
# 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


**1982**

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

**1997**

Pınar SÜT new plant founded in Eskişehir

**2003**

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

**2005**

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

**2008**

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

**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

**1978**

Pınar Sliced Kaşar Cheese and Cream Cheese were introduced

**1980**

Kraft-Pınar Cooperation was established

**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

**1999**

Functional milk was introduced

**2001**

UHT plastic bottled milk introduced

**2004**

Pınar Kafela, Karamela and Çikola were introduced

www.pinarmutfagi.com was established

**2007**

YOPİ is introduced

**2008**

Milk for children, Pınar Çocuk is introduced

**2009**

Pınar Lemonade

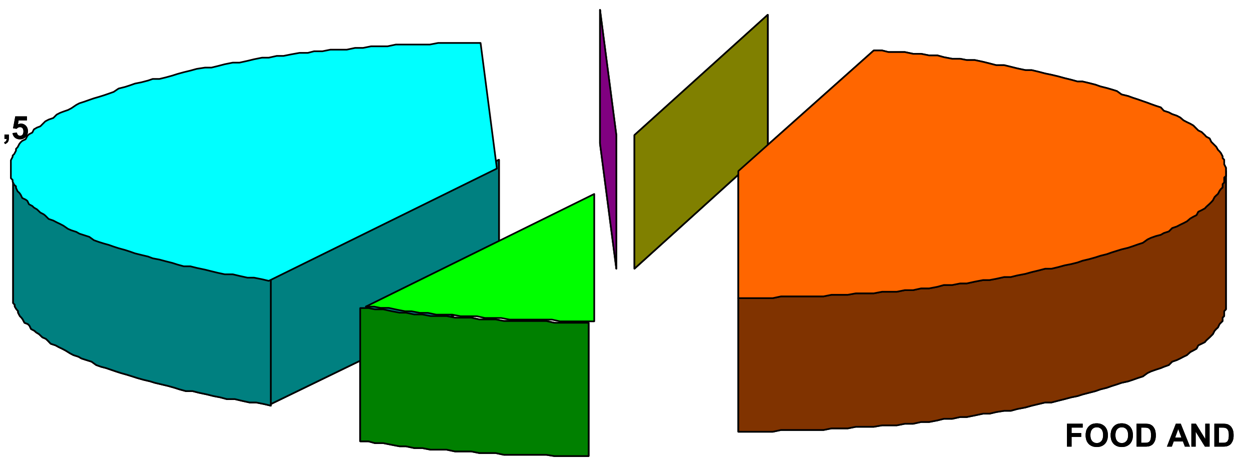
# Distribution & Growth of Fast-Moving Consumer Goods

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

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

| 9M 2009 | 14,2 % | 9M 2010 |
|---|---|---|
| 37,799,000 | → | 43,149,000 |

**Share of Size %**




**Kaynak: Nielsen, Eylul 2010**
**Source: Nielsen, Jun 2010**

# Product Categories in terms of Consumer Spending & Growth

| | SPENDING SHARE % | |
|---|---|---|
| | 9M 2009 | 9M 2010 |
| FAST-MOVING CONSUMER GOODS | 100 | 100 |
| **Food & Beverage** | 86.0 | 85.6 |
| General Food Products | 15.5 | 15.3 |
| Meat & Meat Products | 18.4 | 18.1 |
| Oils | 6.2 | 5.7 |
| Dairy Products | 15.1 | 15.7 |
| Snacks | 8.6 | 8.9 |
| Beverage | 13.2 | 13.2 |
| Other Food Product | 8.9 | 8.8 |
| **Personal Care Products** | 7.1 | 7.6 |
| Body Care Products | 2.6 | 2.8 |
| Hair Care Products | 1.3 | 1.4 |
| Paper Products | 3.2 | 3.4 |
| **Cleaning Products** | 6.5 | 6.5 |
| Laundry - Dishwashing Products | 5.1 | 5.0 |
| Other Cleaning Products | 1.4 | 1.4 |
| **Other** | 0.3 | 0.3 |

- Dairy Products reaches 15,7 % share in market

Source: IPSOS, HTP Jan-September 2010

# 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

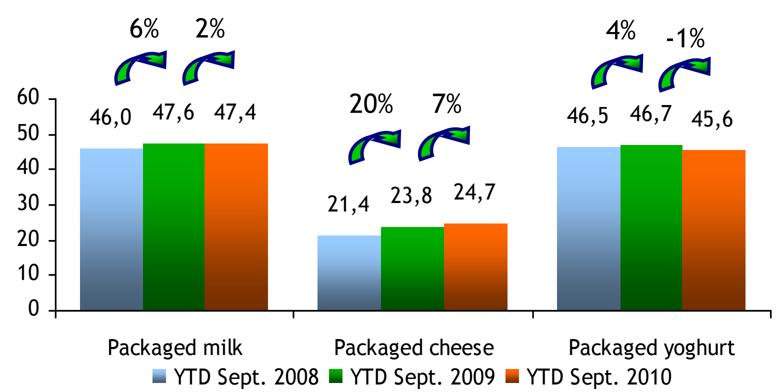
## *Growth Potential*

- The total of packaged dairy products in the dairy market, continues to grow, except for packaged yoghurt.

