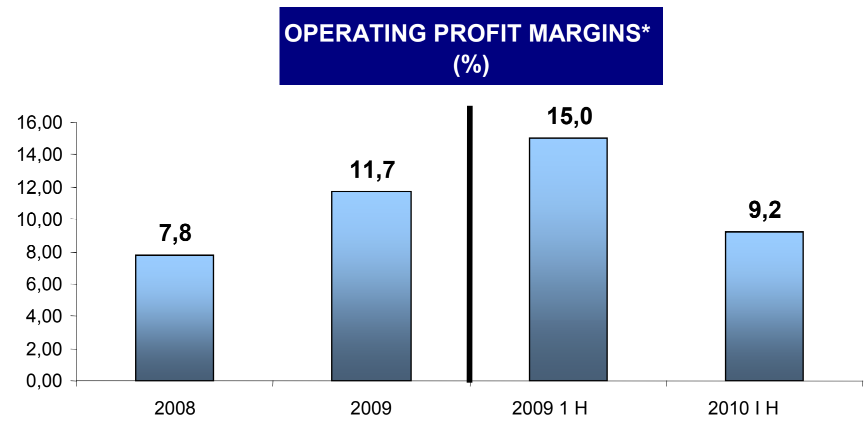


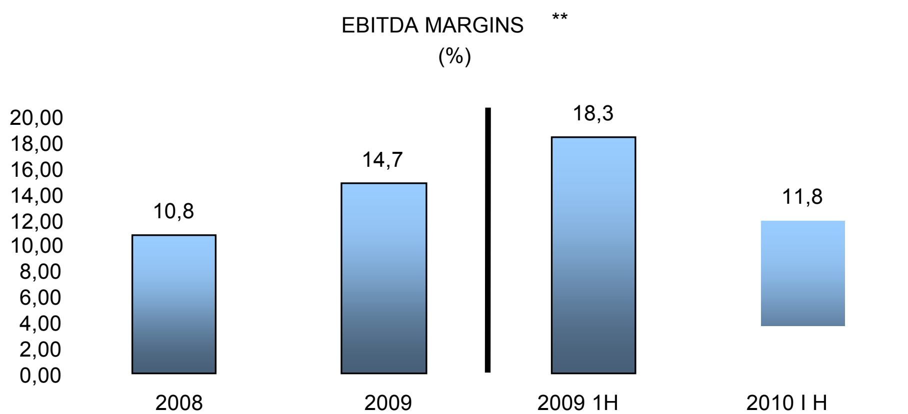
Income Statement

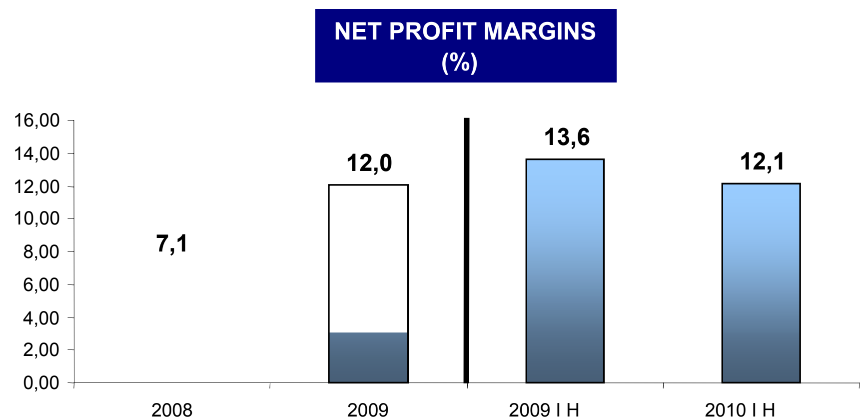
(Million TL)	30 June 2010	30 June 2009	Difference	% Variance
Net Sales	**277,4**	**227,1**	**50,3**	**22,1**
Cost of Good Solds	(227,4)	(170,0)	(57,4)	33,7
Gross Profit	**50,0**	**57,1**	**(7,1)**	**(12,5)**
R&D Expenses	(2,3)	(1,9)	(0,5)	24,1
Sales, Distribution and Marketing Expenses	(11,8)	(12,9)	1,1	(8,3)
General Administration Expenses	(10,2)	(8,2)	(2,0)	24,6
EBIT	**25,6**	**34,1**	**(8,5)**	**(24,9)**
Other Incomes	10,3	4,3	6,0	139,0
Other Expenses	(0,8)	(1,4)	0,5	(38,1)
Financial Incomes (Net)	5,0	2,2	2,9	131,2
Profit Before Tax	**40,1**	**39,2**	**0,9**	**2,2**
Tax	(6,6)	(8,3)	1,8	(21,4)
Net Profit (Loss) for the Period	**33,5**	**30,9**	**2,6**	**8,5**
EBITDA	**32,8**	**41,6**	**(8,8)**	**(21,1)**
Total Assets	498,7	436,7	62,1	14,2
Equity	339,2	313,2	26,0	8,3

