



# PINAR SÜT MAMULLERİ SANAYİİ A.Ş.

## INVESTOR PRESENTATION

August 2007

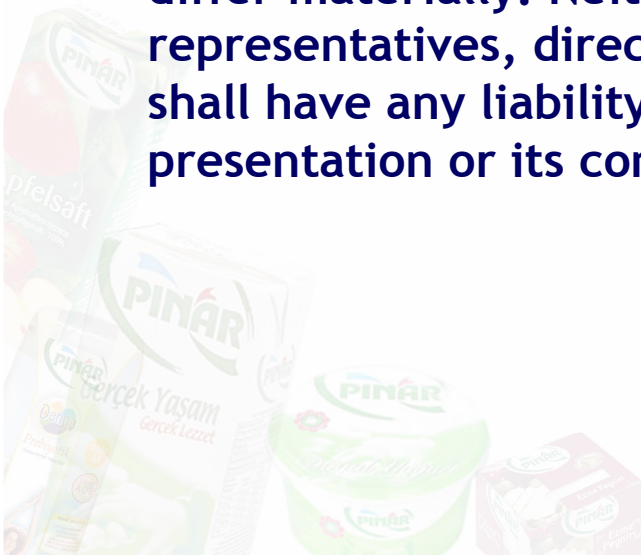




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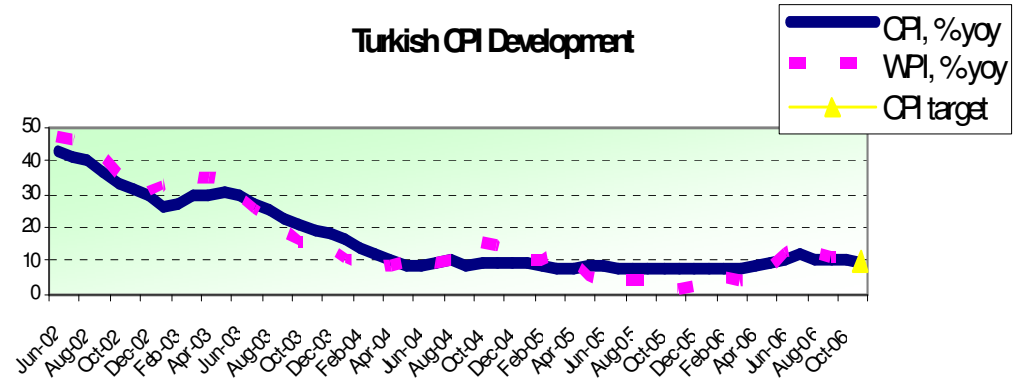
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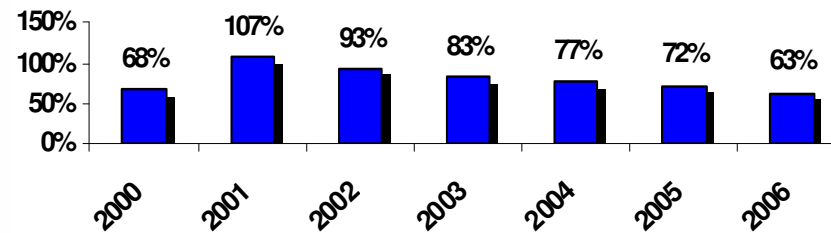
# Macro Economic Review of Turkey

- Successful implementation of structural reforms and sound economic policies
- Inflation declined to single digits after 35 years
- Turkey turned into a favorite FDI destination (20,1 Billion USD in 2006)
- Privatization revenues exceeding government targets
- Increased levels of efficiency and productivity
- Debt dynamics improved on the back of significantly declining interest rates, strong YTL and tight fiscal policies
- Market confidence restored and sustained

Turkish CPI Development



Public Gross Debt Stock





## Yaşar Group At a Glance

- **Established in 1945**
- One of the Turkey's most important and highly respected conglomerates
- Core businesses: **Food & Beverage and Paint**
- Non-core businesses: Tissue, Trading and Services
- **24 companies, 3 foundations, over 6,700 employees**
- Consolidated revenues of approx. **US\$ 1,1 bn** and EBITDA of **US\$ 109 mn** in FY2006
- **Six subsidiaries listed on the Istanbul Stock Exchange**, combined market cap\* **YTL 907 mn.**
- Prominently in Turkish economy with 5 companies ranking **among top private 500 of Turkey**
- Widespread and effective **distribution network** in FMCG market
- **R&D** expertise, proven product innovation capabilities
- Strong track record as an **“innovator”** in Turkey
- **Marketing** expertise, strong brand portfolio
- **Strong presence** in Turkish food & beverage and paint industries
- **IT Systems**

➤ \* As of 22.08.2007



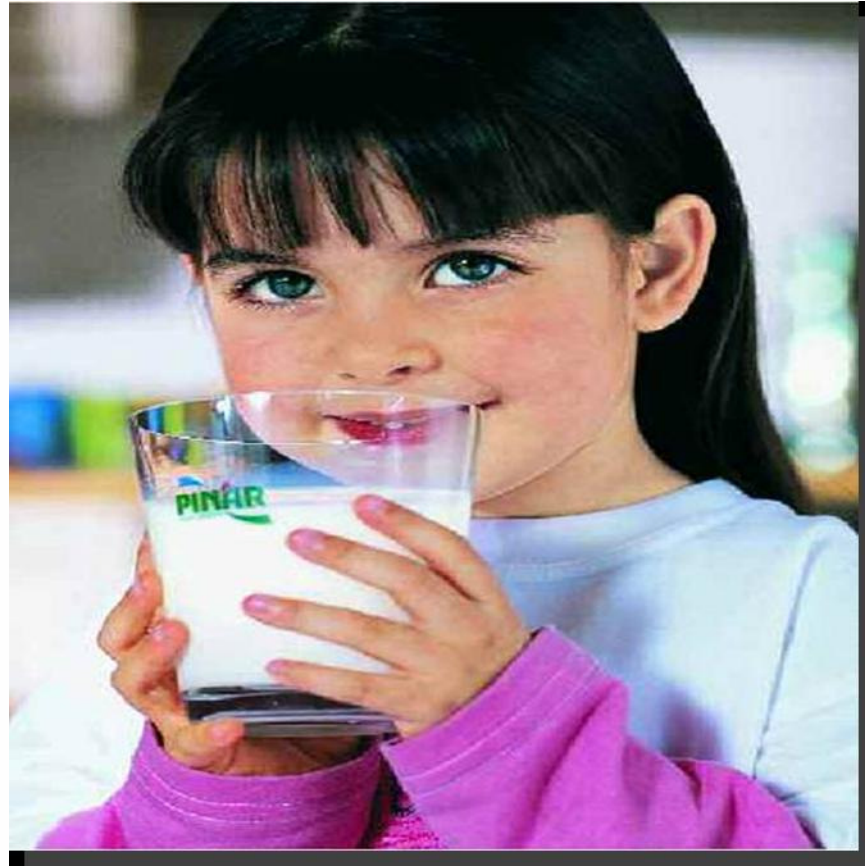
## Market Leader in Food and Beverages: PINAR