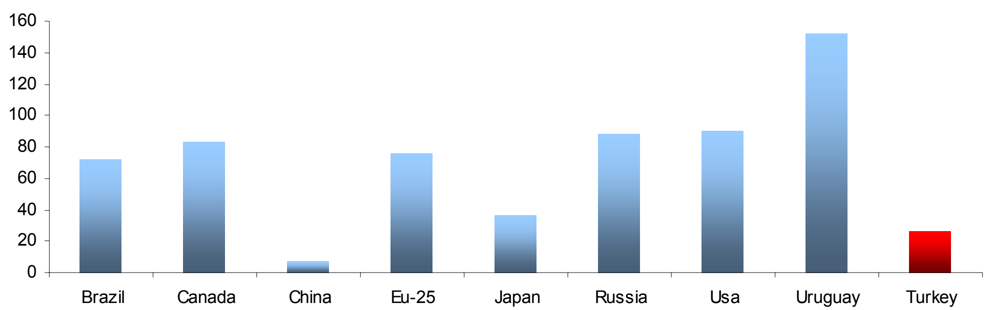
| Dairy | | First 9 Months 2010 (TL mn) |
|---|---|---|
| **Milk** | | **1.538** |
| | Packaged | 857 |
| | Unpackaged | 680 |
| **Cheese** | | **2.571** |
| | Packaged | 773 |
| | Unpackaged | 1.798 |
| **Yoghurt** | | 1.217 |
| | Packaged | 658 |
| | Unpackaged | 559 |

*Source: IPSOS KMG*

**Shift From Unpackaged to Packaged Volume (%)**




**Per Capita Milk Consumption, Liter**



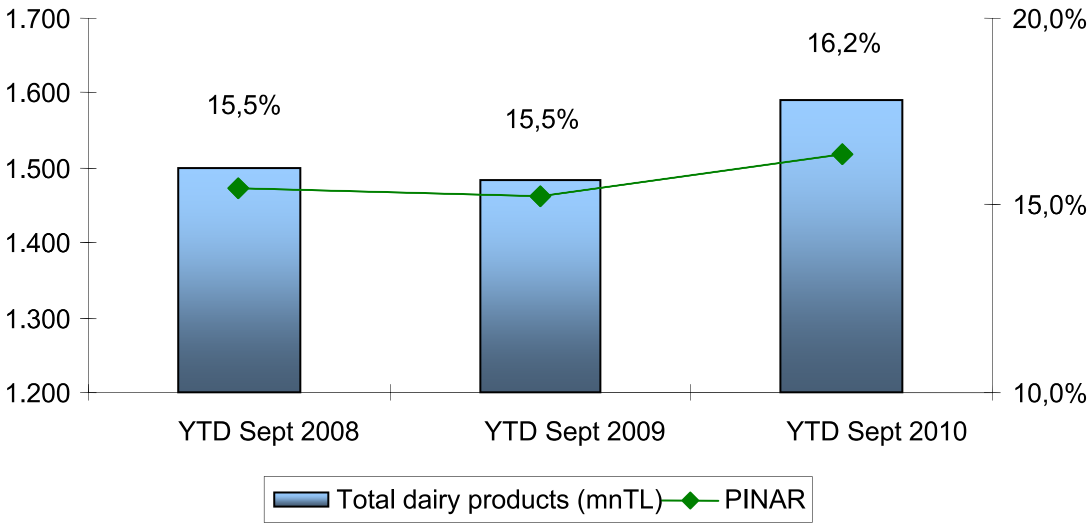

**Growth Potential**

- 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

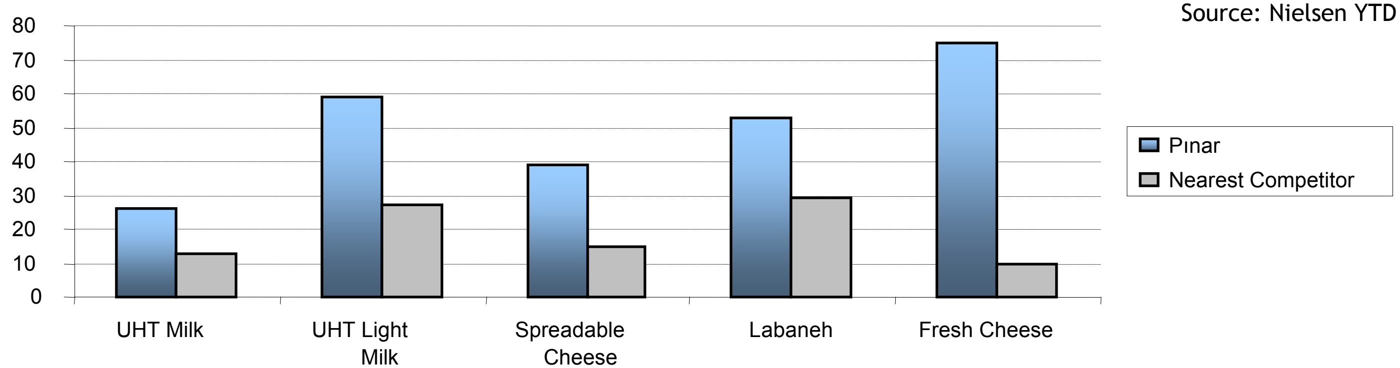



Source: Nielsen YTD June 2010 Value & Value Share

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

| PRODUCT | MARKET SHARE (%) | POSITION |
|---|---|---|
| UHT LIGHT MILK | 58,9 | LEADER |
| TOTAL UHT MILK | 26,4 | LEADER |
| ORGANIC MILK | 100 | FIRST&ONLY |
| ENRICHED MILK (KIDS) | 47,9 | LEADER |
| BUTTER | 18,4 | SECOND |
| HOMOGENIZED YOGHURT | 11 | THIRD |
| SPREADABLE CHEESE | 39 | LEADER |
| *Fresh Cheese | 76 | LEADER |
| *Labaneh | 53 | LEADER |
| *CREAM CHEESE | 17 | LEADER |