Profit Margins



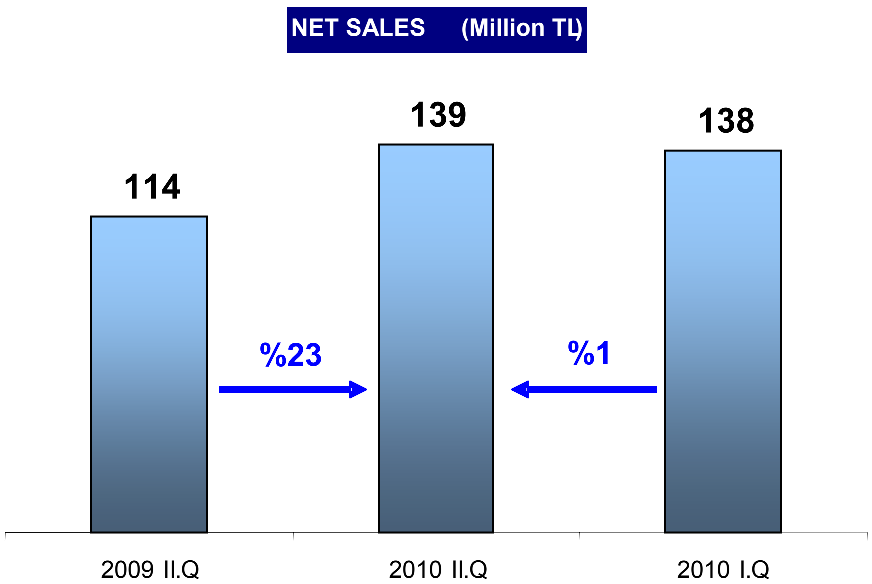






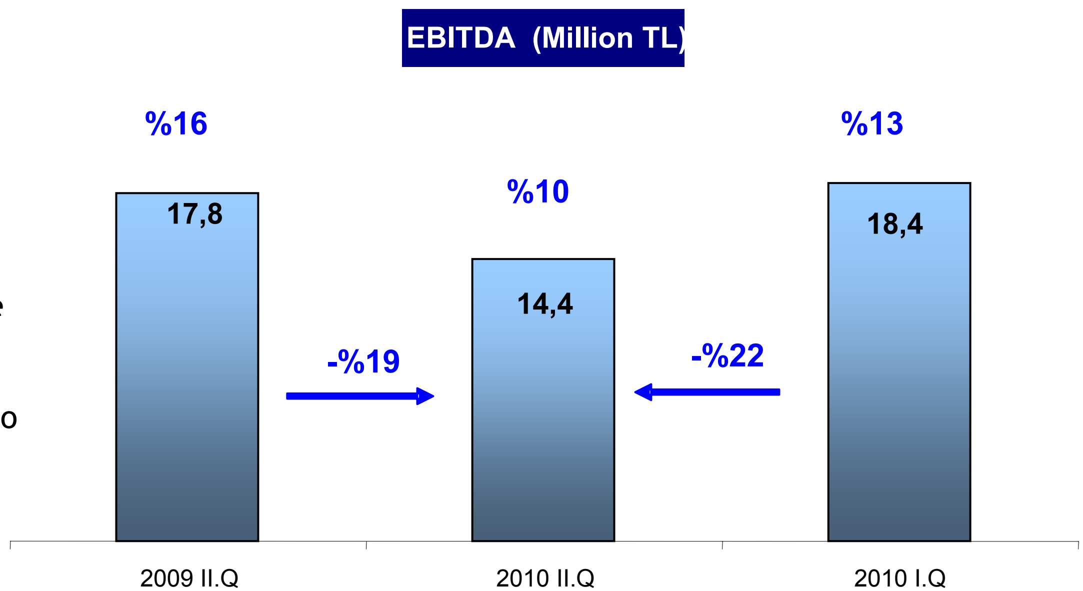
* Ex. Other income and expenditures
** Earnings before Interest, Tax, Depreciation, and Amortization