- Launched in **1975**, Pınar is the market leader in many sub-segments of FMCG
- Pınar brand is internationally recognised, especially in the Gulf countries
- Selected among “Turkey’s Superbrands” in 2005 with **99%** brand awareness and ranked **#1** according to the brand potential index (*source: GFK-2005*)
- **#1** Turkish brand that comes to mind in “milk“, “processed meat“ and “water“ (bottled and home&office delivery) categories (*source: ACNielsen-2006*)
- **6th** most valuable brand in Turkey with an estimated brand value of **\$802 million** (*source: Brand Finance-2005*)
- As one of the most valuable Turkish brand, part of the **Turquality** project supported by the Turkish government
- According to the “Turkey Customer Satisfaction Index”, selected the **best brand** in non-alcoholic beverages sector (*source: Kalder-2006Q2*)
- **Online traceability** of the production through





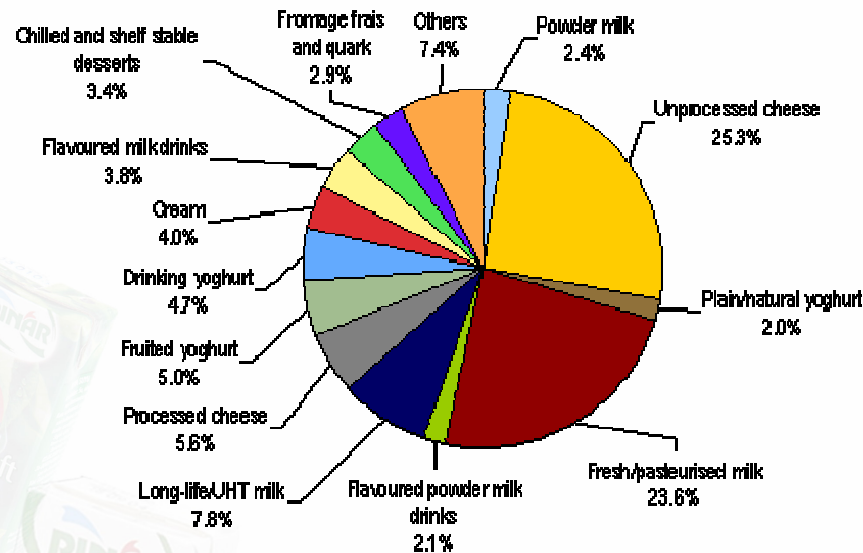
## DAIRY INDUSTRY



# Dairy Industry

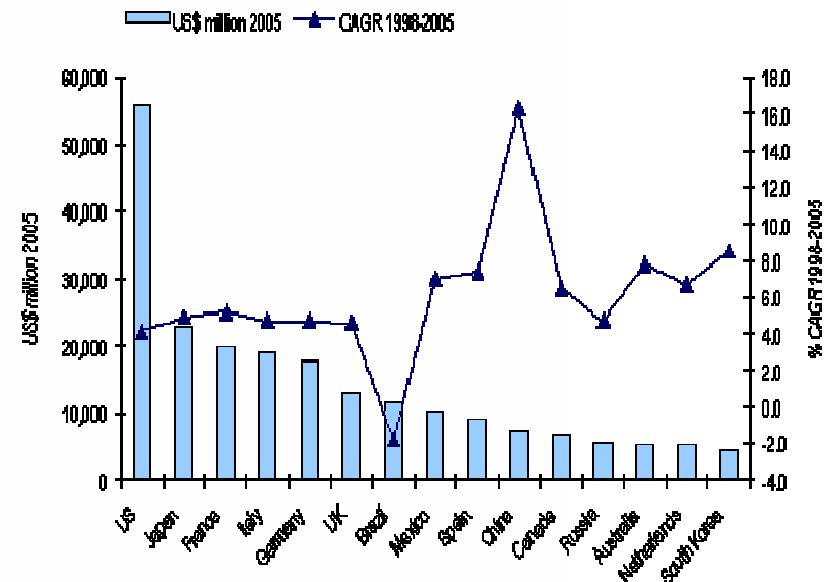
- Global dairy market (US\$ 260 bn) growing at 3% p.a.
- Global supply and demand is not balanced
  - Production increase 2%; Demand increase 3% → **GAP**

•Global Sales of Dairy Products by Sector: 2005 % Value Breakdown



Source: Euromonitor International  
 Note: Included in Others: goats milk (0.04%), chilled snacks (0.3%), coffee whiteners (0.8%), sour milk drinks (0.7%), soy drinks (0.3%), soy milk (1.0%), probiotic yoghurt (1.2%), condensed/evaporate milk (1.4%) and flavoured yoghurt (1.6%)

•Major Markets: 2005 Value Sales and Period % Growth



Source: Euromonitor International



## Dairy Products Sector In Turkey

- Dairy sector is one of the **fastest growing markets** with an average rate of **6%** for the last decade.
- Annual milk production in Turkey is **10 million tons (\$3 bn)**, only **%30 registered**
- The registered milk market has **grown by 12-14% in 2005**. Per capita milk consumption is 80 kg in EU and 92 kg in USA, with a total of respectively 149 kg and 320 kg.
- The registered milk market has grown by 15-20% in 2006

	Amount (billion kg)
Total Milk Production	<b>10</b>
Family Consumption	<b>3,5</b>
Sold in the Market	<b>6,5</b>
Dairy Farm	<b>3,6</b>
Unpacked Milk	<b>1,0</b>
Industrial	<b>1,9</b>

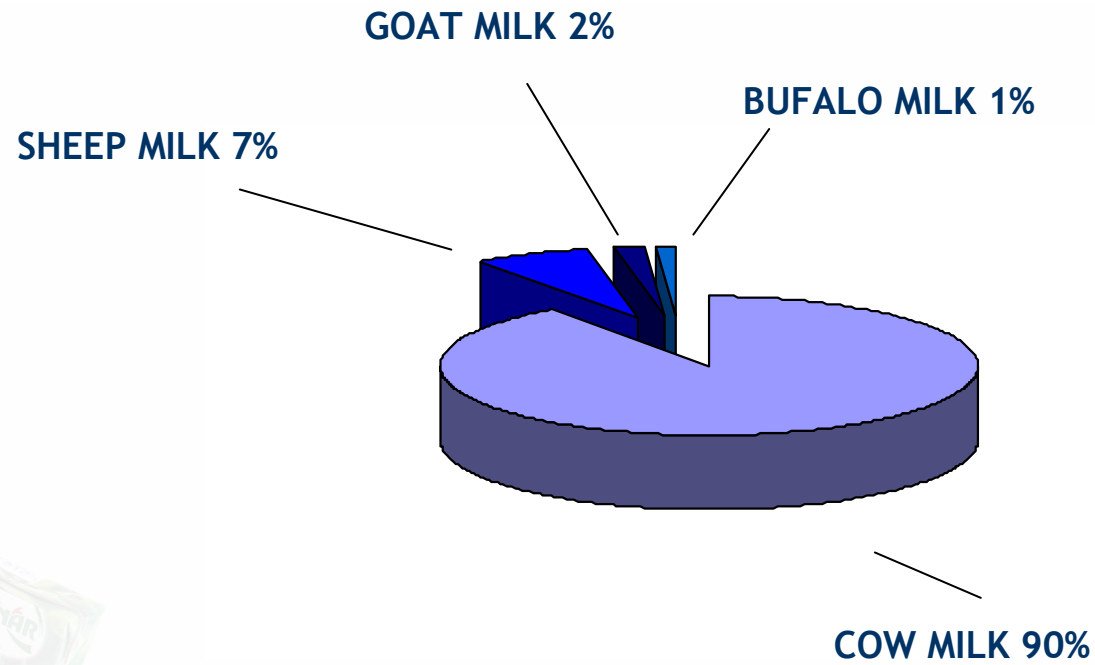
	Industrial Production	
	Amount (million kg)	Per Capita Consumption (kg)
Processed Drinking Milk	485	6,9
Yogurt	975	13,9
White Cheese	250	3,6
Butter	150	2,7
<b>TOTAL</b>	<b>1 860</b>	<b>27,1</b>

Source: HTP, SETBİR (Association of Milk & Meat Producers)





# Milk Sources in Turkey



Çocuklar yaramazsa biraz,  
Onların ekmeğine;  
**Söz Dinleyen Beyaz**

Peynir sütü dinlemez, ekmeğin üzerinden diğer.  
Pinar Beyaz ekmeğe rahatça sürülür, hiç düşmez.  
Hiçbir çocuk Pinar Beyaz'ın lezzetine dayanamaz,  
Pinar Beyaz anneleri mutlu eden Beyaz.