Source: Nielsen YTD Sept 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 | 51 | 1 |
| Pınar Kido | 18 | 2 |





**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**

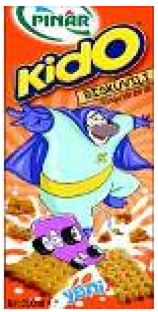
- In 2010, 877.660 paintings competed in the contest that continued for 29 years

# 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***

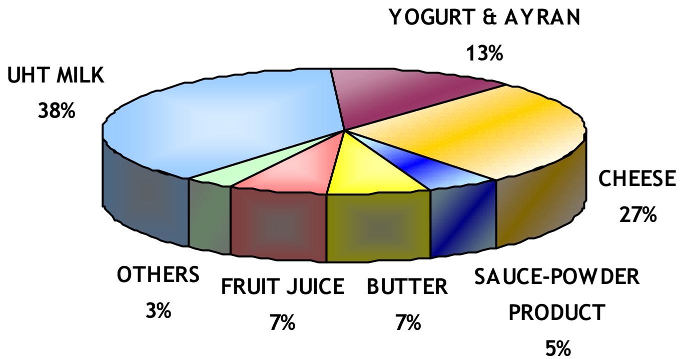
*Source: IPSOS Household) Panel December'09*

## *First brand that comes to mind*

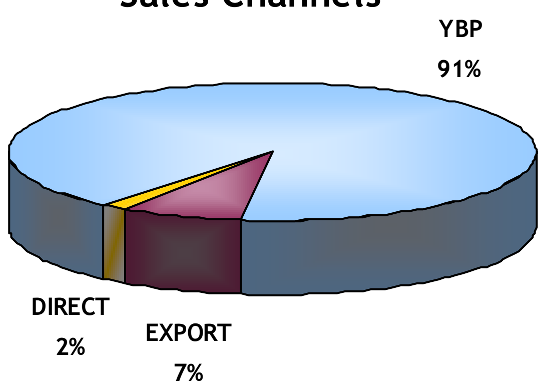
- ***"Pınar"; Turkish brand that comes to mind first*** *in the "milk" & "processed meat" category. (Nielsen 2009)*
- **"Super Brand of Turkey"** (Superbrands International-2008)
- *According to the "Turkey Customer Satisfaction Index", the best brand of Turkey in* ***meat and milk categories****. (Kalder-2008)*
- *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

