



PINAR SÜT MAMULLERİ SAN. A.Ş

2013 H1 Earnings Presentation

Pınar Süt Highlights



- Innovator and pioneer
- More than 200 SKUs
- R&D expertise

Product Portfolio

- #1 brand that comes to mind*
- Best brand in dairy **
- Most sincere milk brand ***
- Among top 4 brands Turkish consumers feel closest to****
- Best fruit juice brand *****
- One of the top ten most reputable brands *****
- Among 10 Superbrands

Brand

- Hygienic and EU standard production
- Technical Expertise and sectoral know-how
- Award for Contributions to the Food Market

Production

- Healthy, pure and standardized products
- ISO 9001-2008
- ISO 14001
- ISO 22000 HACCP
- ISO 18001
- ISO 50001

Quality

- YBP – Turkey's biggest nationwide cold and frozen distribution chain
- More than 150.000 sales points
- Technical know-how and expertise
- Synergy in the distribution of dairy and meat products

Distribution Network

- Supply from more than 25000 producers
- Continuous quality control in each step
- Strong relations with farmers
- More than 200 contracted farms producing in EU standards
- Farms which are free of illness and approved
- Training and consultancy services

Supply

Market Dynamics - I



▶ Annual raw milk production is 750 mn tons in the World (2012 increase %2,7), and around 16,9 mn tons in Turkey (2012 increase %12 (Source:FAO, TÜİK),

▶ The amount of milk produced in our country is increasing in parallel to the amount of animals and productivity in milk production. Cow milk comprises 91,4 % of the total production. Turkey, with its production of 13,8 mn tons of cow milk, is 8th within IDF countries.

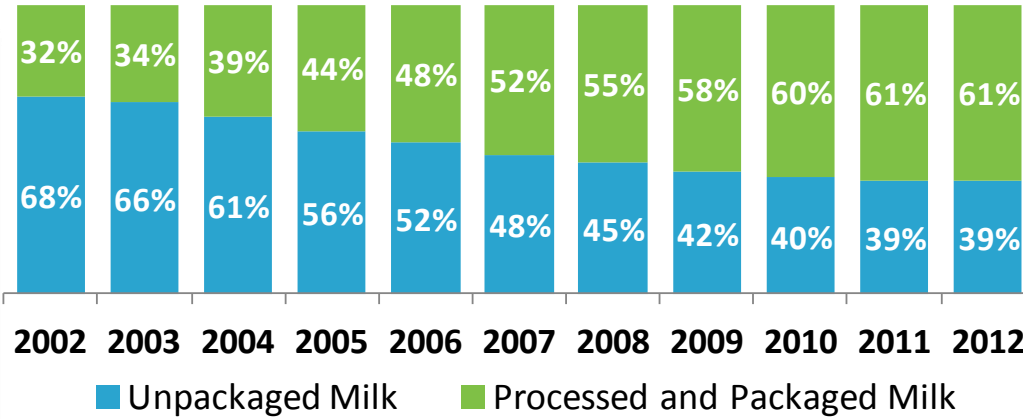
▶ Per capita milk equivalent consumption in the world is 107,3 kg per capita on average; per capita drinking milk consumption is more than 100 kg in North Europe countries.

▶ Per capita milk consumption in Turkey, calculated as milk equivalent, has reached 223 kg in 2013, compared to 2012, showing an increase of 10%..

▶ Per capita drinking milk consumption in Turkey is estimated to be 33,1 kg.

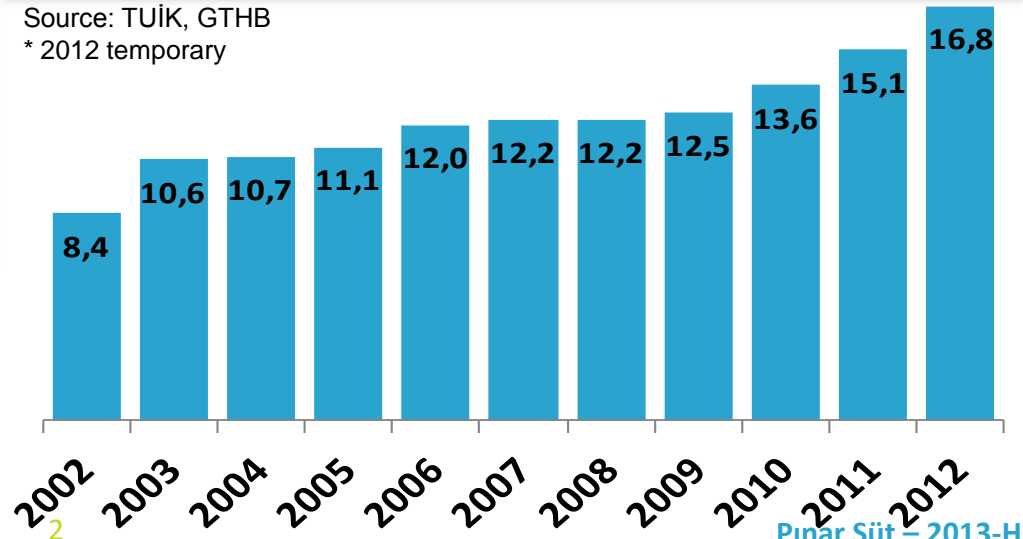
(TÜİK)

Percentage of Packaged Milk



Milk Production in Turkey (million tons)