## Potential Effects of EU Conformity Period

An increase in the;

- Registered milk production rate to 50%
- Dairy products export due to the start of exports to EU countries
- Quality of the milk collected
- Demand of the packaged products
- Quality awareness of consumers
- Average milk productivity
- Amount of milk processed in modern industrial dairies
- Competition in the market
- Demand on safe food
- Milk production in organised plants rather than individual milking





# PINAR SÜT Is Ready for EU

- EU standards production plant
- Latest technology through the whole supply chain
- Milk procurement organisation in compliance with EU legislation
- Advanced laboratory competence available on field
- 252 contracted farms
- Supplier based performance measurement
- 100% traceability from farm to fork
- Support and training of 35000 milk producer, helping to boast quality under the supervision of 130 contracted veterinarians.
- Raw milk collection twice a day
- Sustainable qualified human resources





## Dairy Products Sector Promises High Potential For Growth

- Significant **growth potential with 7-10% p.a.** on average, with major drivers of this growth including favourable Turkish economic and demographic developments and close proximity to EU and Middle East markets
  - Growing trends towards **packaged products** for health and hygiene reasons
  - Increase in the number of working women, leading to an increase in demand for **ready meals**
  - Rising education levels, affecting consumption decisions for **branded and healthy products**
  - Consumer trends towards **value-added and enriched products** (i.e. functional products)
- **Branded Products:** Pınar is ahead of competition on **brand recognition, product quality, corporate image and reputation, customer loyalty and consistency of supply**





## COMPANY OVERVIEW





# Company History: Pioneer and Leader of Modern Turkish Dairy

**1975...**

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



**1982**

Milk, cheese, butter, yoghurt and milk with tarwberry began to be exported the Central European and Middle East countries and the TRN Cyprus.

**1997**

New plant founded in Eskişehir



**2003**

Agreement with Sodima SAS for the production of fruit yogurt under Yoplait brand

**2005**

First organic milk in Türkiye, Pınar Organic Milk,

First prebiotic/probiotic products, Pınar Prebiotic/Probiotic Light Yoghurts were introduced

1975 '80 '85 '90 '95 '00 '02 '04 '06 2007

**1978**

Pınar Sliced Kaşar Cheese and Cream Cheese were introduced

**1983**

Pınar Fodder was established

**1985**

Labne was introduced in the domestic market

**1984**

Production of Labne cheese, honey and marmelade began. Export of many products to Kuwait, Cyprus and Germany began.

**1980**

Kraft-Pınar Cooperation was established

**1994**

Light mayonnaise was introduced

**1999**

Functional milk was introduced

**2001**

UHT plastic bottled milk introduced

**2004**

Pınar Kafela, Karamela and Çikola were introduced

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[www.pinarmutfagi.com](http://www.pinarmutfagi.com) was established

**2007**

YOPI is introduced



## Launch Of New Products-I

- 1975 **First UHT Milk in Turkey.** Cheese, yoghurt, butter and milk powder
- 1976 **First pasteurized freshcream cheese and cocoa milk**
- 1978 Pınar Sliced Kashkaval and Spreadable Cheese
- 1980 Kraft Pınar cooperation. Pınar Deram, Raglet, Maribo and Cheddar
- 1983 **First mayonnaise**, salad sauce, Pınar Feta cheese and Pınar whipped topping
- 1984 "Labaneh" cheese, honey, marmelade.
- 1986 Ketchup; black berry juice and lemonade
- 1987 Dairy products, cheese, sweetened sauces and syrups for Mc Donald's
- 1988 Salep, flavored and cocoa puddings
- 1992 **First low-fat Form Milk in Turkey and Çikolasüt (milk with real chocolate)**
- 1994 Light mayonnaise
- 1995 UHT Fruit yoghurt and deserts, Light, extra light yoghurt and light triangular process cheese



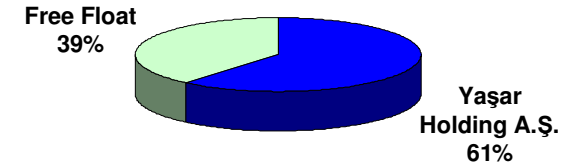




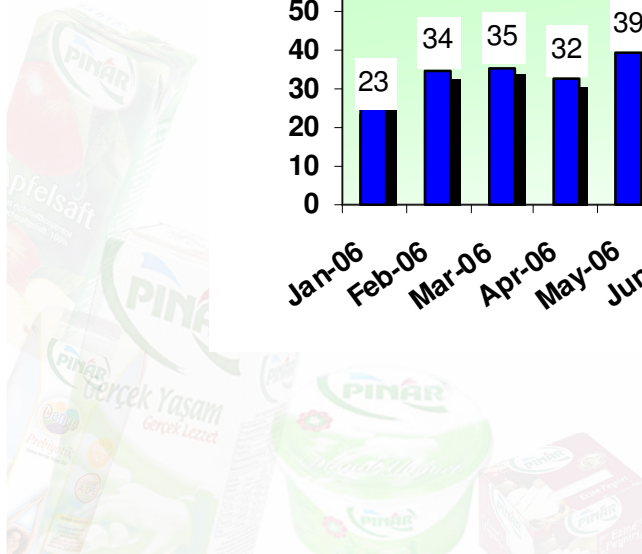
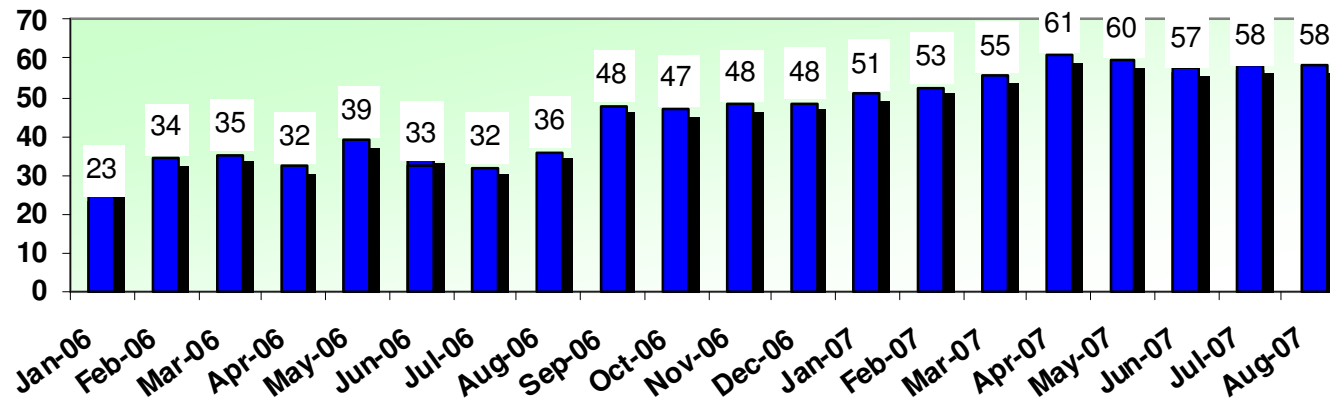