## Product Groups




## Sales Channels



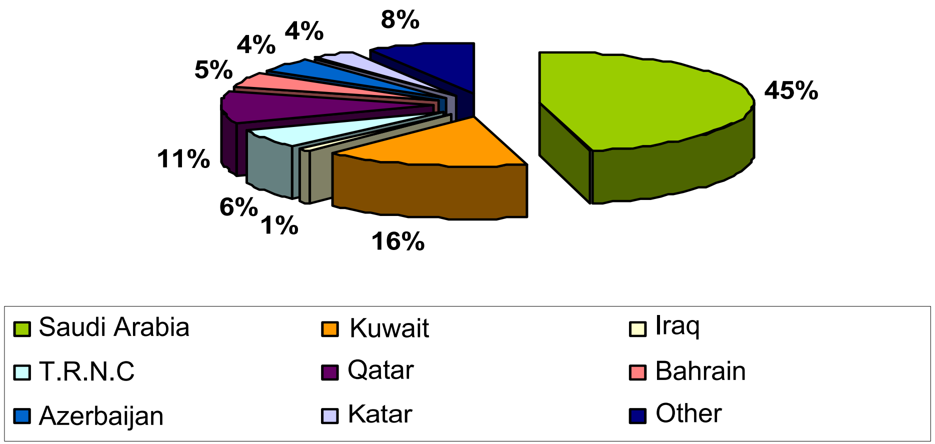

Calculated according to net sales of the first six months of 2010

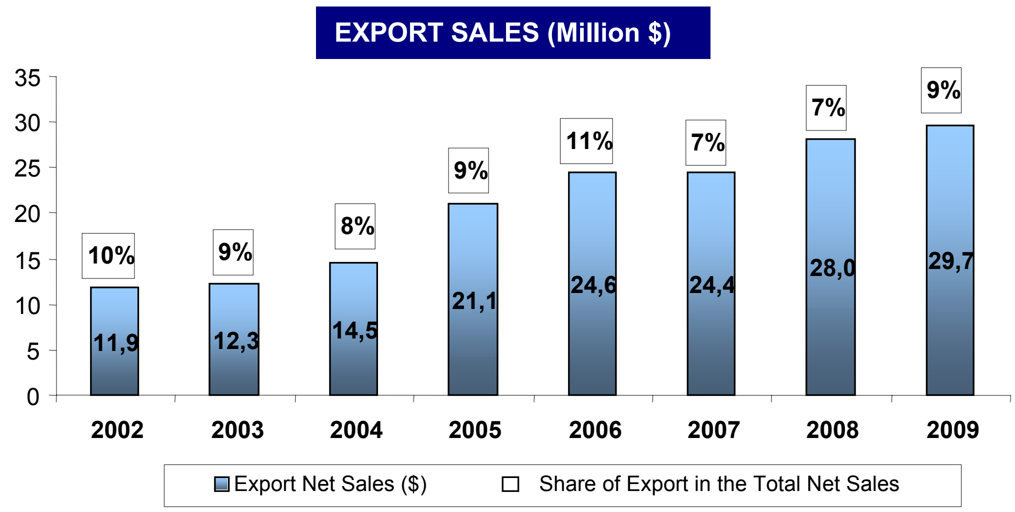
# Export

## *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



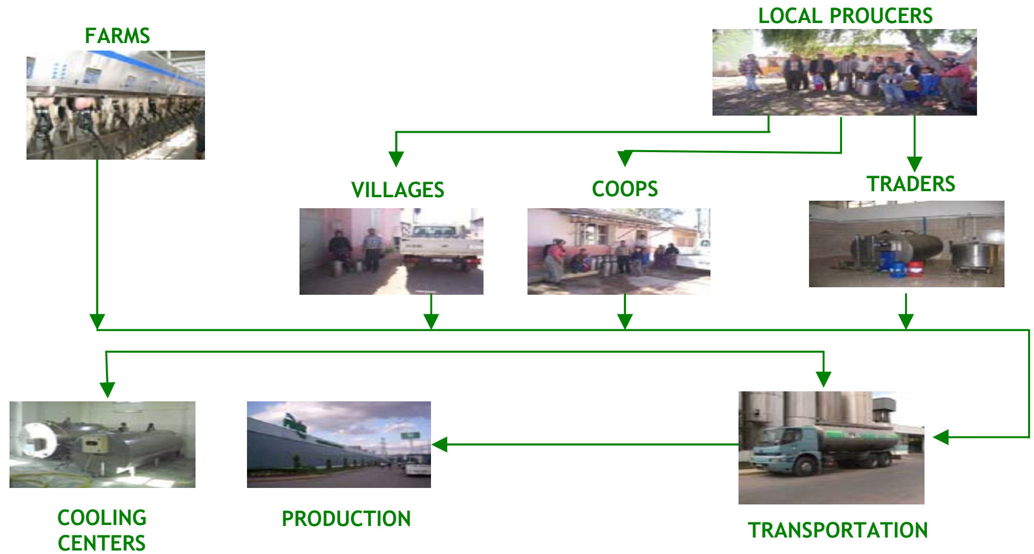



# Supply - Raw Milk Collection Process

***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.

# 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

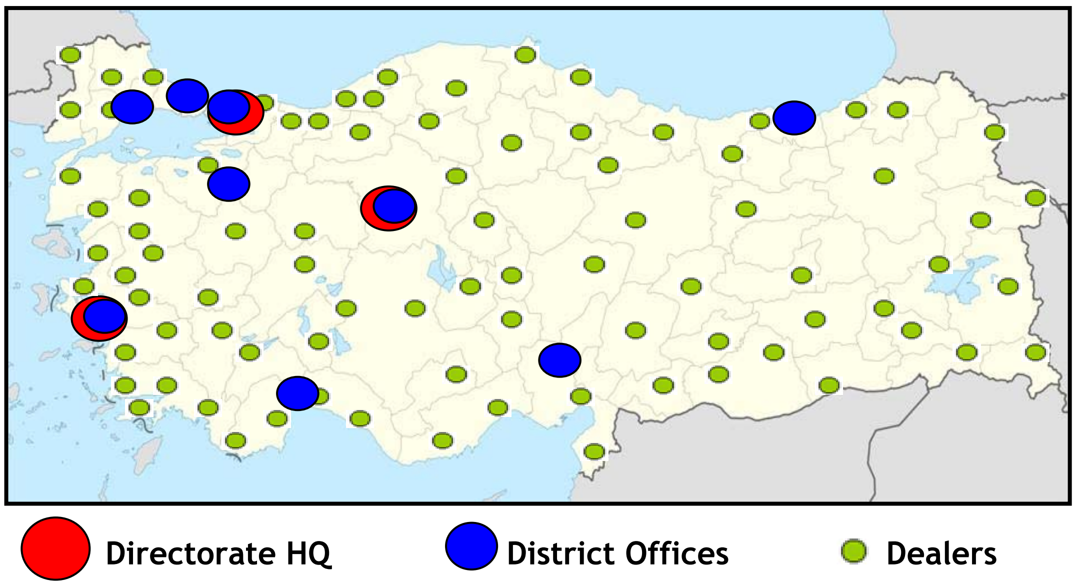
## *Yaşar Birleşik Pazarlama; Turkey's biggest nationwide cold & frozen distribution chain*