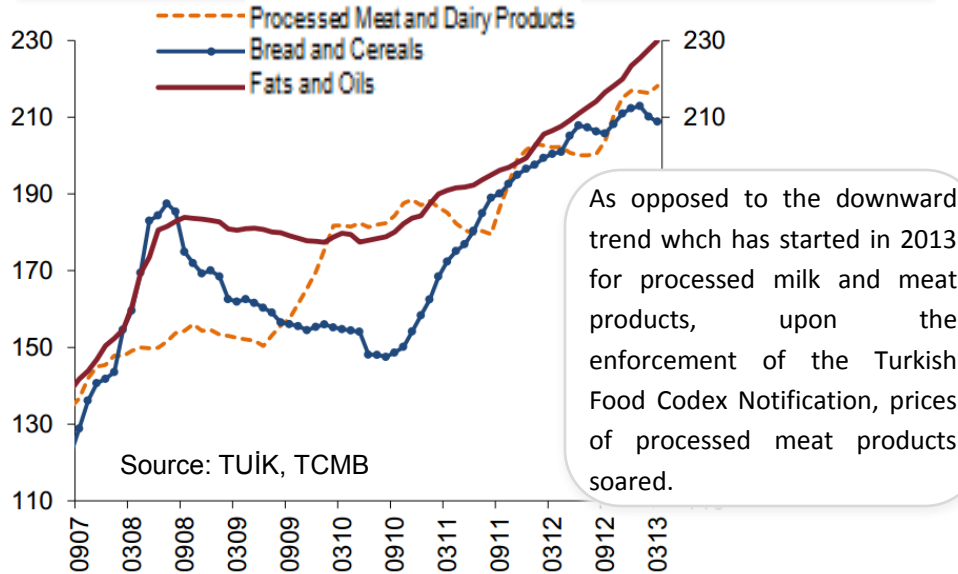
Source: TÜİK, GTHB
* 2012 temporary



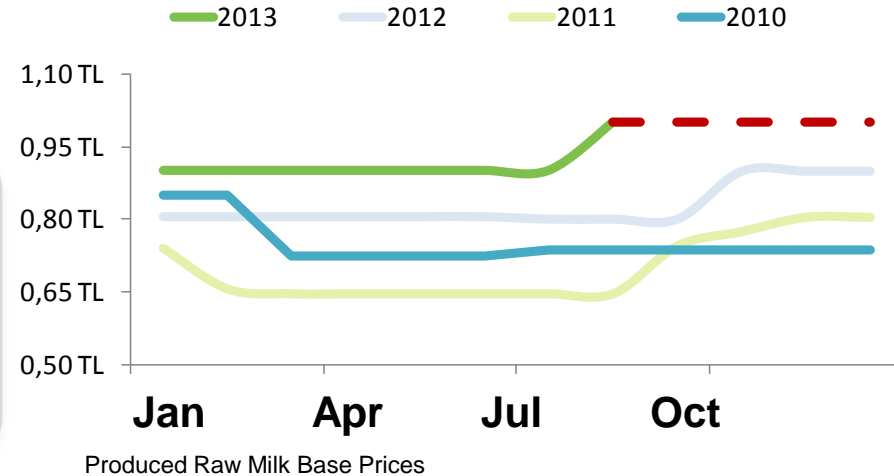
Market Dynamics - II



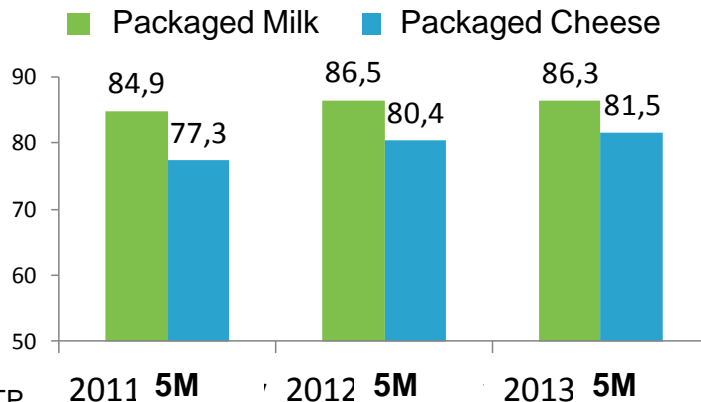
Processed Food Products Prices



Base Raw Milk Prices in Turkey (TL/lt)



Milk and Cheese Penetrations

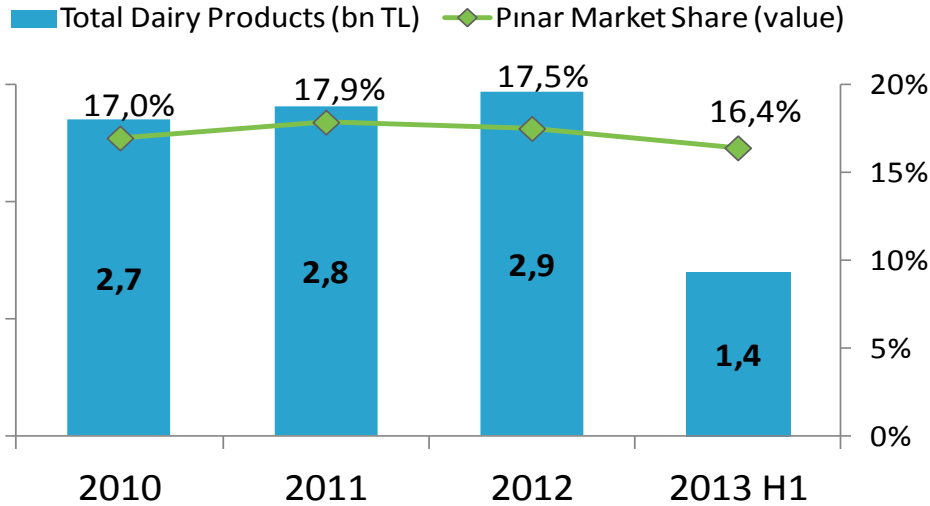


► Increasing raw milk prices

► Increasing feed prices

The penetration of packaged milk production has remained stable in the first half of the year, while packaged cheese penetration has increased.

Market Shares - I



Source: Nielsen

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

► Measurable dairy market, has grown by 1,5% in terms of value and shrank by 0,9% in volume terms in 1H 2013.

► Food category has decreased its share within FMCG from %48,4 to %47,1 in 2012.

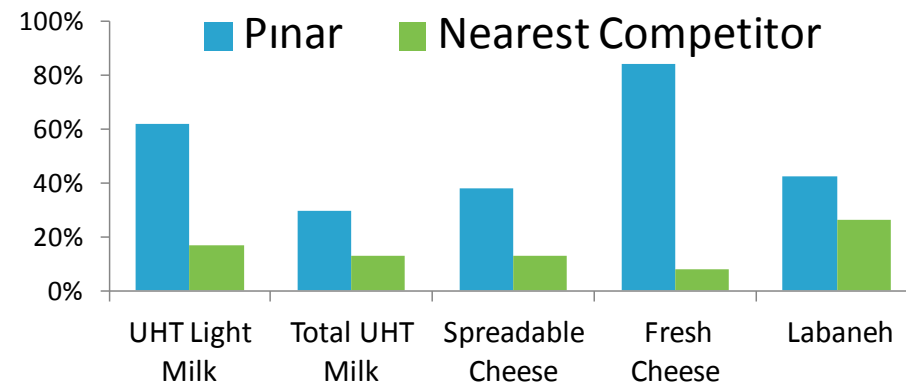
► Plain milk comprises 65% of the total milk market and Pinar Süt has a share of 30% market share in this, which is 2 times more than the nearest competitor.

(Nielsen)

Products	Market Share	Market Share Position
UHT Light Milk	62%	Leader
Total UHT Milk	30%	Leader
Organic Milk *	90%	Leader
Enriched Milk (Kids)	54%	Leader
Butter	17%	Second
Homogenized Yoghurt	10%	Third
Spreadable Cheese	38%	Leader
Fresh Cheese	84%	Leader
Labaneh	42%	Leader
Cream Cheese	23%	Leader