# Ownership Structure

- Listed in Istanbul Stock Exchange
- % 39 of total outstanding shares in free float
- Price at August 21,2007 → TRY 6.70
- Market Cap (\$mn) : 225



The Foreign Stake in the Float (%)





# Raw Milk Collection

252 FARMS 34%



## INDIVIDUAL PRODUCERS



240 VILLAGE %25



70 COOPS % 21



17 TRADERS %20



362 COOLING CENTERS



PROCESSOR



TRANSPORTATION



## Notable Participation Value



Yaşar Birleşik  
Pazarlama Dağıtım  
Turizm ve Ticaret  
A.Ş. (YBP)

Ownership %  
31.95%

Carrying Value  
22.1 M YTL

Sales and distribution of  
products of Pınar Süt,  
Pınar Et & other food  
products



Pınar Foods GmbH,  
Germany

Ownership %  
44.94%

Carrying Value  
1.2 M YTL

Production and  
distribution of water and  
food products in Europe



Pınar Anadolu Gıda  
San. ve Tic. A.Ş.

Ownership %  
20.00%

Carrying Value  
1.0 M YTL

Production of dairy and  
meat products in Yozgat





## Notable Participation Value



Pınar Entegre Et ve Un Sanayii A.Ş.

Ownership %  
12.58%

Carrying Value  
16.9 M YTL

Production of processed and frozen meat products- open to public



Çamlı Yem, Besicilik San. ve Tic. A.Ş.

Ownership %  
5.59%

Carrying Value  
8.4 M YTL

Agribusiness- Feed production, fish, cattle and turkey farming



Pınar Su Sanayi ve Ticaret A.Ş.

Ownership %  
8.81%

Carrying Value  
4.9 M YTL

Bottling of drinking water and water products- open to public

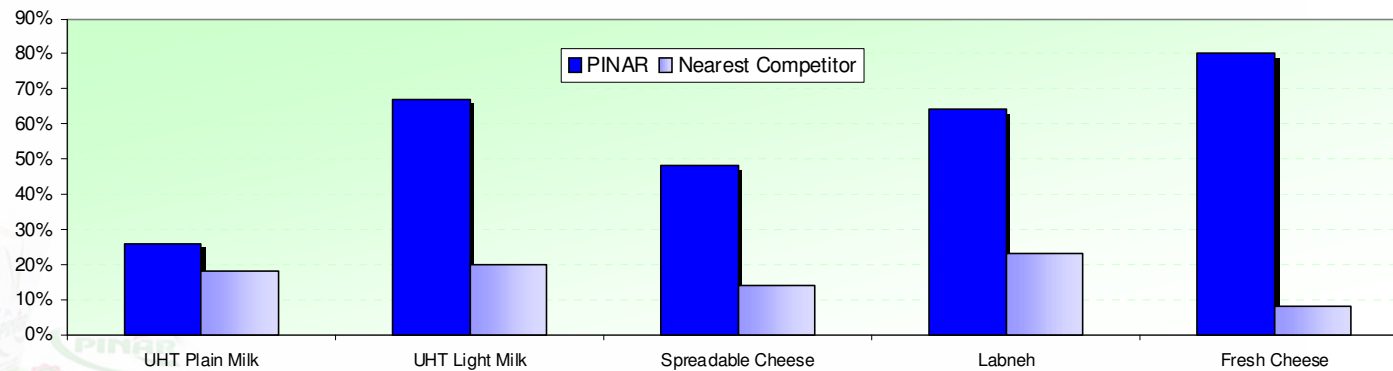




# Market Position

PRODUCT	MARKET SHARE (%)	POSITION
UHT LIGHT MILK	67	LEADER
UHT MILK	26	LEADER
SPREADABLE CHEESE	48	LEADER
*Labaneh	64	LEADER
*Fresh Cheese	80	LEADER
ENRICHED MILK	27	SECOND
FLAVORED MILK	21	SECOND
MAYONNAISE	23	LEADER
BRICK BUTTER	13	SECOND

Market Share Comparison

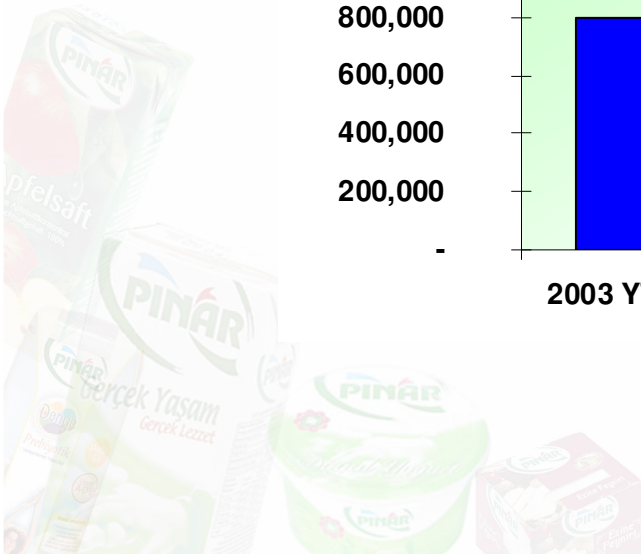
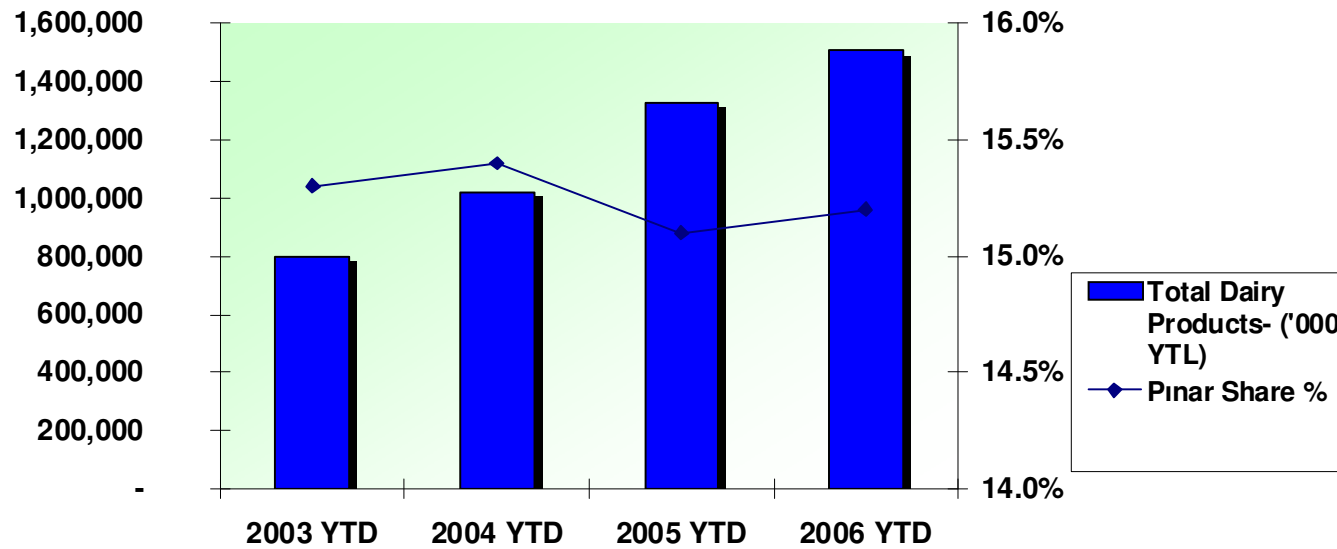