First Quarter Results



- Growth in sales and increase in market share
- Increase in net sales compared to last year which is mainly due to price increases

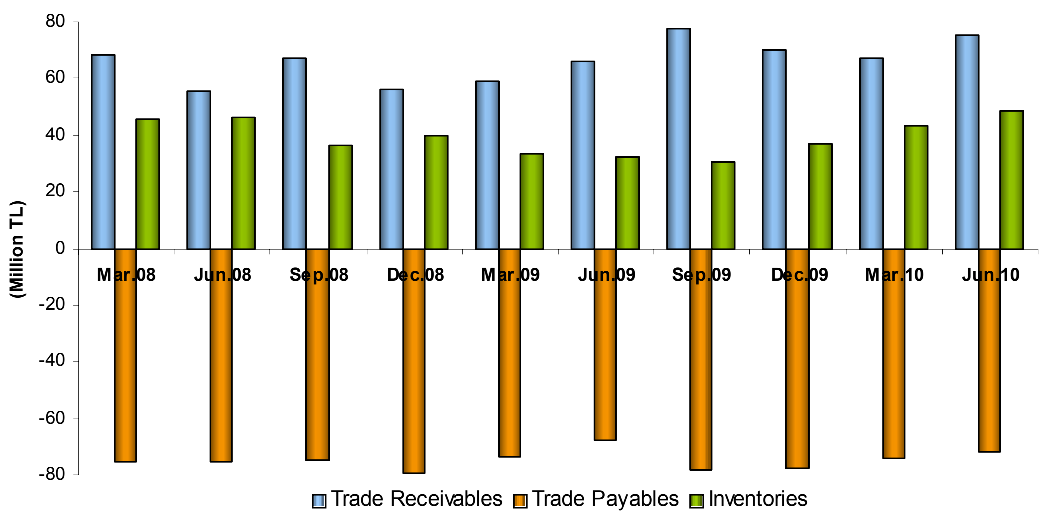
- High profit margins compared to previous years because of the low price of raw milk in the first term of 2009
- Higher raw milk price increase which has been started in the 3rd quarter of 2009 and continued in 2010
- It has been passed on a part of raw material price increase to the product prices and made additional sales. So in average 12 % EBITDA margin has been provided in the first half of 2010



Basic Ratios, Net Financial Debts & Net Working Capital

	30 June 2010	31 December 2009
Current Ratio	1,68	2,17
Leverage Ratio	0,32	0,27
S/T Fin. Debt/T Fin Debt	0,21	0,26
Net Financial Debt/EBITDA	0,34	0,24
Total Fin Debt/Equity	0,05	0,06

(Million TL)	30 June 2010	31 December 2009
Cash & Cash Equivalents	5,1	3,3
S/T Bank Borrowings	3,5	5,3
L/T Bank Borrowings	12,7	14,8
Net Financial Debt	11,1	16,7



- Continuous focus on risk management and productivity
- Effective working capital management
- Strong balance sheet and liquidity management

Evaluation of the first half of 2010

- High profit margins compared to previous years because of the low price of raw milk in the first term of 2009
- Raw milk price increases which have started in the 3rd quarter of 2009, continued also in 2010
- Part of raw material price increases have been reflected to the product prices and sales volume increases have been achieved
- New Launches and New Packaging Diversification based on market trends
- Measures to reduce costs, effective inventory management and cost savings
- Projects that improve efficiency in production have continued
- UHT Milk Product Line investment has been started in Eskişehir (It is expected that will completed in September 2010)
- Our profitability have been sustained in the first term of 2010 as a result of brand power, know-how and power of distribuiton network

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Company's financial statements are available on www.kap.gov.tr and www.pinar.com.tr websites.

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Thank You

Questions & Answers