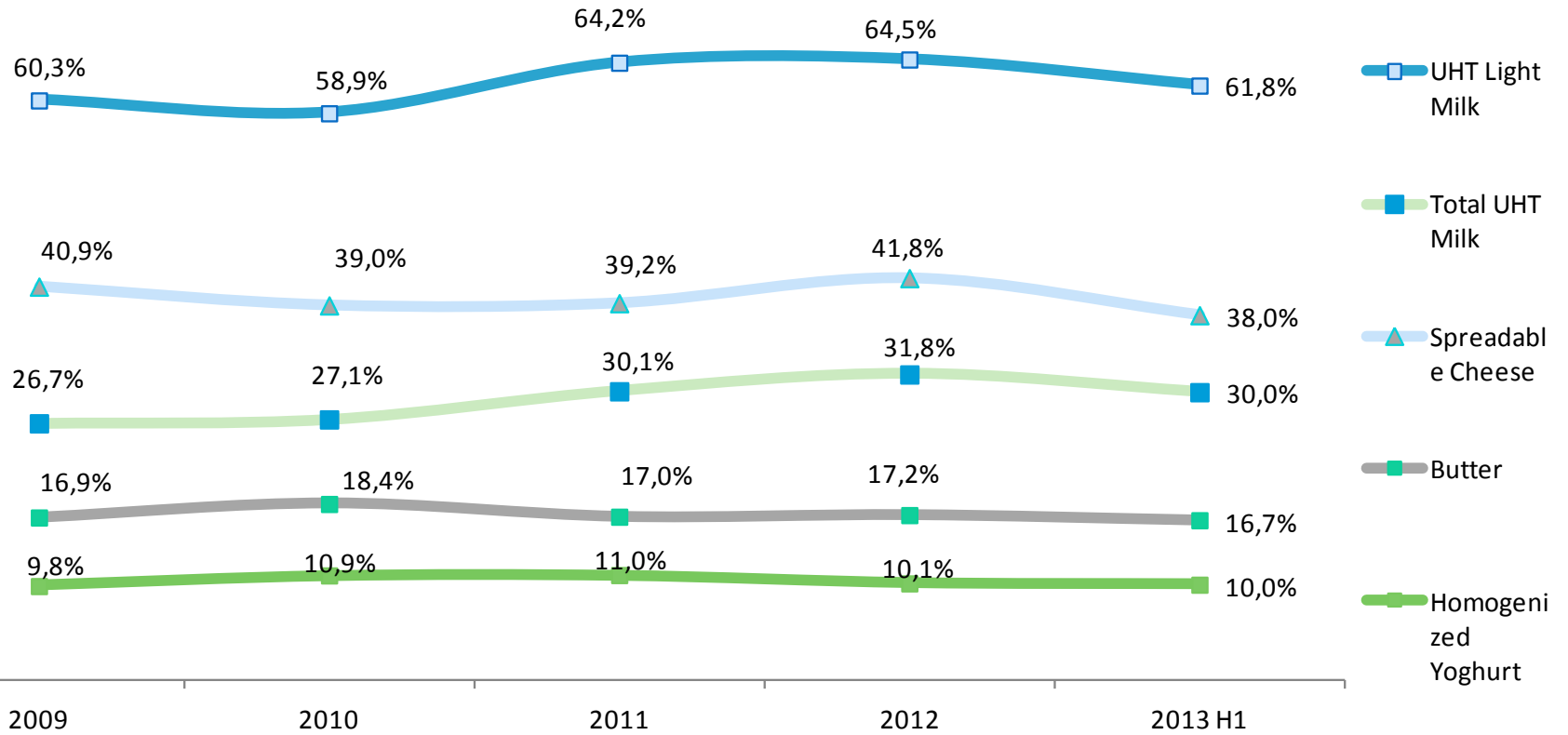
Source: Nielsen, 2013 H1 - Value Share

* Estimated



Source: Nielsen, 2013 H1 - Value Share

Market Shares - II



Source: Nielsen - Value Share

New Launches & Product Differentiations



Çikola Latte

New tastes that respond to market tastes , reinforcing our expertise. New launches for different consumer segments. Multipackages and promotions providing convenience for consumers.

Pınar Beyaz Çikolatalı Campaign



Tv Ads



Pinar Beyaz Campaign



Pinar Labne Campaign



facebook.com/pinarlabne

TV



Pinar Cream/Triangle Cheese Campaign



Pinar Kido Campaign



Ads



internet



Pinar UHT Milk Campaign



Tv Ads



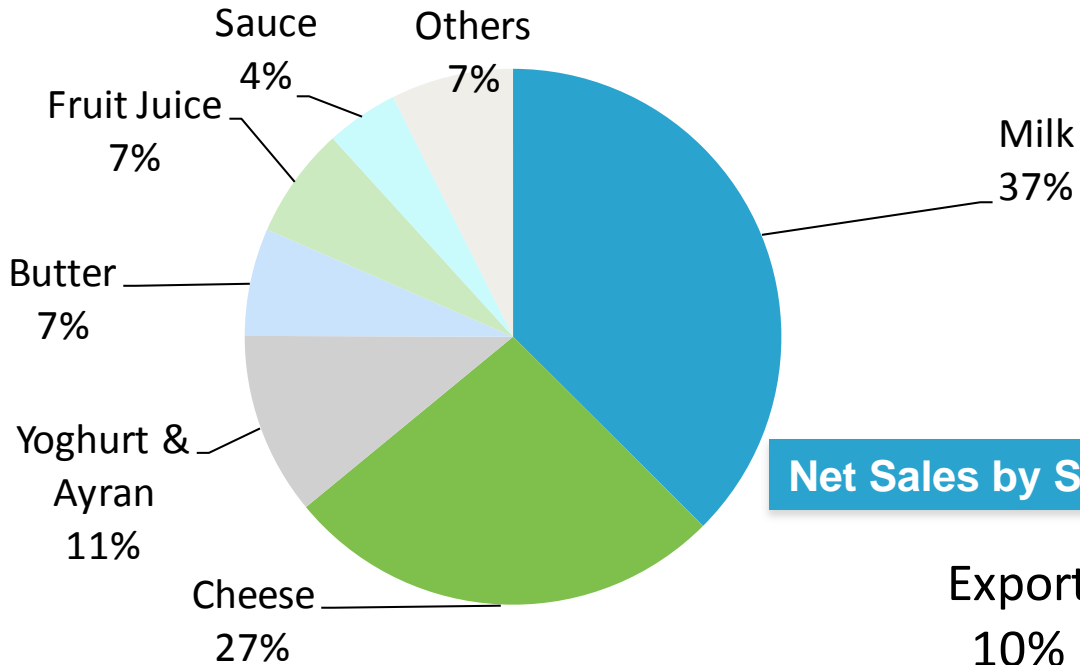
Classic Package



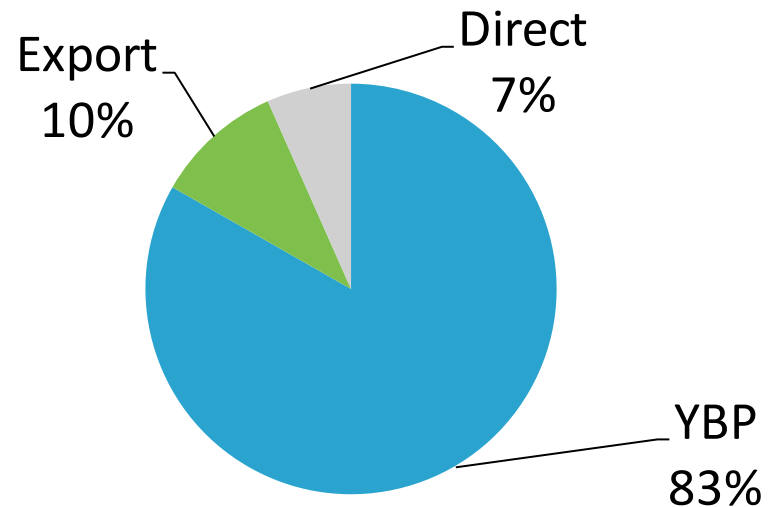
Product Groups & Sales Channels



Net Sales by Product Groups (2013 H1)