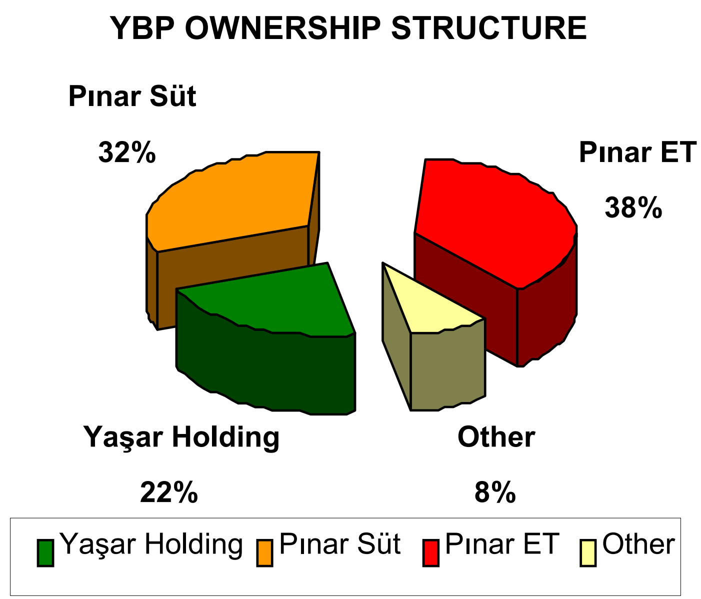
▶The distribution of food & beverage products are realized in -18˚C vehicles for frozen products, +4˚C vehicles for fresh products and classic vehicles for the rest

▶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 reflects homogeneous regional dispersal all around the Turkey

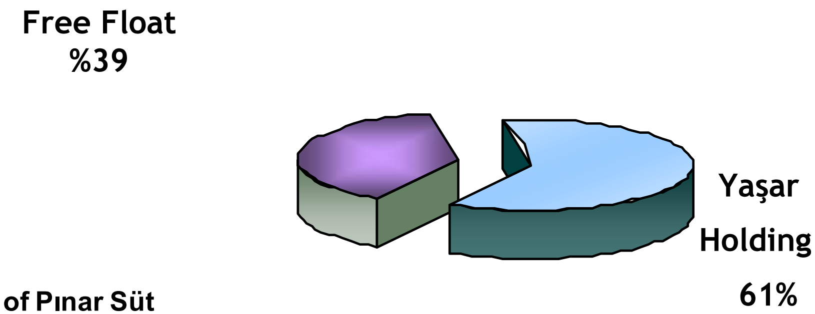


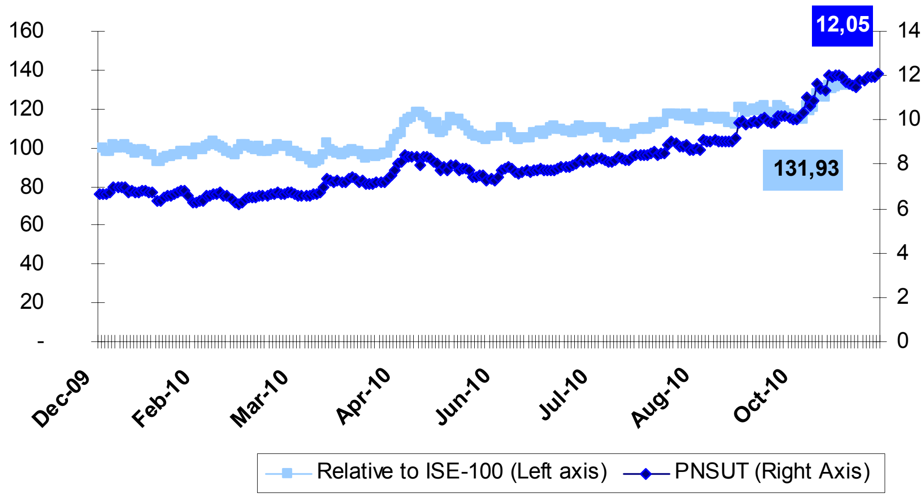
# Shareholders Structure of Pınar Süt

**As of November 11, 2010 ;**

- Share price > 12,05 TL
- Market value > 542 mn TL
- Paid-in capital > 44.951.000 TL
- Free float > %39
- Foreign shares in free float > 51%