Source: AC Nielsen



## Marketing Expertise

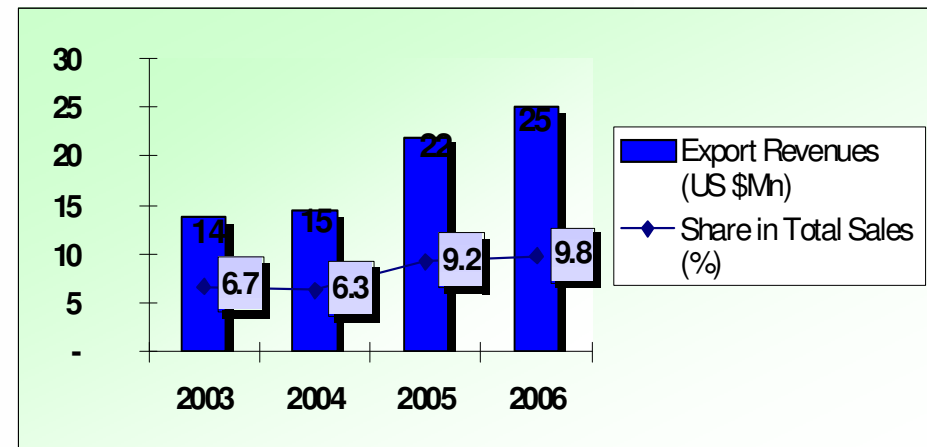
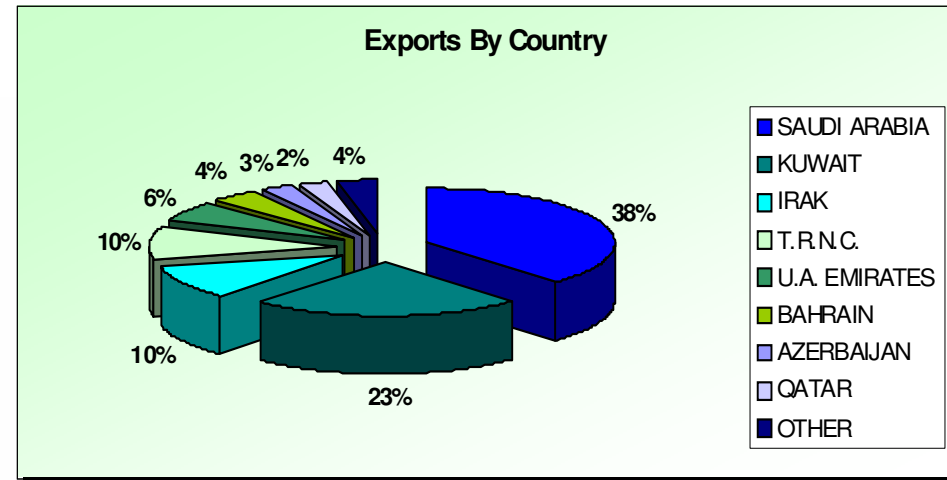
- The market is continuously growing
- Pınar Süt is maintaining the leadership in the market without losing market share





## Export Success: Target Market Tastes Are Met

- PINAR SÜT realizes 40% of Turkey's Dairy Product Exports
- %45 market share, in the countries it exports to
- 26 countries from Middle East to Europe, from U.S.A. To China
- Leader in Saudi Arabia and Kuwait with Labaneh Cheese
- Target market tastes are met through marketing and packaging
- Exports sales doubled from 2003 to 2006 together with the share of exports in total sales





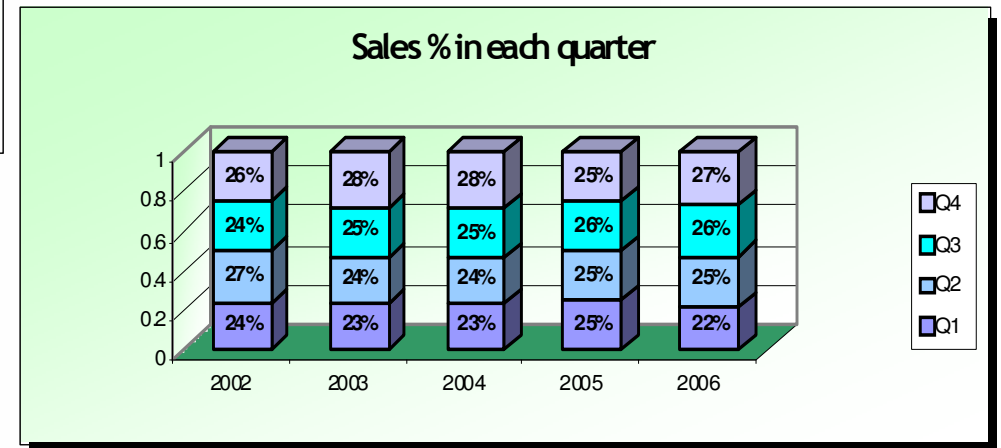
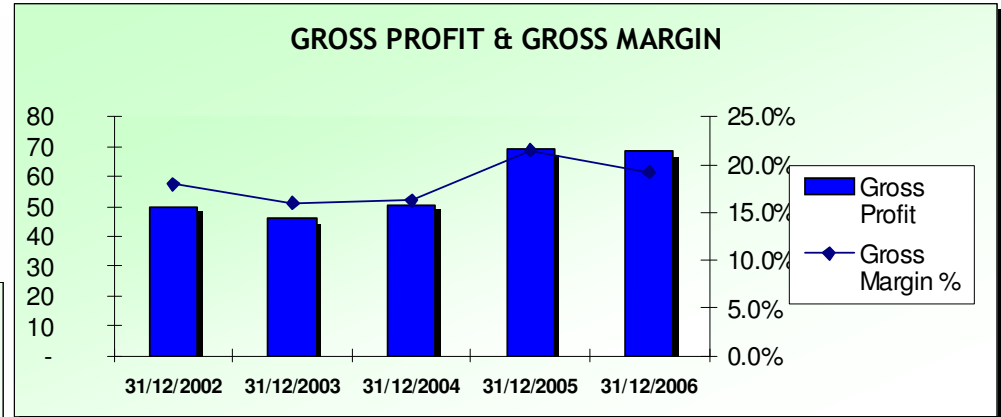
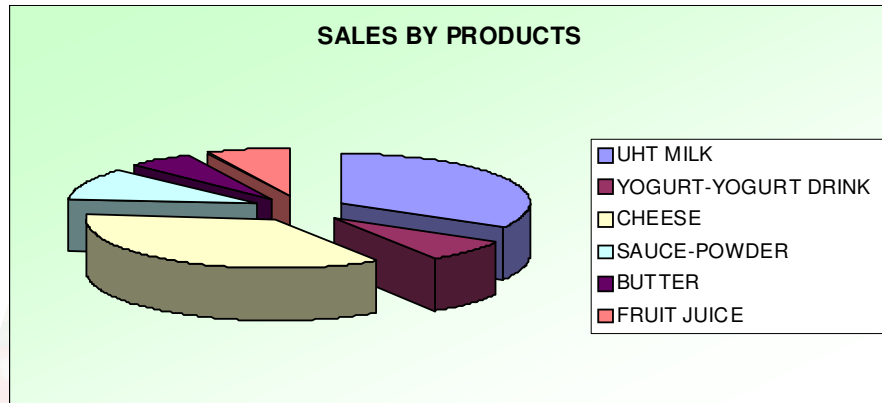
## FINANCIAL PERFORMANCE