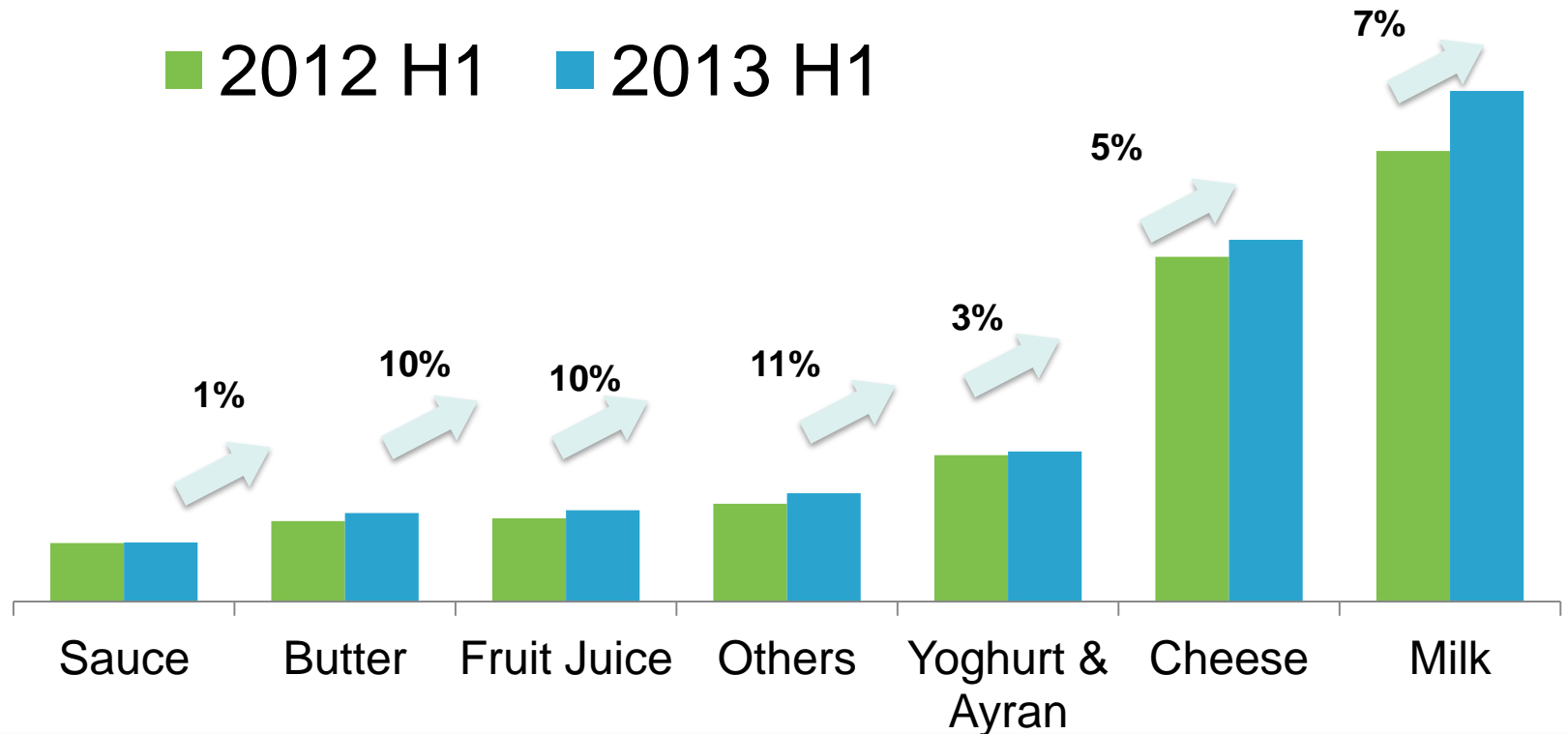
Net Sales by Sales Channels (2013 H1)



Growth in Sales



Growth Rates of Product Groups



Net Sales have grown by 8,6% in 2013 H1.

Export



▶ Pinar realizes 22% of Turkey's Dairy Products Exports itself

▶ **Export income was increased by %12 in terms of USD.**

▶ Exports to 29 different countries which are Middle East, Europe, USA and Asia. In 2012 in Switzerland, Hong Kong and Afghanistan joined into Pinar Süt exporting countries.

▶ Pinar Labane Cheese have high market shares In Saudi Arabia, Kuwait and UAE which are respectively %35, %50 ve %35.

▶ Moreover, long-life milk, white cheese, Pinar Beyaz, whole cream, fruit juice, yoghurt and ayran is exported to Gulf countries.

▶ Export sales have tripled from 2002 to 2011.

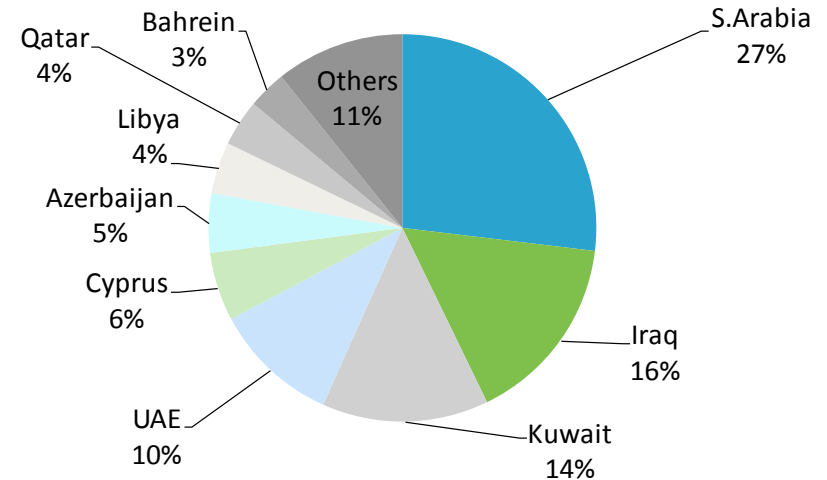
▶ As one of the most valuable Turkish brands, part of the

TURQUALITY® project supported by the Turkish government..

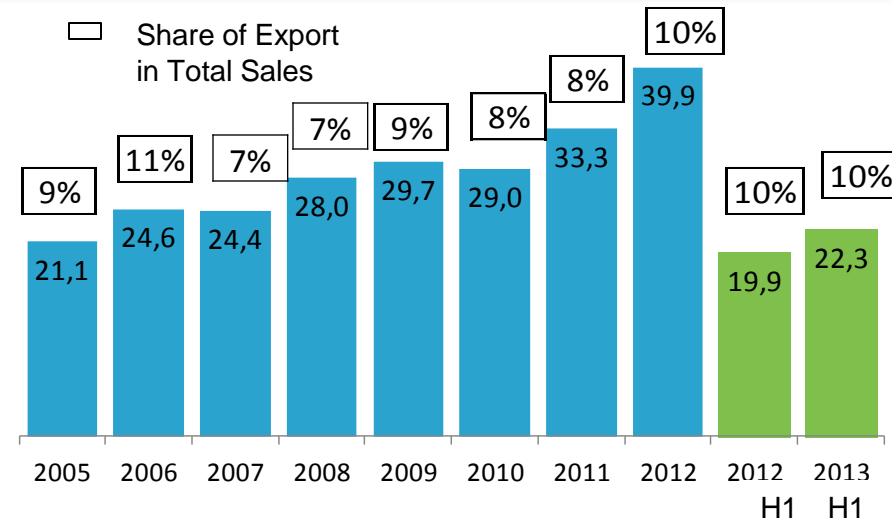
▶ Pinar Süt is among the first companies included in Turquality Project. The first 5 years of project completed succesfully; taking part in second 5 year was obtained.

▶ The vision of Turquality® is "Create 10 world brands in 10 years".