**Absolute and relative performance of Pınar Süt (Relative to ISE-100)**

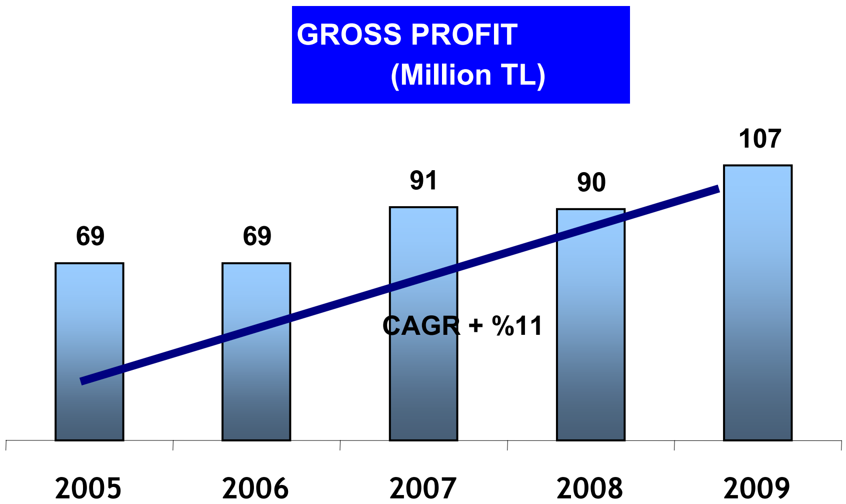


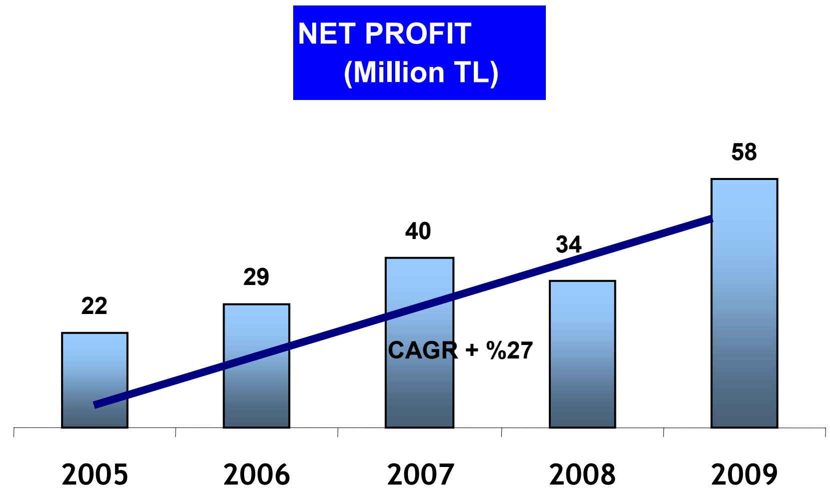
# Participations

| Company | Ownership % | Carrying Value | Activity |
|---|---|---|---|
| Yaşar Birleşik Pazarlama Dağıtım Turizm ve Ticaret A.Ş. (YBP) | 31.95% | 30,8 M TL | Sales&distribution of Pınar Süt, Pınar Et & other food products |
| Pınar Foods GmbH, Germany | 44.94% | 2.8 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% | 3.7 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% | 33.2 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% | 5.4 M TL | Bottling of drinking water - open to public |