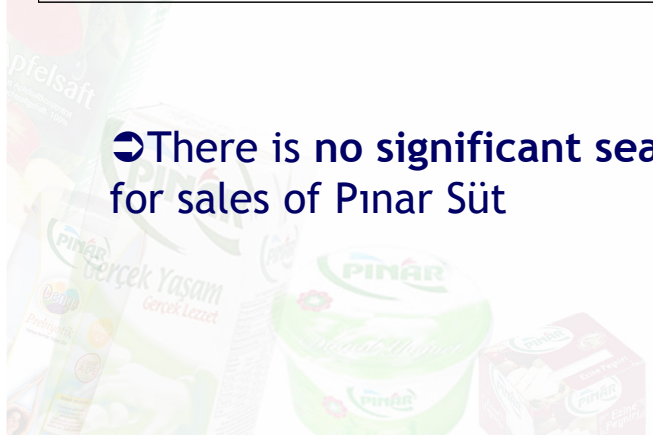




# Gross Profit Margin & Sales by Product & Seasonality

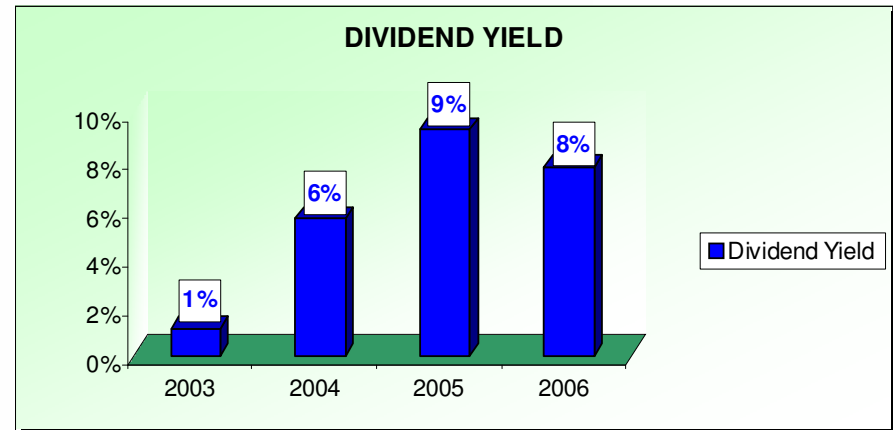
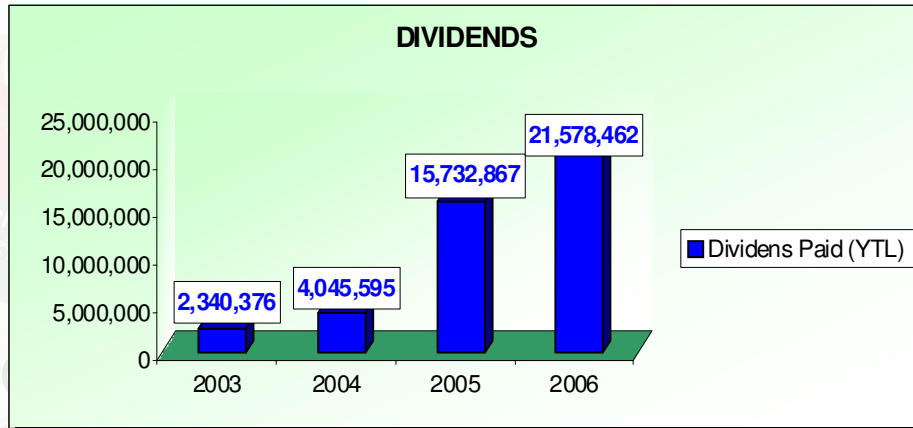
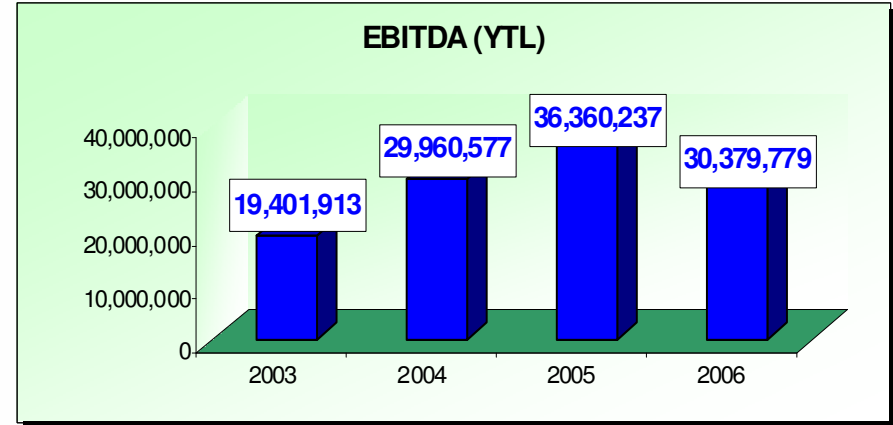
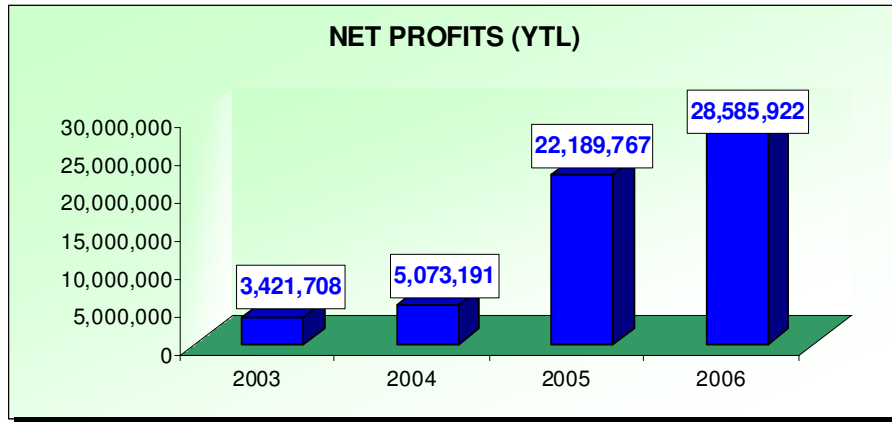