Foreign Sales by Countries (2013 H1)



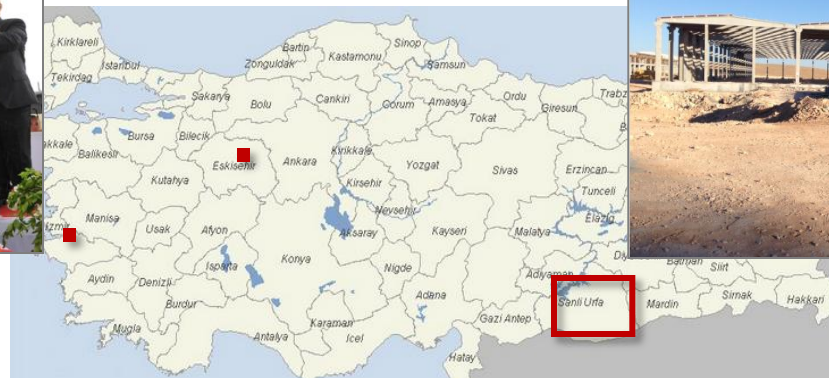
Foreign Sales by Years (Million USD)



Şanlıurfa Investment



- ▶ Pınar Süt Şanlıurfa plant, which will be established on a land of 100 thousand m², will have a capacity of 180 million litres/year with raw milk collected from Şanlıurfa and cities around it.
- ▶ The milk and dairy products will be produced in the factory. The product range will be expanded depending on the needs.
- ▶ The benefits from the region's proximity to the export markets will be provided.
- ▶ Investment incentives of Region-6
- ▶ Foundation of the facility laid on May 12, 2013. The plant is projected to cost 100 million TL and to commence its operations by the end of 2013.



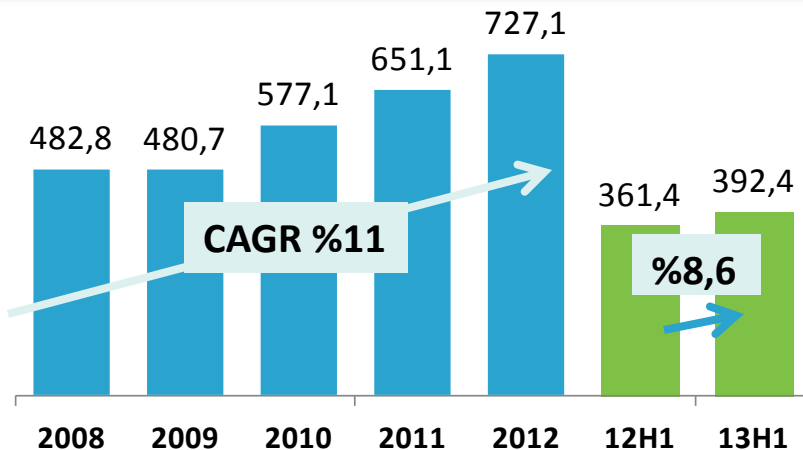


FINANCIAL RESULTS

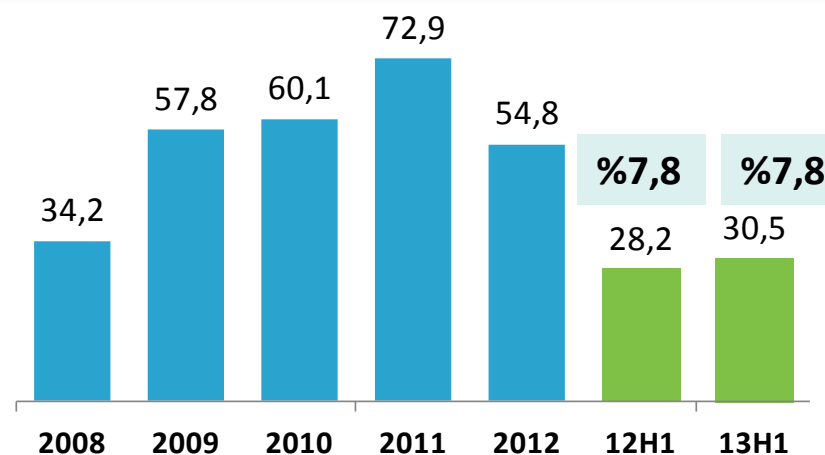
Sales and Profitability



Net Sales (Mn TL)



Net Profit (Mn TL)

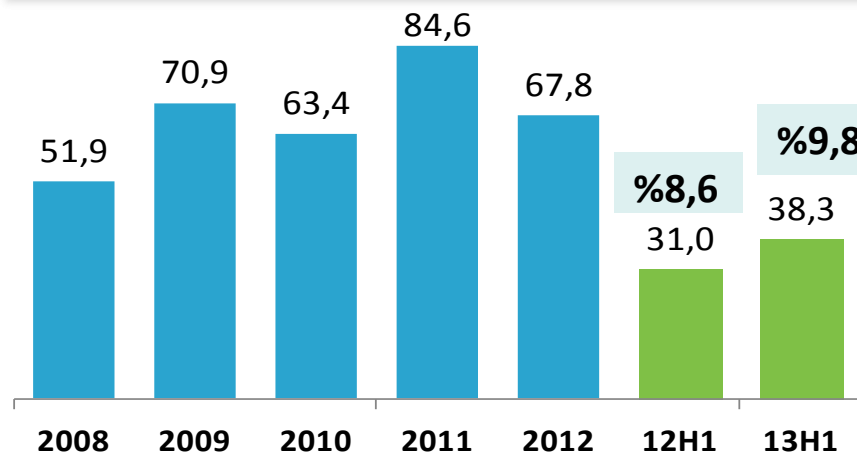


▶ In 2013 1H sales have grown by %8,6, in both value and volume terms. Growth in volume terms is by %1.

▶ In accordance with our strategies, we have focused on market investments.

▶ Even though the average raw milk prices of 2013 1H, were above those of 2012 1H, reflection of these increase to our end prices and our focus to the value added products enabled us to increase profitability.

EBITDA* (Mn TL)