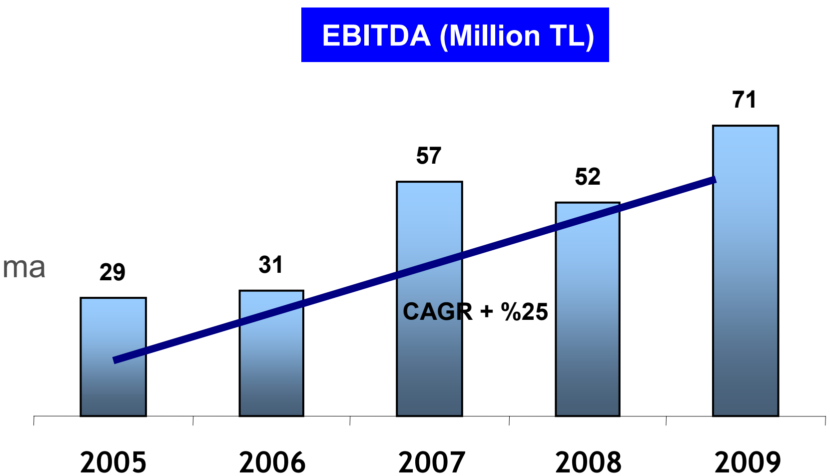

# FINANCIAL RESULTS

# 2005-2009 Performances




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

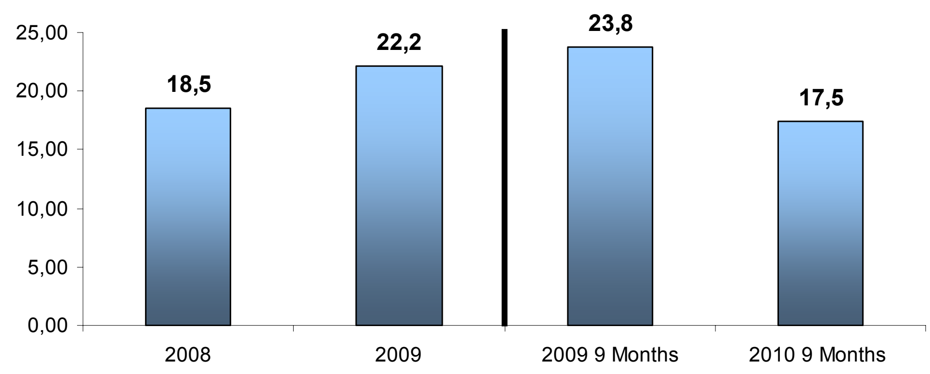


# Income Statement

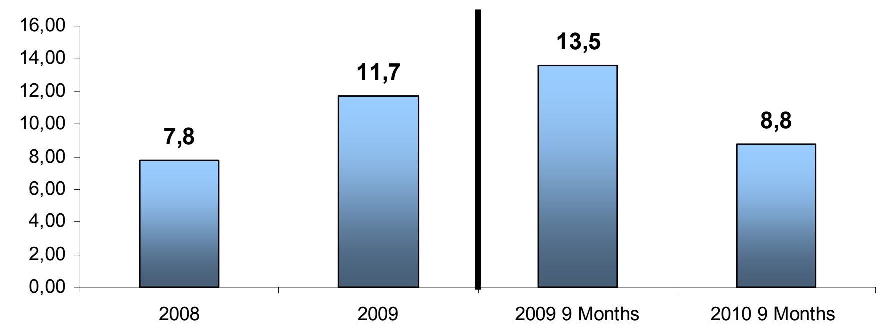
| (Million TL) | 30 Sept. 2010 | 30 Sept. 2009 | Difference | % Variance |
|---|---|---|---|---|
| **Net Sales** | **430,0** | **351,5** | **78,5** | **22,3** |
| Cost of goods Sold | (354,9) | (268,0) | (86,9) | 32,4 |
| **Gross Profit** | **75,1** | **83,5** | **(8,4)** | **(10,1)** |
| R&D Expenses | (3,5) | (2,8) | (0,6) | 21,9 |
| Sales, Distribution and Marketing Expens | (18,8) | (20,2) | 1,4 | (7,1) |
| General Administration Expenses | (15,1) | (12,8) | (2,3) | 17,7 |
| **EBIT** | **37,7** | **47,6** | **(9,9)** | **(20,8)** |
| Share of Results of Investments in Associates | 8,8 | 4,6 | 4,1 | 88,4 |
| Other Income | 6,3 | 2,9 | 3,5 | 122,1 |
| Other Expenses | (1,2) | (1,7) | 0,5 | (28,8) |
| Financial Income (Net) | 6,1 | 3,1 | 3,0 | 96,6 |
| **profit Before tax** | **57,7** | **56,5** | **1,2** | **2,2** |
| Tax | (9,1) | (11,0) | 1,9 | (17,4) |
| **Net Profit for the Period** | **48,6** | **45,5** | **3,1** | **6,9** |
| **EBITDA** | **48,4** | **58,5** | **(10,1)** | **(17,2)** |
| Total Assets | 487,0 | 479,0 | 8,0 | 1,7 |
| Equity | 356,3 | 350,2 | 6,1 | 1,7 |

# Profit Margins

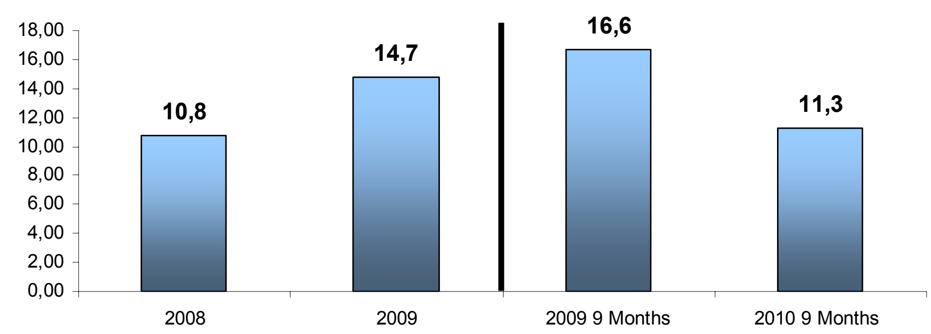
GROSS PROFIT MARGINS (%)



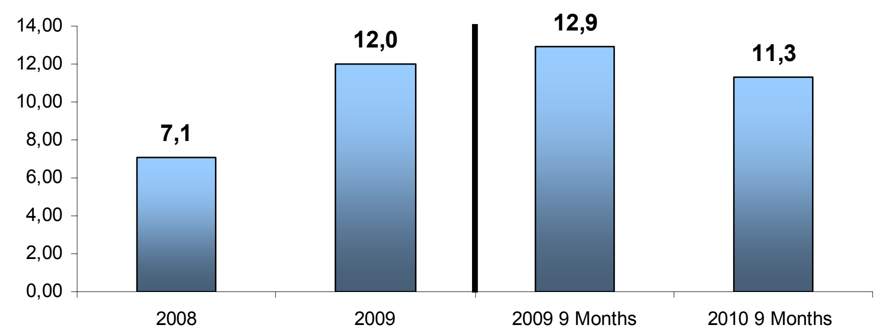

OPERATING PROFIT MARGINS * (%)




EBITDA MARGINS ** (%)

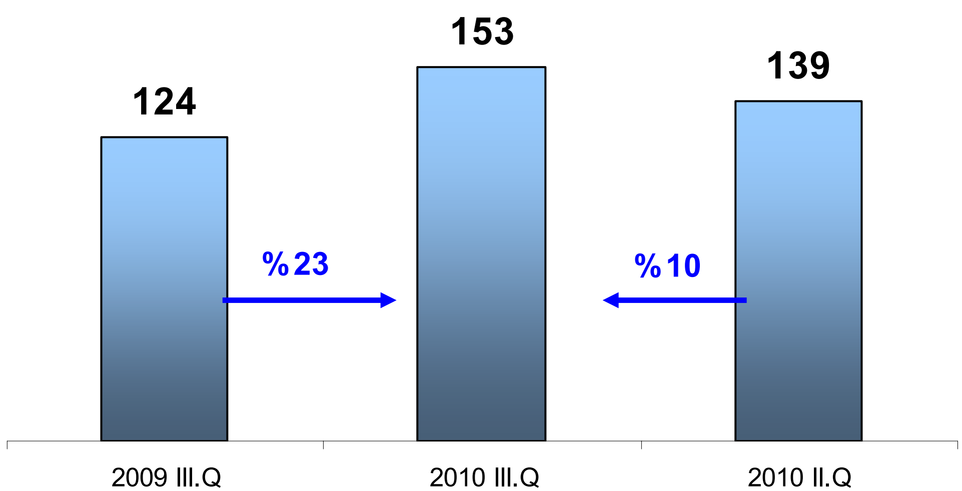



NET PROFIT MARGINS (%)