➔ There is no significant seasonality for sales of Pınar Süt





# Performance Highlights





## Consolidated Income Statement (Mn YTL)

	1Q07	FY06	4Q06	9M06	3Q06	1H06	2Q06	1Q06	FY05
<b>OPERATING REVENUE</b>	<b>108</b>	357	95	262	93	169	90	80	321
Net Sales	108	357	95	262	93	169	90	80	321
Cost of Sales	(82)	(289)	(75)	(214)	(78)	(135)	(71)	(64)	(252)
<b>GROSS PROFIT</b>	<b>26</b>	69	20	49	15	34	18	16	69
Operating Expenses	(12)	(50)	(10)	(40)	(10)	(29)	(16)	(13)	(43)
<b>NET OPERATING PROFIT</b>	<b>14</b>	19	10	9	4	5	2	2	26
Other Income	3	25	(7)	31	11	21	15	5	22
Other Expenses	(0)	(6)	(3)	(3)	(2)	(1)	(1)	(0)	(4)
Financial Expenses	(1)	(12)	10	(22)	(6)	(16)	(14)	(2)	(11)
<b>OPERATING PROFIT</b>	<b>15</b>	25	10	15	7	8	2	6	32
<b>PROFIT BEFORE TAXATION ON INCOME</b>	<b>15</b>	25	10	15	7	8	2	6	32
Taxes on Income	(3)	3	1	3	(1)	4	6	(2)	(10)
<b>NET PROFIT FOR THE YEAR</b>	<b>12</b>	29	11	18	6	12	8	4	22
<b>EBITDA</b>	<b>17</b>	30	13	18	7	11	5	5	36
<b>EBITDA</b>	<b>15.5%</b>	8.5%	13.6%	6.7%	7.5%	6.2%	6.0%	6.5%	11.3%
<b>EBIT</b>	<b>12.7%</b>	5.2%	10.4%	3.4%	4.5%	2.7%	2.4%	3.1%	8.1%
<b>GROSS MARGIN</b>	<b>24.1%</b>	19.2%	21.0%	18.5%	15.7%	20.1%	20.2%	20.0%	21.5%
<b>NET PROFIT MARGIN</b>	<b>11.1%</b>	8.0%	11.4%	6.8%	6.0%	7.2%	8.9%	5.2%	6.9%



## Financial Overview

- Consolidated net sales of app. YTL 108 mn and EBITDA of YTL 17mn
- EBITDA margin of 15.5%
- Pınar Süt has increased its net sales over the years

KEY PERFORMANCE INDICATORS (IFRS-CONSOLIDATED)			
	31.03.2007	31.03.2006	Change (%)
NET SALES (YTL)	107,821,376	79,647,340	35%
COST OF GOODS SOLD (YTL)	81,833,190	63,713,598	28%
GROSS PROFIT (YTL)	25,988,186	15,933,742	63%
GROSS PROFIT MARGIN	24.1%	20.0%	20%
EBITDA (YTL) (*)	16,741,786	5,176,122	223%
EBITDA MARGIN	15.5%	6.5%	139%



## Key Ratios & Net Financial Debt: Improved Financial Standing

	December 31, 2006	December 31, 2005
Current Ratio	1.53	1.35
Leverage Ratio	37%	49%
Interest Coverage Ratio	5.96	4.66
S/T Financial Debt/Total Financial Debt	0.48	0.64
Net Financial Debt /EBITDA	0.52	1.48
Total Financial Debt / Equity	0.12	0.25

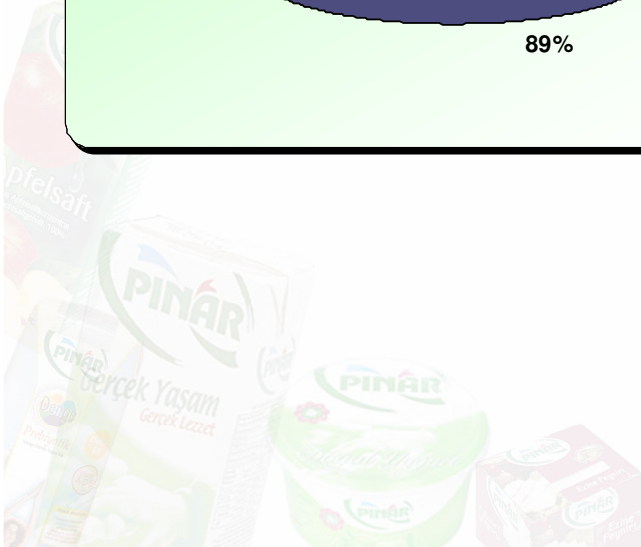
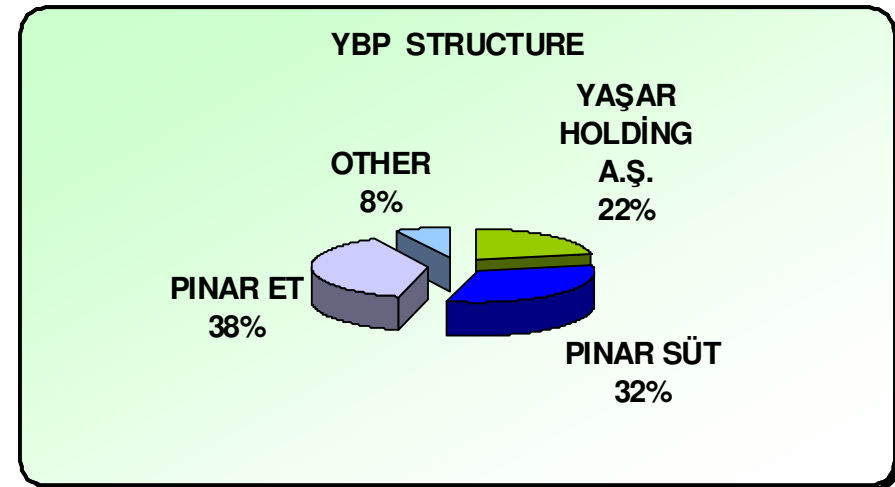
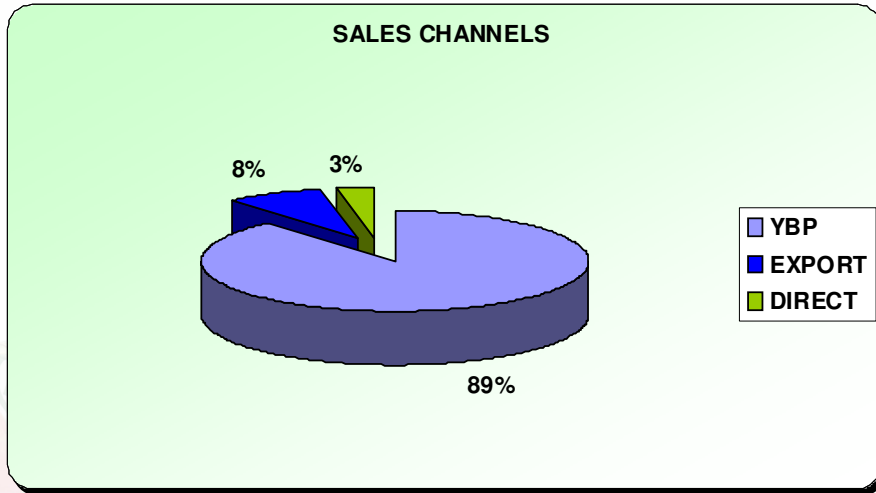
(Mn YTL)		
Cash & Cash Equivalents	-7.2	-2.0
S/T Borrowings	13.5	35.2
L/T Borrowings	14.6	19.9
Net Financial Debt	20.9	53.1





## Sales and Distribution

- Domestic sales of Pınar Süt are realised through Yaşar Birleşik Pazarlama A.Ş. (YBP)