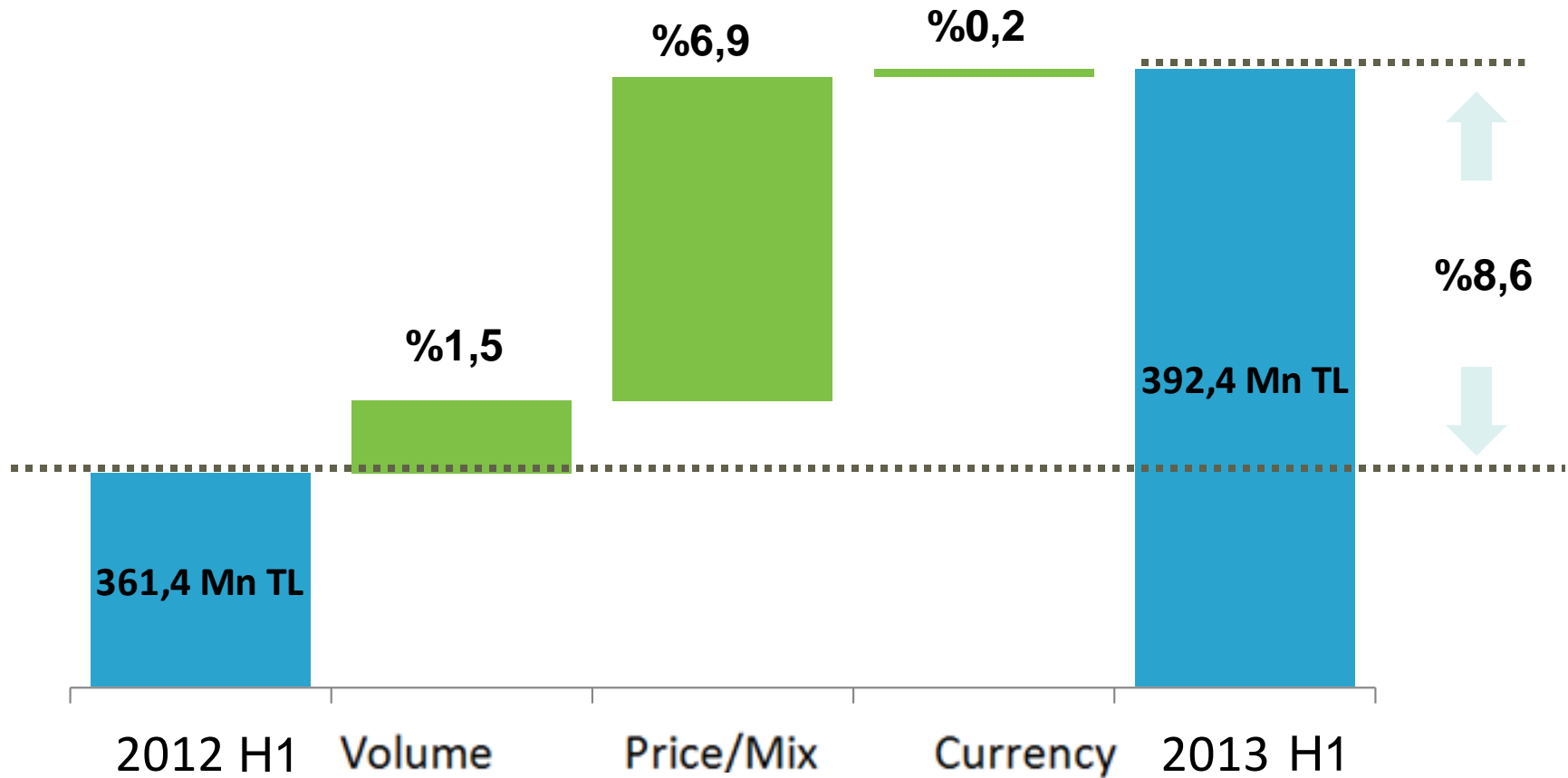


Income Statement



(Million TL)	30.06.2013	30.06.2012	Difference	% Change
Net Sales	392,4	361,4	30,9	8,6
Cost of goods Sold	(310,7)	(293,2)	(17,4)	5,9
Gross Profit	81,7	68,2	13,5	19,8
R&D Expenses	(3,9)	(3,4)	(0,4)	12,7
Sales, Distribution and Marketing Expenses	(33,8)	(27,0)	(6,8)	25,1
General Administration Expenses	(14,1)	(12,9)	(1,2)	9,1
EBIT	29,9	24,8	5,1	20,5
Share of Results of Investments in				
Associates	2,1	0,6	1,5	246,2
Other Income	6,0	5,7	0,3	5,0
Other Expenses	(3,4)	(1,5)	(1,9)	124,1
Financial Income (Net)	(0,5)	3,4	(3,9)	(115,1)
Profit Before tax	34,0	33,0	1,1	3,3
Tax	(3,6)	(4,8)	1,2	(25,7)
Net Profit for the Period	30,5	28,2	2,3	8,2
EBITDA	38,3	31,0	7,3	23,4
Total Assets	616,5	624,1	(7,6)	(1,2)
Equity	419,1	398,7	20,4	5,1

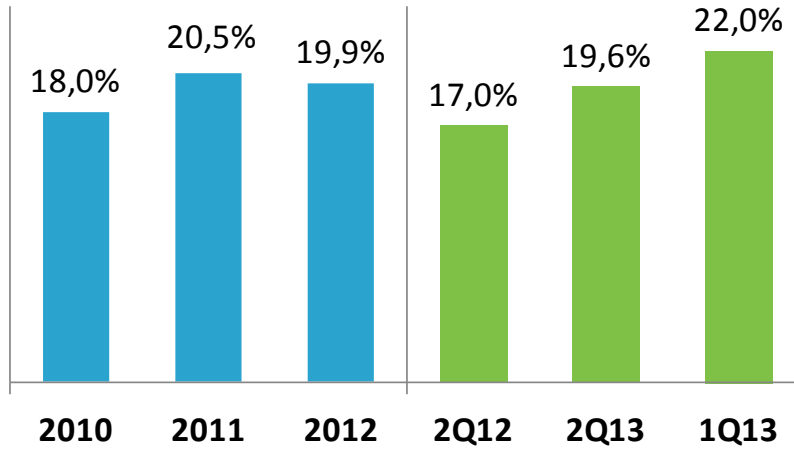
Growth Analysis



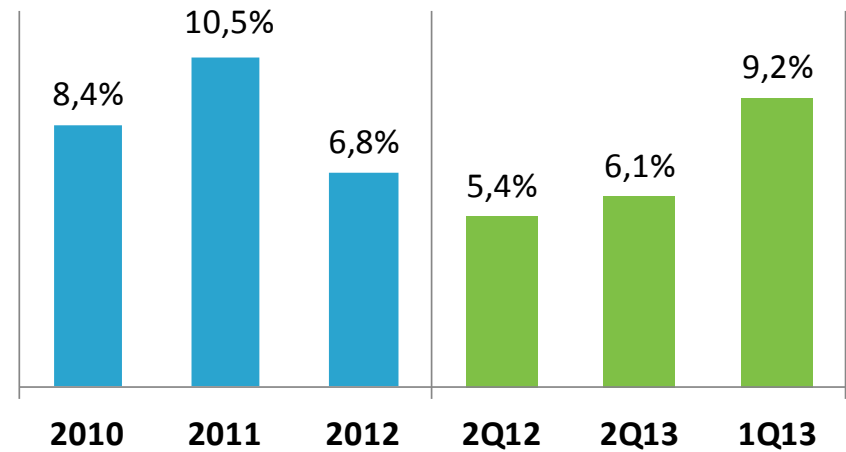
Profit Margins



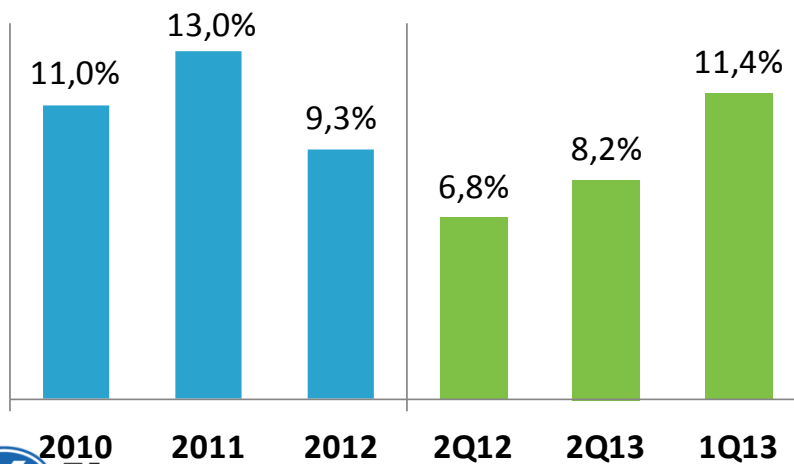
Gross Profit Margins(%)