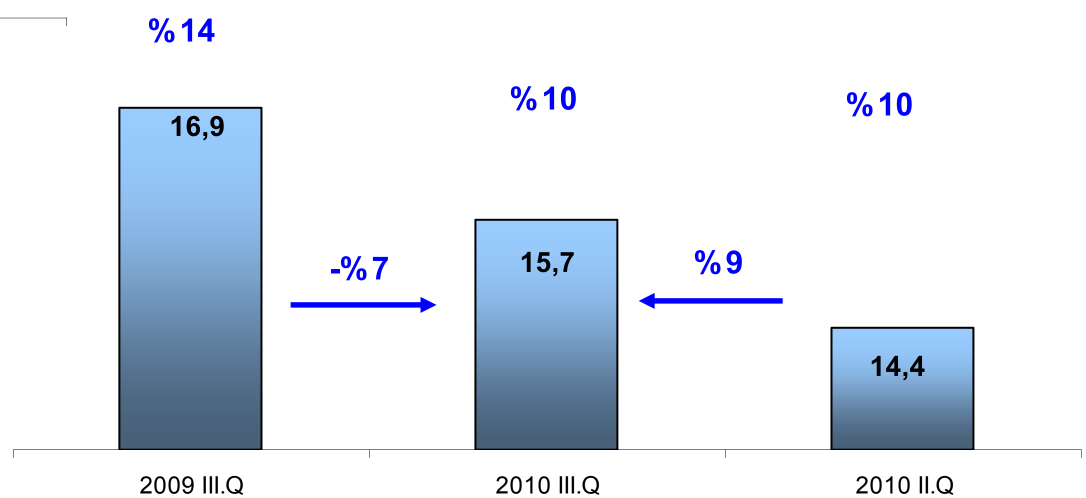
# First Quarter Results

NET SALES (Million TL)




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

EBITDA (Million TL)

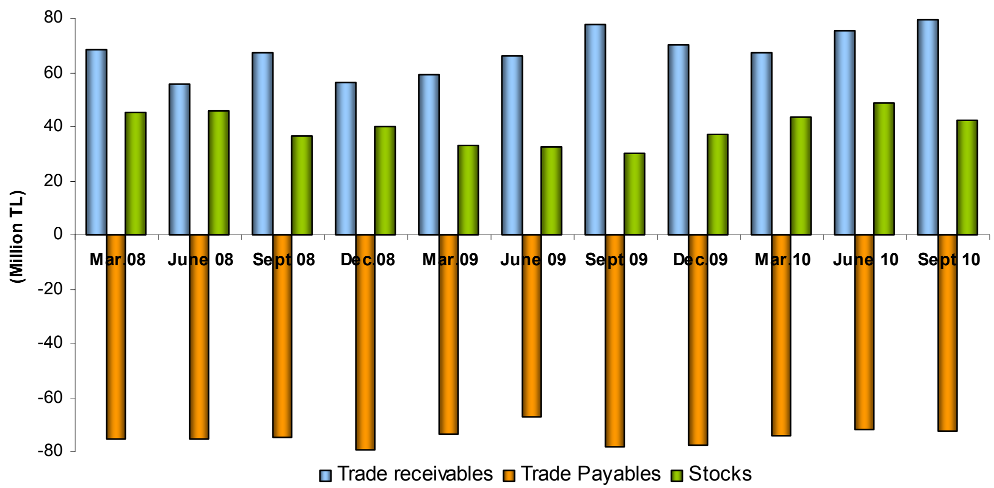



- High profit margins compared to previous years because of the low price of raw milk in the first nine months of 2009
- Higher raw milk price increase which has been started in the late 3rd quarter of 2009 and continued in 2010
- It has been passed on a part of raw material price increase to the product prices and made additional sales. So in average 11,3 % EBITDA margin has been provided in the first nine months of 2010

# Basic Ratios, Net Financial Debts & Net Working Capital

| | 30 Sept. 2010 | 31 Dec. 2009 |
|---|---|---|
| Current ratio | 2,02 | 2,17 |
| Leverage ratio | 0,27 | 0,27 |
| S/T Fin Debt/T. Fin Debt | 0,27 | 0,26 |
| Net Financial Debt/EBITDA | (1,91) | 0,24 |
| Total Fin Debt/Equity | 0,05 | 0,06 |

| (Million TL) | 30 Sept. 2010 | 31 Dec. 2009 |
|---|---|---|
| Cash & Cash Equivalents | 0,2 | 3,3 |
| S/T Bank Borrowings | 4,7 | 5,3 |
| L/T Bank Borrowings | 12,9 | 14,8 |
| Net Financal Debt | 17,4 | 16,7 |




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

# Evaluation of the first 9 months 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 late 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
- New UHT Milk Product Line has been started in Eskişehir
- Profitability was sustained in 2010 as a result of brand power, know-how and power of distribuiton network

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# Thank You

## Questions & Answers