## YBP - Yaşar Birleşik Pazarlama A.Ş.

- **The second biggest food sales & distribution network in Turkey**
- **Specialised in one-way, packaged, high-quality, fast moving consumer goods**
- **Approximately US\$ 500 Th/year turnover, 1000 employees with 7 profit centers**
- **132 distributors with warehouses covering all over Turkey in addition to direct sales team in major cities**
- **Having a distribution team fleet of 762 trucks, composed of 267 Direct Sales and 495 Sub-Distributors trucks**
- **6 distribution centers in major cities, each with +4C, -18C and dry storage facilities**
- **Approximately 155.000 points of sale covered**





## YBP Product Portfolio

### ➤ DAIRY (PINAR SÜT&PINAR ANADOLU)

- ▶ Milk (UHT, Pasteurized, Flavoured)
- ▶ Yoghurt (Plain, Fruit, yoghurt drink)
- ▶ Functional dairy products
- ▶ Butter
- ▶ Fruit Juices
- ▶ Powder Products (Pudding, Cream, Milk Powder)
- ▶ Sauce (mayonnaise, ketchup, mustard, chocolate), honey, jam
- ▶ Cheese Products

### ➤ OTHER (Various Supplier)

- ▶ Olive & Sunflower oil
- ▶ Honey
- ▶ Pickle
- ▶ Frozen Potato

### ➤ PROCESSED MEAT (PINAR ET&PINAR ANADOLU)

- ▶ Meat & meat products
- ▶ Frozen meat balls
- ▶ Turkey based products
- ▶ RTE meat&turkey products
- ▶ RTE Fish Meals
- ▶ RTE Sea Foods

### ➤ CONFECTIONARY (Ferrero)







## Investment Highlights

- Modern and efficient production processes employing the latest technology
- Wide-spread distribution network, strong brands with very high brand awareness
- Leader in Turkish Dairy Products Sector
- Advanced R&D facilities with competencies in product development
- Innovative product launches every year supported with aggressive marketing
- High quality, hygienic and EU standard production
- Competitive cost structure
- Evident growth in consumer wealth and Turkey's favourable demographics are expected to expand the market
- State-of-the-art technology in logistics management with satellite link technology, datalogger applications, double-deck loading systems.
- Increasing export potential
- Advanced IT structure
- Group synergies





## APPENDICES





## Awards and Certificates

- 2000 “Golden Packaging Award” by TSI (Turkish Standart Institute) for 3 products
- 2000 World Star Award by WPO (World Packaging Organisation) for Pınar Kido Mini Cheese
- 2001 The Research and Development Encouragement Award from TÜBİTAK
- 2002 The Aegian Region Quality Award by KALDER (Turkish Quality Assosiation) (Evaluated against EFQM Excellence Model)
- 2003 ISO 14001 Environmental Management System Certification
- 2003 “10’t h year with ISO 9000 Standart Award” by TSI
- 2004 “Golden Packing Award” by TSI for 2 products. The first prize in the “Eating/Drinking Sector” category of Altın Örümcek (Golden Spider) web contest for its [www.pinarmutfagi.com](http://www.pinarmutfagi.com) website
- 2004 Worldstar Award by WPO (World Packaging Organisation) for Kafela and Yoplait Fruit yoghurt
- 2004 TSE 13001 HACCP (Food Safety System Certification)
- 2005 The Consumer Quality Award in meat, milk and products category
- According to the “Turkey Customer Satisfaction Index”, selected the best brand in non-alcoholic beverages sector (source: Kalder-2006Q2)





## PINAR SUT - PINARBAŐI / İZMİR SITE

- Total area  
130.118 sqms
- Closed area  
40.854 sqms



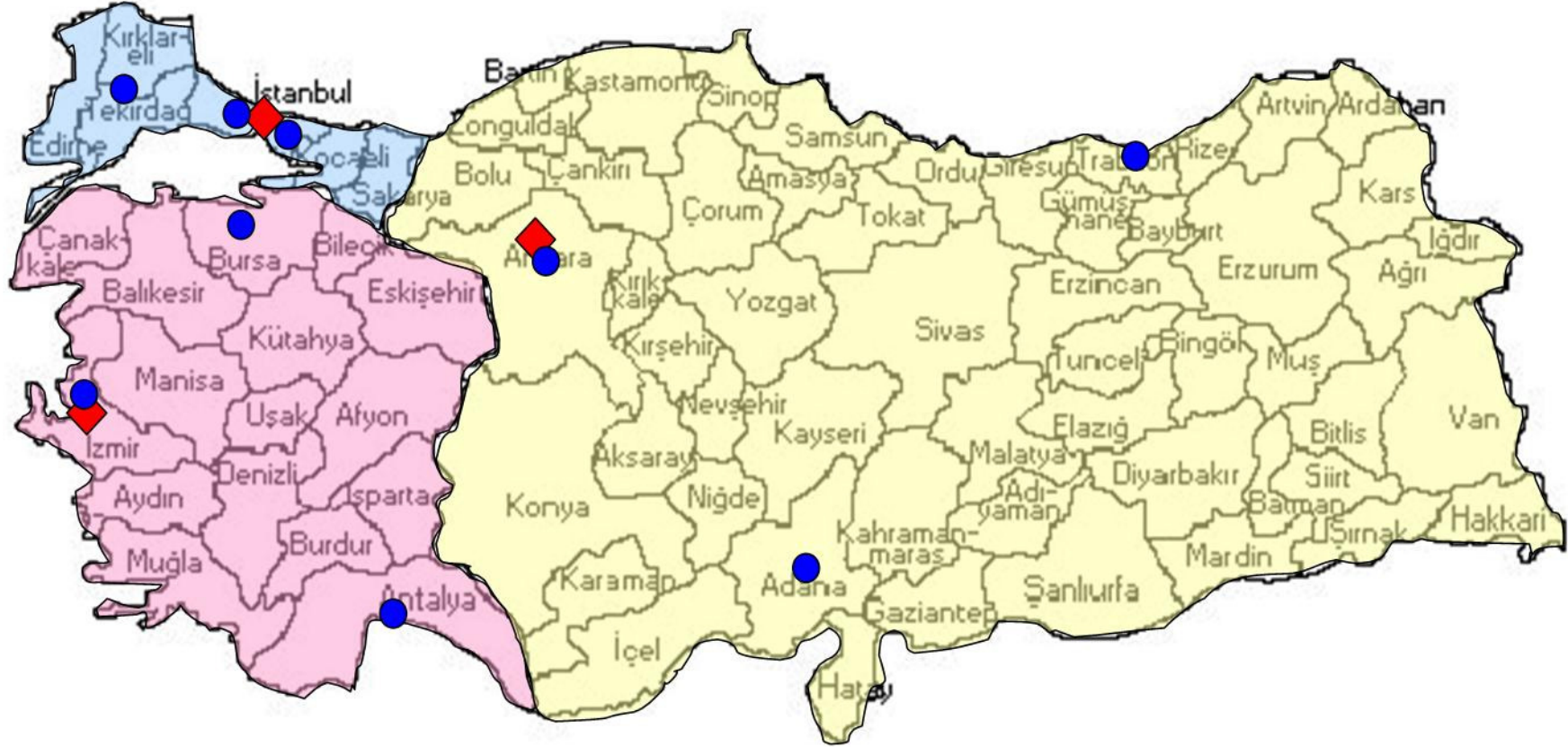


## PINAR SUT-ESKİŞEHİR SITE

- Total area  
149.976 sqms
- Closed area  
16.650 sqms



# YBP Regions



- ◆ Region Sales Directors
- Area Sales Managers