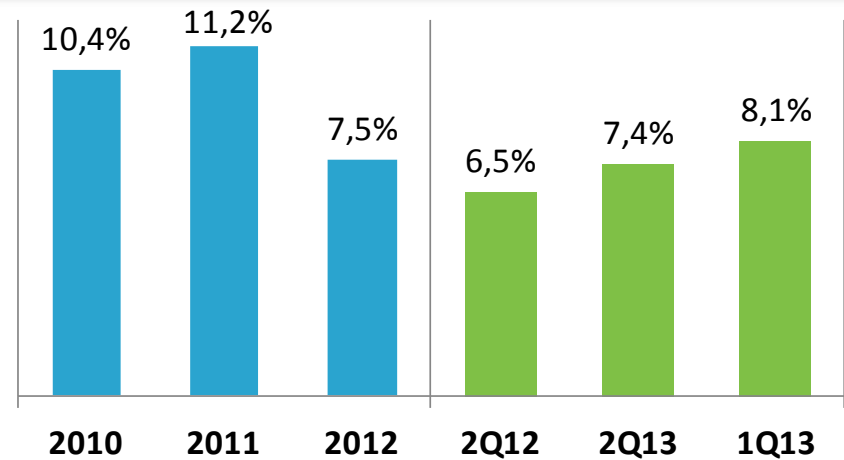
Operating Margins* (%)



EBITDA Margins ** (%)



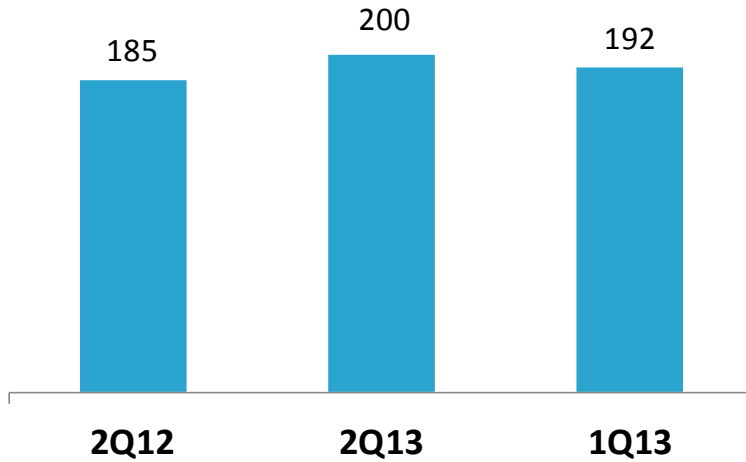
Net Profit Margins (%)



Quarterly Results

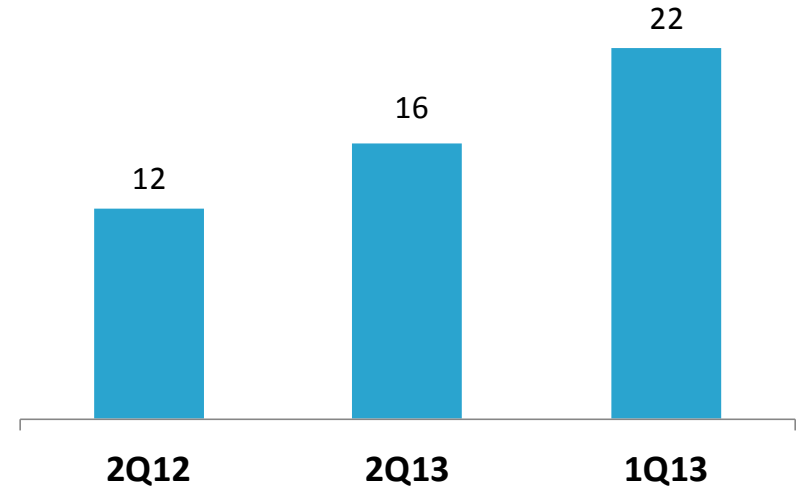


Net Sales (Mn TL)



- ▶ In 2Q 2013, sales rose either compared to 1Q2013 (4%) or to 2Q 2012 (8,2%).
- ▶ The increase in gross margin in In 2Q2013, is attributable to sales price increases and value added products focus.

EBITDA* (Mn TL)



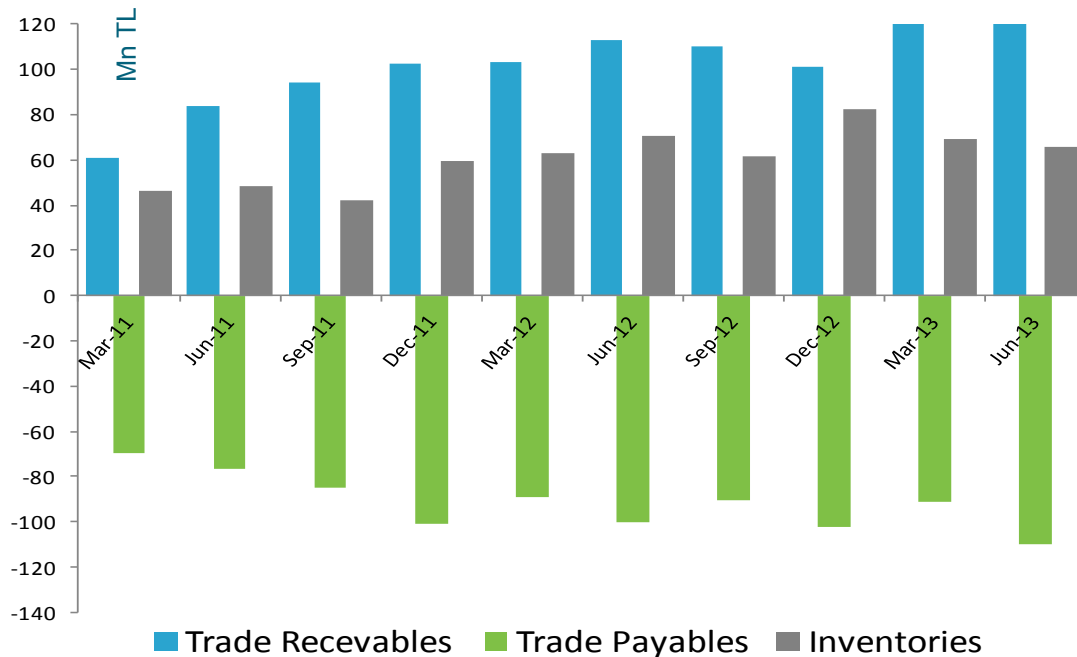
- ▶ Price competition is continuing in the market.
- ▶ In accordance with our strategy of growing beyond market, we have focused on market investments.

Basic Ratios, Net Financial Debt & Net Working Capital



	June 30, 2013	June 30, 2012
Current ratio	1,45	1,41
Leverage ratio	0,32	0,36
S/T Fin Debt/T. Fin Debt	1,00	0,58
Net Financial Debt/EBITDA	0,22	0,44
Total Fin Debt/Equity	0,05	0,08

(Million TL)	June 30, 2013	June 30, 2012
Cash & Cash Equivalents	2,51	1,30
S/T Bank Borrowings	18,96	19,36
L/T Bank Borrowings	0,00	13,90
Net Financial Debt	16,45	31,95



▶ A 41% rise in net cash generated from operating activities

2012 H1
31,6 Mn TL



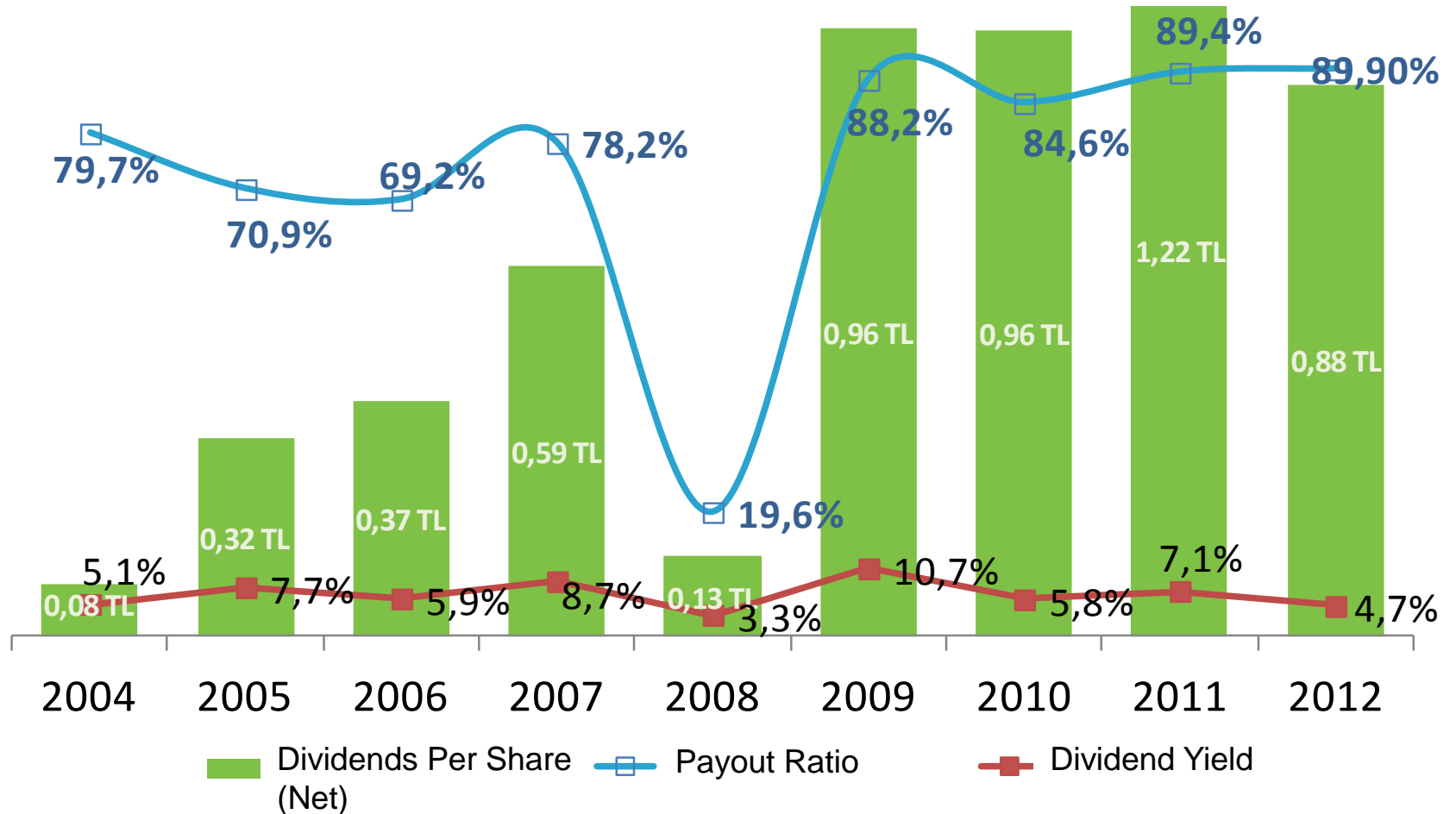
2013 H1
44,5 Mn TL

▶ Continuous focus on risk management and productivity

▶ Effective working capital management

▶ Strong balance sheet and liquidity management

Dividends



- ▶ Volatility in the raw milk prices was decreased as a result of National Milk Council's base price system. However, raw milk prices were 12% above those of 2012 1H, in 2013 1H.
- ▶ Following our strategy of increasing our market shares we have focused on marketing investments in 2013.
- ▶ New products and new variations in packaging have been launched.
- ▶ Cost savings, measures to decrease expenses and projects improving efficiency in production have continued. (OMI-Lean Six Sigma Projects)

Growing above market growth rates in the segments we operate in, with ;

- ▶ Effective price management
- ▶ Widespread distribution network
- ▶ Efficient utilization of social media
- ▶ Developments in “Away From Home” channel
- ▶ Increasing export sales also in countries falling outside Gulf region
- ▶ Continued marketing investment.

2013 TARGETS

Growth in Net Sales: %13-15

EBITDA Margin: %10-11

Capex: 100 Mn TL

Ownership & Participation Structure

Share Performance

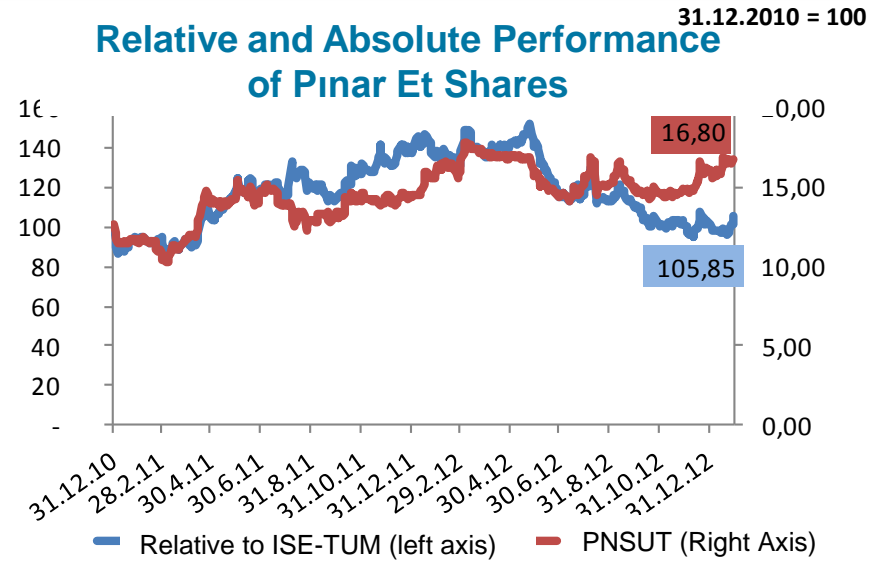


Ownership



Share Performance

Relative and Absolute Performance of Pınar Et Shares



Pınar Süt

CORPORATE GOVERNANCE RATING: 8,87

Yaşar Birleşik Pazarlama A.Ş.

%31,8

Pınar Foods GmbH, Germany

%44,9

Desa Elektrik Üretimi Otoprodüktre Grubu

%30,5

Pınar Entegre Et ve Un San. A.Ş.

%12,6

Çamlı Yem Besicilik San. Tic. A.Ş.

%5,5

Pınar Su San. Tic. A.Ş.

%8,8

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Thank You